

1 May 2015

Committee Secretary
Joint Committee of Public Accounts and Audit
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**ABC submission to the Joint Committee of Public Accounts and Audit inquiry
into the Enhanced Commonwealth Performance Framework**

Dear Madam/Sir,

The ABC welcomes the opportunity to provide input into the inquiry by the Joint Committee of Public Accounts and Audit (JCPAA) into the Enhanced Commonwealth Performance Framework. The Corporation has actively engaged with the Department of Finance throughout its process of developing that Framework. It made several submissions in response to iterative drafts of the *Public Governance, Performance and Accountability Legislation Amendment (Corporate Plans and Annual Performance Statements) Rule 2015* ("Amendment Rule") and associated guidance prepared by the Department of Finance.

The ABC notes that Amendment Rule was signed by the Minister for Finance on 20 April 2015 and has now been incorporated into the *Public Governance, Performance and Accountability Rule 2014* ("2014 PGPA Rule"). In that light, the Corporation wishes to draw the Committee's attention to a small number of aspects of the Amendment Rule that it regards as being of some concern. The ABC has raised a number of these matters with the Department of Finance in prior submissions.

Duplicate publication of performance measures

During the development of the Amendment Rule, the Department of Finance grasped an opportunity to consolidate entity performance measures in a single location. This was in contrast to the previous arrangements under which the entity's portfolio budget statement and corporate plan both set out such measures, a requirement that resulted in significant duplication of reporting and potentially required anyone seeking to understand the annual activities of the entity to look in separate places.

The last draft of the Amendment Rule achieved this by situating financial measures in an entity's portfolio budget statement and non-financial/strategic measures in its corporate plan. The ABC was supportive of that solution, as it is consistent with the Corporation's belief that its primary strategic and

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planning document is its corporate plan. The ABC corporate plan is prepared by the Corporation's independent accountable authority, the ABC Board, in accordance with requirements set out in the *Australian Broadcasting Corporation Act 1983*.

The Corporation understands that the JCPAA requested that planned performance information be retained in portfolio budget statements and that, as a result, the Department of Finance intends to issue a direction under s.36(3) of the *Public Governance, Performance and Accountability 2013* ("PGPA Act") in order to mandate the inclusion of performance measures in portfolio budget statements.

The ABC believes that this request by the JCPAA effectively undermines the de-duplication that the Amendment Rule had sought to achieve. It believes that the JCPAA should consider withdrawing its request to Finance; in the absence of the proposed direction, the 2014 PGPA Rule, as amended by the Amendment Rule, achieves that de-duplication.

The Corporation would also welcome clarification of the relationship between the two documents under the proposed direction. The Department's website states that entities' portfolio budget statements will contain a "strategic subset" of the performance information contained in their corporate plan (<https://cfar.govspace.gov.au/legislation-pgpa-act/>, accessed 1 May 2015). This is consistent with the ABC's belief that the corporate plan should be an entity's primary planning document. However, the draft direction released by the Department does not reflect that logic, instead strongly implying that portfolio budget statements constitute entirely separate planning documents that need not use the same range of performance measurement methodologies as entities' corporate plans (<https://cfar.govspace.gov.au/files/2013/10/Draft-PBS-Performance-Information-Direction.docx>, accessed on 1 May 2015).

Four-year corporate plans

The ABC is allocated funding on a triennial basis in order to allow it to plan and undertake multi-year activities, including content commissioning, with some certainty. As a result, the Corporation has traditionally prepared three-year corporate plans that align with the period for which its funding is certain.

The requirement in s.16E(1) of the 2014 PGPA Rule that entities prepare annual corporate plans covering four reporting periods does not align with the ABC's funding cycle and is expected to impact significantly on the preparation of its corporate plans, especially for those years for which funding is not confirmed or known and therefore uncertain.

The Corporation considers that it would be more appropriate for entities to be required to prepare corporate plans for a period that is aligned with the period for which its funding is certain.

Annual reporting on risk management systems

Item 6 in s.16E(2) of the 2014 PGPA Rule requires entities to publish information about their risk management and fraud control systems in their corporate plans. The ABC accepts this requirement insofar as it is intended to demonstrate that entities have adequate control systems in place. However, the Corporation is concerned that more detailed reporting on risk management oversight and systems has the potential to reveal commercially-sensitive aspects of the entity's activities.

Non-government subsidiaries

Item 4(b) of s.16E(2) of the 2014 PGPA Rule requires entities to articulate how subsidiaries will contribute to the achievement of each entity's purpose. In circumstances where an entity participates in and is in a position exercise a level of control over a non-government entity, that non-government entity may be regarded under accounting standards as a subsidiary. The inclusion of such non-government subsidiaries, especially non-government subsidiaries that operate as commercial entities in their own right and compete with the corporate sector in the provision of services, is likely to result in significant challenges, including the risk of disclosure of commercially-sensitive information. Accordingly, the ABC believes that such non-government subsidiaries should not be subject to the requirements of the 2014 PGPA Rule.

Due dates for corporate plans

As noted above, the ABC is funded on a triennial basis. In practical terms, that means that its corporate plan is unlikely to change significantly during the course of a funding triennium. However, if there is a noticeable change in funding from one triennium to the next, a considerable body of work will be required to develop a new corporate plan that reflects the changed resourcing level. This work will need to be carried out in the relatively short period between the Commonwealth Budget and the date on which the corporate plan is required to be published and will include processes for approval by the ABC Board and prior provision to the relevant Ministers. The Corporation notes that entities funded on an annual basis will face similar pressure each year.

The ABC understands that the JCPAA intends to provide further parliamentary scrutiny of the Enhanced Commonwealth Performance Framework over a longer period. The Corporation would welcome the opportunity to contribute in any future consultation on the Framework by the Committee.

Should the Committee have further questions about the ABC's position on any of the matters it has raised, please do not hesitate to contact me. I can be reached by phone on [REDACTED] or at [REDACTED]

Yours faithfully,



Aziz Dindar
A/Director of Business Services