

CPAA - Inquiry into the Public Governance, Performance and Accountability Bill 2013

Comments by Professor Kerry Jacobs Australian National University

I do not feel that I am able to provide a comprehensive review of this bill or of how it would place Australia in the international setting. Therefore the nature of my comments are reflections and observations. However, I believe that this would place public sector reporting and governance in Australia at the cutting edge internationally.

My view is that there are very few other jurisdictions who have managed to bring their government reporting and accountability requirements within a single act. The introduction of similar reporting rules (i.e. one set of accounting standards) and the privatisation of many of the more commercial entities has made that possible and means that it is appropriate to consider a single act and this has potential to lead to significant benefits to both the Commonwealth and the States. However, the process is challenging and requires careful ongoing internal and external consultation.

The objectives of simplification, consistency, recognition of the nature of public sector performance and the centrality of risk are to be commended. This is the right direction to go. However, the devil will be in the detail (or perhaps in this case the accompanying rules). It is critical that this change simplifies rather than introduces additional complexity and care be taken to consult in the development of this framework and notions of differential reporting.

I endorse the position that the Auditor General remains as the auditor of all Commonwealth Entities. I believe that this is critical to retain independence and integrity of oversight.

On the issue of 'earned autonomy' is interesting but difficult. I support the idea that the nature of risk profile of a particular entity might justify reduced reporting and monitoring, but foresee difficulties in how risk profiles are assessed and the development of the differential reporting framework. This will be hard but also a potentially valuable and world-leading proposition. If successful I can see the potential for interesting academic papers.

Under the current FMA Regulations (section 22C 1(c)) the Chief Executive must ensure, as far as practicable, that the committee includes at least one member who is not an employee of the Agency (an *external member*). Personally I feel this is weak and allows a Chief Executive to declare that an external member is 'not practical'. I believe that to satisfy the wider expectations for good governance the majority of members of an audit committee should be external (not employees) and the chair should be independent. The existing regulations are weak and easy to bypass.

Therefore I would suggest, for the establishment of advisory boards for non-corporate Commonwealth entities, that independent members are not just permitted but expected (section 23 pg 21). For Audit Committees (section 45 pg 35) external members should be required – with the expectation that there would be an external majority and they would be chaired by an external member. However, I strongly support the suggestion that small Commonwealth entities might share an audit committee.

I am surprised that, given the general tenor of this bill to reduce red-tape, to encourage cooperation across government and to facilitate efficient oversight and reporting, that there is no reference to the wider SBR/XBRL project now located in the Australian Taxation office (previously within Treasury). This has the potential to simplify government-to-government transactions and to reduce

costs if systems need to be redesigned following departmental changes and restructuring. It would be worth considering how this fits with changes to the planning and reporting requirements.

In conclusion – I would support the bill as this is important, valuable and world-leading proposal. However, I would echo concerns that the changes do not impose additional and unnecessary reporting requirements on government entities or remove important oversights. It is hard to determine this as much of the more specific requirement will rest in rules rather than the legislation. Determining the detailed arrangements will be very challenging and considerable care will be required with ongoing internal and external consultation.

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May 2013