

# Submission to the Independent Review of the Public Governance, Performance and Accountability Act 2013

November 2017

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## Introduction

This submission provides the observations of the Reserve Bank of Australia (the Reserve Bank) on the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the *Public Governance, Performance and Accountability Rule 2014* (the Rule).

The Reserve Bank took an active part in the extensive consultation, led by the Department of Finance, prior to the commencement of the PGPA Act and the Rule. That involvement significantly assisted the Reserve Bank's appreciation of the changes wrought by the PGPA Act and the Rule and also allowed the PGPA Act and the Rule to accommodate the Reserve Bank's particular circumstances.

Accordingly, the transition from regulation under the *Commonwealth Authorities and Companies Act 1997* and associated regulations, orders and directions to regulation under the PGPA Act and the Rule has been relatively straightforward for the Reserve Bank. This submission therefore is limited to responding to two issues mentioned in the Terms of Reference in relation to accountability and governance, being:

- whether there would be benefit in bringing forward and potentially legislating an earlier annual report delivery and tabling date; and
- requirements for and the role played by entity audit committees.

In addition, we note an earlier submission made to the Department of Finance addressing issues arising from the Rule regarding material personal interests and indemnities. That submission was made on 23 March 2017 and proposed changes to sections 12, 13, 14 and 15 of the Rule. If our earlier submission should be provided directly to the Independent Review, please let us know.

## Annual reports – timing of tabling dates

The current requirement to present annual reports to the responsible minister by no later than 15 October works well for the Reserve Bank. This allows sufficient time for sign-off by senior management and the Reserve Bank Board, as well as for the financial statements to be signed by the Auditor-General, before the reports are printed and bound.

If the standards for presenting annual reports move to a digital-only or digital-first approach, then a number of weeks could be taken out of the production and distribution process. In that scenario, a shorter period from the end of the financial year to tabling would be possible. However, it is worth noting that if the requirement to present annual reports to the responsible minister was brought forward, say, to 15 September, with tabling to occur by the end of September, this would not always fit in with the parliamentary sitting timetable. This is because the tabling guidelines issued by the

Department of Prime Minister and Cabinet indicate it is expected that annual reports are tabled when the Parliament is sitting, with the option to table in the Senate out of session only if there is a statutory or urgent and compelling need to have documents presented at a time when the Parliament is not sitting.

These considerations mean that, in practice and with reference to the sitting timetable in recent years, presentation of annual reports to the responsible minister would be required some time before 15 September in order to allow time for formal approval to table annual reports and to arrange tabling on a sitting day around mid-September. While the Reserve Bank has on occasion met this timing in the past, making it a requirement may be impractical for some agencies and make for an unnecessarily tight production process soon after financial year-end.

## Role of audit committees – performance reporting

The responsibility of the Reserve Bank Board's audit committee under the Rule to review the appropriateness of the accountable authority's performance reporting for the Reserve Bank is now well understood. This responsibility is documented in the charter of the Reserve Bank Board's audit committee.

Since the advent of the PGPA Act and the Rule, the manner in which audit committees discharge this responsibility has been a matter for them to determine, assisted by guidance provided by the Department of Finance on the functions of audit committees. Formal guidance<sup>1</sup> was provided to agencies only a few weeks into the 2017/18 financial year, in most cases after audit committees had undertaken this responsibility in respect of 2016/17. Although this guidance was prepared for a wide range of Commonwealth entities and it was understood that the guidance would be likely to be refined over the subsequent year, it created some doubt with respect to the level and depth of oversight that audit committees should undertake in order to provide assurance to the accountable authority on the appropriateness of an entity's performance reporting.

This uncertainty was created by reference in the guidance<sup>2</sup> to a level of assurance that is 'comparable to the level of assurance that the audit committee gives in relation to financial reporting'. It is unlikely that the level of assurance audit committees could offer would be comparable to that given for financial reporting, particularly for an entity, such as the Reserve Bank, whose purpose is primarily to make policy (as set out in the corporate plan, to which the performance statement relates). Elsewhere in the guidance it is stated that 'a reasonable level of assurance on the appropriateness of an entity's performance reporting' is expected. For policy-making entities such as the Reserve Bank, a reasonable degree of assurance about the appropriateness of reporting of performance against broad policy objectives could be derived from audit committees considering the corporate plan for the period under review as well as reviewing the pro forma performance statement and proposed performance reporting process, the draft performance statement and any related internal audit review process. This is the practice that has been adopted at the Reserve Bank.

It would be helpful if the guidance from the Department of Finance acknowledged that fulfilling the processes as set out above, which by their nature are not 'comparable to that given by the audit committee in relation to financial reporting', would suffice for audit committees to provide

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1 Functions of audit committees: Reviewing the appropriateness of performance reporting, including for 2016-17 annual performance statements

2 Op. cit. An equivalent statement also appears in Resource Management Guide No. 134 (July 2017) – Annual Performance Statements for Commonwealth entities – see paragraph 55.

reasonable assurance to the accountable authority that the reporting of performance in terms of the relevant corporate plan and annual performance statement was appropriate, and thereby adequately discharge this responsibility. The Reserve Bank has conveyed these views to the Department of Finance as part of its regular engagement in relation to the PGPA Act, including on matters relating to corporate plans and performance statements.

Reserve Bank of Australia  
7 November 2017