

CSIRO Submission 14/496

Joint Committee of Public Accounts and Audit

Inquiry into Public Governance, Performance and Accountability Act 2013 Rules Development

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Terms of Reference

On 13 February 2014, the Joint Public Accounts and Audit Committee resolved to inquire into and report on the Public Governance, Performance and Accountability Act 2013 (PGPA Act) rules development. The Committee will consider the process for the development of the rules, the impact of the rules, and the purpose of the rules in the context of the broader Public Management Reform Agenda.

Thank you for the opportunity to make a submission to this inquiry.

Development of Rules

CSIRO has been actively engaged throughout the development and now implementation of the Public Management Reform Agenda. The Department of Finance (DoF) has maintained a highly consultative process through the Commonwealth Financial and Accountability Review (CFAR), drafting of the PGPA Act and now the development of the Rules and associated Resource Management Guides. CSIRO is continuing to participate through involvement on the Project Steering Board and Reference Groups as well as the provision of specific comments.

Impact of rules

The impact of the Rules will be positive provided they are individually and collectively consistent with the Public Management Reform Agenda. In particular, consistent with the way the Reform Agenda has sought to clarify duties and improve the integration and transparency of performance and accountability across the Commonwealth public sector.

In that context, CSIRO notes:

- The development of the Rules should continue to recognise the fundamental duty of the Accountable Authority to govern the entity in a way that promotes the proper use of resources, achievement of purpose, and financial sustainability. It is appropriate for the Accountable Authority to be required to establish and maintain appropriate system of risk management and internal control.

For CSIRO, the implementation of the PGPA Act and Rules provides an opportunity to review and benchmark governance behaviours and practices; to further support efforts within the organisation to stimulate innovation and professional autonomy and in due course to demonstrate organisational compliance as a basis for future earned autonomy. The duties of the Accountable Authority will be reflected in organisational policies and cascaded to the roles and accountabilities of senior managers, in particular.

- The Rules as part of the broader Reform Agenda have potential to foster collaboration whilst reducing unnecessary red-tape and bureaucracy. Collaboration including cross-jurisdiction collaboration is essential to addressing national challenges and delivering innovative programs.

For CSIRO the benefits of scientific research come generally from the interaction of two or more 'connected' players. Connections facilitate access to knowledge, know-how, infrastructure, funding, resources and clients. However, the opportunity cost of 'connecting' is often substantial so the new Commonwealth Financial Framework and associated Rules need flexibility to support collaboration. The Framework in itself is not a barrier but CSIRO would encourage efforts within the broader reform program to explore mechanisms that enable government priorities to be funded and governed on a program or outcome basis, rather than necessarily on an entity by entity basis alone. CSIRO's experience

with the implementation of the National Research Flagships Program may serve as a useful case study in this regard.

The possible financial management risks associated with that approach would be balanced by the opportunity to implement more integrated whole of government solutions.

Collaboration works best when entities are prepared to share the risks and benefits. Accordingly, the development of the Rules and related initiatives should also seek to address the learnt behaviours in the public sector that work against collaboration and the tendency to transfer risk or to seek to mitigate risk through additional controls that add complexity and cost.

There will be opportunities to make substantial improvements to collaboration and program outcomes as the rules on grants and procurement, managing appropriations, risk oversight and management, performance, and others are developed.

The duty on Accountable Authorities to encourage officials to cooperate with others to achieve common objectives, where practicable (PGPA Act s17) sends an important message in this regard.

- The Rule on corporate planning and performance measurement and reporting will be important to improving the quality and transparency of decision making at a whole of Government and entity level and should provide increased confidence to the Parliament on the proper use of public resources.

The Rule should as intended support an efficient and integrated planning, performance and accountability process based on the preparation of a corporate plan with associated performance measures as the primary input to the Commonwealth Budget process. The identification of effective and comparable performance measures would benefit from supporting guidance material.

The increased emphasis on non-financial performance measurement and reporting is highly appropriate for an organisation like CSIRO where the social, environmental and economic benefits of scientific research are appropriated by Australian industry and the community.

Rules and related processes should continue to reinforce the merits of an outcomes based performance framework.

- To ensure the proper use and management of public resources, CSIRO considers it is better for government and entities to focus on managing risk at the concept and planning stage, and in terms of a whole portfolio of work, than later through individual transactions. Entities are then accountable for maintaining appropriate systems of internal control that ensure the aggregate set of activities and associated expenditure is in accordance with the approved plans. This approach would also avoid the risk of under or over governing the wrong things and losing sight of the combined risks.

The Rules should, wherever possible, allow entities to determine what is appropriate, on basis that they will be accountable. The Accountable Authority is best placed to understand the organisational context and maturity of its control environment.

In developing the Rules and related resources, CSIRO would encourage, wherever possible, alignment with standards applied in other sectors of the economy. This will enable a consistent community of practice, people to transfer from private to public sector, and support the communication of better practice material and access to training.

Purpose of rules

CSIRO considers the Rules should serve to promote consistency and define minimum standards or requirements across the Commonwealth and, as proposed, be supported by guidance material and education and training programs. Draft Rules developed to date have for the most part met that objective.

In promoting consistency, the Rules should also allow flexibility for entities to apply the Rules in a manner which is useful, informative and can be easily aligned to internal purposes and processes. The tension is balancing the requirements of the 'centre' in terms of the consistency and granularity of information, including on specific matters such as timeframes, with the requirements of entities. This also goes to the level of information required for what purpose, given respective roles and accountabilities.

The combination of the PGPA Act, Rules as legislative instruments, General Policy Orders, and Resource Management Guides will provide certainty for entities, whilst allowing the Government the necessary flexibility to modify the Financial Management and Accountability Framework in an efficient and timely manner. The Act also allows for Rules to apply to non-corporate entities and corporate entities (e.g. CSIRO).

The reforms are based on the duty of the Accountable Authority to govern the entity. It will therefore be important that the development of the Rules and related material continues to be consultative. The risk of imposing Rules without consultation, or introducing inappropriate central oversight, is that it might inadvertently disempower the Accountable Authority and reduce desired accountability.