



Australian Government
Department of Finance

Rosemary Huxtable PSM
Secretary

Mr Joel Bateman
Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Mr Bateman

In response to your invitation of 8 December 2020, please find attached a submission by the Department of Finance (Finance) to the Inquiry on Auditor-General Report No. 31(2019-20), *Management of Defence Housing Australia*, as part of the Joint Committee of Public Accounts and Audit's broader Inquiry into Governance in the Stewardship of Public Resources.

The submission is focussed on Finance's role in supporting Defence Housing Australia as it implements its revised business model and, more generally, in facilitating the governance of the Commonwealth's Government Business Enterprises (GBEs).

Thank you for the opportunity to provide this submission to the Committee. I trust this information will assist your Inquiry.

Yours sincerely



Rosemary Huxtable
Secretary

29 January 2021

Introduction

Defence Housing Australia (DHA) was established as a statutory authority in January 1988 under the *Defence Housing Australia Act 1987* (DHA Act). DHA is a Corporate Commonwealth Entity (CCE) for the purposes of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and has been prescribed as a Government Business Enterprise (GBE) under section 5(2) of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule).

DHA is a body corporate and sits within the Defence portfolio. The Responsible Minister is the Minister for Defence, who has delegated portfolio responsibility for DHA to the Minister for Defence Personnel. The Commonwealth's shareholding is overseen jointly by the Minister for Defence Personnel and Minister for Finance (Shareholder Ministers). The Department of Defence (Defence) and the Department of Finance (Finance) (together referred to as Shareholder Departments) support Shareholder Ministers. Defence also has a customer relationship with DHA, predominantly through the Defence Services Agreement.

As set out in the Secretary of Finance's response to the Auditor-General's report into the *Management of Defence Housing Australia* (the Report) (refer page 79 of the Report), Finance supported the recommendations and findings of the Report and is committed to:

- i. providing key lessons to GBEs relating to good practice governance, performance measurement, procurement and contract management;
- ii. considering the findings of the report when reviewing the *Resource Management Guide 126: Commonwealth Government Business Enterprises – Governance and Oversight Guidelines* (GBE Guidelines); and
- iii. working collaboratively with the Department of Defence and DHA on the implementation of the revised business model.

Governance Arrangements

Finance hosts regular GBE Forums with senior GBE representatives to provide shared lessons and improve governance practice, including with regard to performance measures, procurement and contract management. A key item on the agenda for each GBE Forum is to review and discuss recent audit reports and their lessons for GBEs. Due to COVID-19 restrictions and border closures in 2020, GBE Forums were impacted. However, Finance expects that as restrictions are lifted and borders reopen, GBE Forums will resume and the relevant lessons from the *Management of Defence Housing Australia* Report will be discussed in detail.

The GBE Guidelines are issued by Finance to provide policy guidance to GBEs in relation to board and corporate governance, planning and reporting, financial governance and other governance matters.

As both a CCE and a GBE, DHA is subject to specific Commonwealth reporting and disclosure requirements, as outlined in the PGPA Act and PGPA Rule, which go beyond those in the DHA Act. These include annual, periodic and ad hoc reporting arrangements, as well as disclosing information through Parliamentary processes. Further detail on the reporting and disclosure requirements imposed on DHA as a CCE are summarised on page 13 of the GBE Guidelines.

In 2020, Finance commenced a review of the GBE Guidelines to ensure currency and consistency, and to reflect key learnings from recent Auditor-General reports of GBEs as well as recent updates to legislation, good governance practice, and other matters identified in recent GBE reviews.

As part of the Department's response to the COVID-19 pandemic, consultation on the review of the Guidelines was restricted which has extended the review beyond its intended completion by the end of 2020. However, Finance remains committed to the review and will consult with relevant stakeholder on proposed amendments to the Guidelines early in 2021.

DHA's business model

Finance is supporting DHA's transition to a revised business model. DHA has begun this transition and Finance will continue to work closely with Defence and DHA throughout this process.

In October 2020, Finance amended and restated the terms and conditions of DHA's borrowings with the Commonwealth to provide a facility that allows DHA to repay and redraw money. The terms of the borrowing arrangements, which align with equivalent private-sector loan terms, allow DHA to manage its capital in a more efficient and flexible manner to ensure that it continues to provide Australian Defence Force (ADF) members with critical housing services.

In response to the recommendations and findings of the Report, specific governance arrangements have been established to review the Defence Services Agreement, reflecting the scale and complexity of this work. A Project Steering Committee, which includes the Deputy Secretaries from Shareholder Departments and DHA's Managing Director, provides feedback and guidance on the strategic direction and business objectives to be achieved in this review.

Supporting the work of the Project Steering Committee, a Review Control Group is responsible for coordination and operations related of the review. Membership is comprised of representatives from DHA and Defence.

Concluding Comments

Finance is committed to the good governance and performance of the Commonwealth's GBEs and is incorporating key lessons from the Report into the GBE Guidelines update. Finance continues to work closely with DHA and Defence to ensure DHA continues to provide ADF members with critical housing services, in a financially sustainable manner.