



Australian Government
Department of Finance

Matt Yannopoulos PSM
Secretary

Our Ref: GR24-000012

Mr Josh Burns MP
Chair
Joint Committee of Public Accounts and Audit
Parliament House
Canberra ACT 2600

Dear Chair

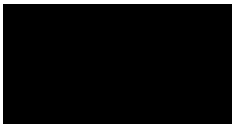
I am writing to provide you with the Department of Finance's responses to Recommendations 2 and 4 of the Joint Committee of Public Accounts and Audit Report 506: *Inquiry into Commonwealth Financial Statements 2022-23*, tabled on 4 November 2024.

As these matters are administrative in nature, an Executive Minute is provided at Attachment A responding to these recommendations.

Ms Kim-Louise Benning, Director – PGPA and Digital Reporting Branch, is the contact officer for this matter in Finance and can be contacted on (02) 6215 3656 or by email at kim-louise.benning@finance.gov.au.

Thank you for your consideration of this matter.

Yours sincerely



Matt Yannopoulos PSM
Secretary

/ December 2025



Australian Government

Department of Finance

EXECUTIVE MINUTE

on

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

REPORT [No. 506]

Inquiry into Commonwealth Financial Statements 2022-23

General comments

On 4 November 2024, the Joint Committee of Public Accounts and Audits (the Committee) tabled Report 506 *Inquiry into Commonwealth Financial Statements 2022-23*.

The Committee's inquiry was based on matters contained in and associated with Auditor-General Report No. 9 of 2023-24: *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2023*.

Report 506 made two recommendations directed to the Department of Finance (Finance). Finance's responses to Recommendations 2 and 4 are detailed in this Executive Minute.

Recommendation No: 2

The Committee recommends that the Department of Finance amends the current guidelines to require that it be notified immediately of any breach of the executive remuneration rules and then engage with the entity in question to discuss remediation steps. The Committee is requesting an anonymised update from the Department of Finance within 12 months of the tabling of this report on the number of reported breaches it has received, the amounts involved, and whether they have been adequately resolved.

Response:

Not agreed.

The Department of Finance (Finance) notes that existing measures support transparency in relation to executive remuneration arrangements, including significant non-compliance in relation to remuneration.

The *Public Governance, Performance and Accountability Act 2013* imposes duties on accountable authorities to govern their entity in a way that promotes the proper use and management of public resources and to establish systems of risk oversight and management and internal control that are appropriate for their entity. These duties extend to ensuring the application and management of remuneration policies within their entities is undertaken in line with the principles set by the APSC and the determinations set by the Tribunal as appropriate.

Accountable authorities of Commonwealth entities are also required to notify their responsible Minister of any significant issue that has affected the entity or any of its subsidiaries, and if the issue constitutes a significant non-compliance with the finance law, to also report this to the Finance Minister. Significant non-compliance with the finance law could include matters that go to failures of internal controls in relation to remuneration where the accountable authority deems these to be significant.

The *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) establishes requirements for Commonwealth entities and companies to report on executive remuneration arrangements in annual reports. Entities are required to report their policies and practices regarding the remuneration of key management personnel (KMP), senior executives and other highly paid staff (OHPS). This includes setting out the governance arrangements under which the entity's remuneration policies and practices operate, and the basis on which the remuneration of KMP, senior executives and OHPS are determined. It is a matter for each accountable authority to be satisfied that their entity annual reports meet these requirements.

Finance does not, however, determine executive remuneration policies or practices, and is not best placed to support entities to take remediation actions to address breaches. The Australian Public Service Commission (APSC) issues guidance on the principles governing performance bonus use in Commonwealth entities and companies, and the Remuneration Tribunal (Tribunal) sets pay for high-level statutory and executive officers. Entities are best positioned to manage the remediation of compliance breaches, which may include seeking advice from the APSC or Tribunal as appropriate.

Recommendation No: 4

The Committee recommends that, as part of its ongoing consultation process, the Department of Finance now develops a mandatory framework with detailed guidelines for internal auditing for all Commonwealth entities within 12 months of the tabling of this report.

Response:

Not agreed.

The Department of Finance (Finance) agrees that entities should have robust internal controls. The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) establishes a principles-based framework that requires accountable authorities to establish internal controls but provides flexibility to ensure that these are appropriate to the size, complexity and risk profile of the entity. Mandating the establishment of an internal audit function for all 178 entities would not align with the principles-based approach and would introduce additional regulatory burden across all Commonwealth entities without a commensurately broad benefit.

Finance provides a range of practical guidance to assist entities in meeting their obligations under the PGPA Act. This includes support for accountable authorities in fulfilling their duty to establish and maintain systems relating to risk and control (section 16) and an obligation to establish an audit committee to assist them in meeting their duties (section 45). An entity's audit committee should support an accountable authority by reviewing the appropriateness of the accountable authority's financial reporting, performance reporting, system of risk oversight and management and system of internal control.

Finance's guidance on audit committees (*Resource Management Guide (RMG) 202: Audit Committees*) includes matters an accountable authority could consider when determining the audit committee's functions, structure and conduct. It also provides a model audit committee charter designed to assist accountable authorities, and officials supporting accountable authorities, to meet the requirement for a written charter that determines the functions of the audit committee (under section 17(1) of the *Public Governance, Performance and Accountability Rule 2014*). The model charter is a guide; accountable authorities may tailor their approach to suit their entity's specific circumstances, provided it meets the legislative requirements.

To further support accountable authorities and entities, Finance will shortly publish *RMG 205: Strengthening Internal Controls*. This RMG will include guidance on the role and value of internal audit processes. Finance consulted with the Australian National Audit Office, the Institute of Internal Auditors and a number of Commonwealth entities in the development of this guidance. Ongoing review of related RMGs, including those relating to the duties of accountable authorities and audit committees, will also continue to ensure consistency across Finance's resources.

Signed by

Matt Yannopoulos PSM
Secretary

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