Joint Committee on Public Accounts and Audit
Wednesday 3 March 2021

Opening statement from Deputy Secretary Pip Spence PSM, Department of Infrastructure, Transport, Regional Development and Communications

Good afternoon.

As set out in our response to the Report, the Department has agreed to all three of the ANAO's recommendations and actions responding to the Report are well underway.

We have also implemented a number of changes since the actions covered in the report occurred - including issuing a new Accountable Authority Instruction (also known as AAIs) on Risk Management in 2019 and including a new corporate requirement on fraud and risk in performance agreements. Our first risk appetite and tolerance statements were published in the Department's 2019-20 Corporate Plan and risk planning became a critical element of the Department's business planning process.

Actions being taken in response to the Report:

Actions being taken in response to the Report's recommendations, which go to the stewardship of public resources, can be broadly grouped into three areas.

First, and consistent with recommendations one and three of the ANAO Report, the Department is **bolstering existing processes and guidance for demonstrating value for money**, including around land valuations and associated transactions, consistent with requirements under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

- The Department's AAIs have been updated to increase controls and oversight of land acquisitions and disposals by the Department's senior governance committee, prior to the exercise of applicable delegations under the *Lands Acquisition Act 1989* (LAA) and the PGPA Act.

- As part of a broader Financial Framework Review, which will be finalised in the first half of this year, the Department is:

  o updating existing guidance on requirements to spend money under the PGPA Act to highlight the need for additional consideration to be given to large and complex transactions, including valuations and land acquisitions, and

  o rolling-out additional financial management and procurement training, which includes a case study incorporating lessons from the Leppington Triangle transaction.

- We are working with the Department of Finance to develop more detailed guidance on land acquisitions, disposals and valuations to ensure that our approach is consistent with requirements under the LAA and the *Commonwealth Property Disposal Policy*.

Second, we are **further strengthening audit and risk management frameworks** to incorporate lessons from the Leppington transaction, including processes for conducting internal reviews.

- AAIs have been updated to require that, where the ANAO recommends an internal review, it is undertaken by a reviewer from outside the affected work area. The review approach has to be endorsed by the Department's senior governance

committee, and outcomes will be considered by that Committee, the Audit and Risk Committee and the Secretary.

- Guidance to staff on their roles and responsibilities when participating and responding to ANAO performance audits has been reviewed and updated.

- A designated SES-level Chief Risk Officer has been established, supported by a dedicated audit and risk branch. The focus of this branch will be to bolster the Department's audit and risk management capability and enhance the Department's risk culture and awareness.

- The Department's risk appetite and tolerance statements have been revised to reflect the level of risk that the Department is willing to accept and to identify areas where increased controls are required.

- Training and tools to support improved risk management capability across all levels in the Department will be rolled out to staff the first half of 2021.

Lastly, the Department is **improving how probity issues and conflicts of interest are managed.**

- A new independent probity adviser has been appointed in the Major Transport and Infrastructure Projects Division to make sure that probity risks are appropriately managed across the Division.

- This builds on the Department's requirement for an SES-level internal probity adviser (from outside the relevant division) to be appointed for all procurement activities requiring a probity

and risk management plan. Where required, external probity advice is also obtained.

- Consistent with recommendation two of the ANAO Report, our existing protocols for meeting with interested parties, developed specifically for the Western Sydney Unit, are being revised to cover the full remit of the Department's activities.

- The guidance will address key issues raised by the ANAO including the need to document meeting location, presence of multiple officials and record-keeping requirements.

- In relation to conflicts of interest, annual declarations from SES staff and identified non-SES staff (based on their responsibilities) must be provided to their SES managers to determine any actions needed to manage declared conflicts. Any serious, real or apparent conflicts will be brought to the Secretary's attention so that an appropriate management strategy can be put in place.

- The importance of identifying and managing conflicts of interest is also included in mandatory Department-wide fraud and integrity training to ensure that staff and managers are aware of their responsibilities.

The Department welcomes the opportunity to discuss this work further with Committee.

That being said, there are a number of ongoing investigation and review processes into matters raised in the Report, including an investigation being undertaken by the Australian Federal Police.

The ongoing nature of these processes, and the need to comply with the AFP's request not to publicly release material that may prejudice their investigations, means there will be some limits on what can be

shared with the Committee today. The Department expects to be able to provide more detail once these processes are completed.

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