



23 May 2013

David Brunoro
Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
CANBERRA ACT 2600

Via email: jcpaa@aph.gov.au

Office of the Chief Executive
Alex Malley, FCPA

CPA Australia Ltd
ABN 64 008 392 452

Level 20, 28 Freshwater Place
Southbank VIC 3006 Australia
GPO Box 2820
Melbourne VIC 3001 Australia

T +61 3 9606 9689
W www.cpaaustralia.com.au

E [REDACTED]
[REDACTED]

Dear David

Inquiry into the Public Governance, Performance and Accountability Bill (2013)

CPA Australia welcomes the opportunity to make a submission to the Committee's Inquiry into the Public Governance, Performance and Accountability Bill (2013).

CPA Australia represents the diverse interests of more than 144,000 members in finance, accounting and business in 127 countries throughout the world. Our vision is for CPA Australia to be the global professional accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

The Bill is described as a fundamental part of the broader reforms that were envisaged in the Commonwealth Financial Accountability Review (CFAR). In that context, we commend the Australian Government in articulating that compliance with independently set accounting standards is required of Commonwealth entities in their preparation of annual financial statements and the annual consolidated financial statements that comprise the whole-of-government financial statements and general government sector financial statements. We believe that the operation of a transparent government reporting regime benefits the Australian economy. That said, we are supportive of proposals referred to in the Explanatory Memorandum to explore options to streamline financial reporting requirements for Commonwealth entities, including through the introduction of tiered or differential financial reporting arrangements that are appropriately calibrated. CPA Australia believes it is important that this work is commenced earlier rather than later and that it is at the very least informed by the Australian Accounting Standards Board's mandated differential reporting framework and the outcomes of the ongoing discussions around the functionality of the reporting entity concept.

Our comments are limited to some parts of the Public Governance, Performance and Accountability Bill 2013 and the Explanatory Memorandum and some additional comments (see Attachment). If you require further information about our submission please contact Dr Mark Shying Senior Policy Adviser – External Reporting at CPA Australia via email at [REDACTED].

Yours sincerely

A large black rectangular redaction box covering the signature area of the letter.

Alex Malley FCPA
Chief Executive

Public Governance, Performance and Accountability Bill		
	Division 2, clause 36	Clause 36 requires the preparation of budget estimates for Commonwealth entities. However, clause 36 (and Division 2 more generally) are silent on the preparation of the budget for the general government sector (GGS). CPA Australia notes that the requirements for the preparation of the GGS budget are currently located within the Charter of Budget Honesty Act 1998. We had anticipated that the requirements for the Commonwealth Budget would be relocated to form part of this Bill and we would encourage the relocation to occur now or as part of the broader reforms as envisaged in the Commonwealth Financial Accountability Review (also see our comment regarding the Explanatory Memorandum paragraph 233 below).
	Division 3	CPA Australia supports the proposals to require audited annual performance statements. We believe that the success of a Commonwealth entity can be partially evaluated by reference only to its financial performance and position. Therefore, the provision of audited quantitative and qualitative performance information about services provided, is critical in this context (also see our comment regarding the Explanatory Memorandum paragraph below).
Explanatory Memorandum	Paragraph 233	Paragraph 233 states that estimates form the fundamental building blocks of the Commonwealth Budget. CPA Australia had anticipated that the requirements for the budget would have formed part of this Bill. In the absence of that change, we believe the Explanatory Memorandum should make clear that the Charter of Budget Honest Act continues to set out the requirements for the Commonwealth Budget.
	Paragraph 247	Paragraph 247 states that the performance statements are intended to form part of an integrated annual report. The Committee may be aware that the International Integrated Reporting Council is finalising its Integrated Reporting Framework, which provides for concise communication about how an entity's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term. It is expected that the communications that result from an entity's integrated report will be of benefit to a range of stakeholders, even though they are principally aimed at providers of financial capital. CPA Australia anticipates that stakeholders will come to connote a certain meaning to the term "integrated report" and suggests that if the Commonwealth proposes a different meaning then it may be useful to use a different term within the Explanatory Memorandum (and elsewhere as appropriate) and explain the proposed difference.
	Paragraph 271	Paragraph 271 states that the reporting deadline for all Commonwealth entities is the end of the fourth month after the end of a reporting period. CPA Australia notes that for ASX listed entities the reporting deadline is the end of the third month after the end of a reporting period. We understand the consolidation and audit process of the annual consolidated financial statements of the Commonwealth is a complex task. Nonetheless, the consolidation process for some ASX listed entities involves a significantly larger number of entities. In the interests of promoting high standards of governance and public accountability we believe that, at the very least, the Explanatory Memorandum should explain why it is necessary that the Commonwealth have four and not three months to meet its requirement under the Bill.

	Paragraph 471	Paragraph 471 states that public financial corporations and public non-financial corporations are unlikely to need to prepare estimates ordinarily, given that they are self-funding and do not receive appropriations in the Budget. CPA Australia is concerned about the messaging of this paragraph. As the Committee would appreciate Budget Paper 1 - Statement 9 of the Commonwealth Budget contains a number of tables which include estimates for the Public Non-Financial Corporations. Our initial reading of paragraph 471 led us to conclude that information of this type would no longer appear in the Budget Papers, an outcome we would not support. We have received advice that this was not the intention. We suggest that the wording in paragraph 471 should be reviewed to clearly communicate intentions.
Other comments		In our submission to the CFAR Position Paper – <i>Sharpening the Focus</i> we commented on the need to improve the capabilities of public officials of the Commonwealth and parliamentarians. Specifically, we indicated our support for any proposal that would improve their financial literacy. Regarding parliamentarians, we noted that arming parliamentarians with increased skills should encourage them to ask questions that matter – an outcome that would be in the public interest. We encourage the Committee to opine how improvements of this type might be implemented as part of the broader reforms envisaged under CFAR.
		The need for a framework on the role and responsibility of Chief Finance Officers (CFO). In our submission to the CFAR Position Paper and the earlier Discussion Paper we highlighted the importance of a framework that articulated minimum qualifications/experiences or the attributes and skills required of a CFO. Given the importance of the CFO's explicit and implicit role in governance, performance and public accountability, we encourage the Committee to opine how this might be addressed as part of the broader reforms under CFAR.