



Australian Government

Department of Finance

EXECUTIVE MINUTE

on

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

REPORT [No. 502]

The never-ending quest for the golden thread

General comments

On 26 June 2024, the Joint Committee of Public Accounts and Audit (the Committee) tabled Report 502 *The never-ending quest for the golden thread*.

The Committee's inquiry was based on matters contained in and connected to the following Auditor-General Reports:

1. No. 30 of 2022–23 *Probity Management in Financial Regulators — Australian Prudential Regulation Authority*
2. No. 36 of 2022–23 *Probity Management in Financial Regulators — Australian Securities and Investments Commission*
3. No. 38 of 2022–23 *Probity Management in Financial Regulators — Australian Competition and Consumer Commission*
4. No. 31 of 2022–23 *Administration of the Community Health and Hospitals Program — Department of Health and Aged Care*
5. No. 18 of 2022–23 *Acquisition, Management and Leasing of Artworks by Artbank — Department of Infrastructure, Transport, Regional Development, Communications and the Arts*.

Report 502 made four recommendations directed to the Department of Finance (Finance). Finance's responses to Recommendations 1, 5, 6 and 11 are detailed in this Executive Minute.

Recommendation No: 1

The Committee recommends the Department of Finance issues guidance that makes clear to public officials that if they breach finance law, suggesting there was no malice or personal gain is not sufficient to fulfil their obligation under the Public Governance, Performance and Accountability Act 2013 to act honestly, in good faith, and for a proper purpose.

Response:

Agreed.

Resource Management Guides (RMGs) and other guidance tools and resources support Commonwealth entities and companies in meeting the requirements of finance law, which includes the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), the *Public Governance, Performance and Accountability Rule 2014*, and instruments made under the PGPA Act.

RMGs are periodically reviewed and updated to reflect changes in government policy and Finance law, and to take account of recommendations made by Parliamentary Committees and Auditor-General Reports. As guides, RMGs explain the legislation and policy requirements in plain English and support accountable authorities and officials to apply the intent of the framework.

The suite of RMGs is being reviewed to explore where further enhancements can be made to provide clear guidance to officials on finance law, and what constitutes a breach of finance law. This review will include consideration of updates to *RMG-200 Duties of Accountable Authorities* and *RMG-203 General duties of officials*, which provide specific guidance to officials on their duty to act honestly, in good faith, and for a proper purpose (section 26 of the PGPA Act).

Recommendation No.5

The Committee recommends the PGPA Act Framework be amended to introduce a requirement for entities to develop and maintain an overarching Integrity Framework that brings together:

- *the relevant legislative, regulatory and policy frameworks through which the agency functions*
- *assessments of major integrity risks*
- *statement of the desired culture as it applies to officers demonstrating probity and acting ethically as they carry out their responsibilities*
- *assurance mechanisms of sufficient substance and scope, appropriate to the size of the entity and its risks, for accountable authorities to be confident officers are acting according to the letter and the intent of the frameworks*
- *robust accountability arrangements.*

Accountable Authorities must report on their Framework, including culture, in their annual report and state they have evidence officers in their agency are acting with probity.

Response:

Agree that entities should have in place integrity frameworks aligned with their business, noting that any amendments to the PGPA Act are a matter for Government.

Aspects of this recommendation relate to work underway across the Australian Public Service, including initiatives being led by the Australian Public Service Commission under the *Public Service Act 1999* framework.

To support the implementation of this recommendation, Finance is enhancing guidance provided in Resource Management Guides (RMGs), specifically *RMG-135 Annual Reports for non-corporate Commonwealth entities*; *RMG-136 Annual Reports for corporate Commonwealth entities*; and *RMG-137 Annual Reports for Commonwealth companies*, to incorporate guidance for entities on the inclusion of probity reporting.

In addition, Finance is currently developing a new RMG to assist accountable authorities of Commonwealth entities in ensuring effective internal control processes and systems are in place; this will encompass guidance on probity and integrity in the management of public resources.

Recommendation No.6

The Committee recommends the Department of Finance and the Australian Public Service Commission each develop an approach, including robust metrics, to provide reasonable assurance that the policy frameworks they administer are effective. An update is to be provided to the Committee within six months, including timelines to complete this work.

Response:

Agree that the assessment of the effectiveness of policy frameworks should be supported by robust metrics.

Since 2015, an annual survey has been conducted to collect metrics on the implementation and application of the Public Governance, Performance and Accountability (PGPA) framework by entities and companies. This survey, endorsed by the Joint Committee of Public Accounts and Audit in 2016, has been an integral part of Finance's reportable performance measures. In the most recent survey, Commonwealth entities and companies gave an 85% positive response rate when asked whether the PGPA Act provided a flexible framework that enabled internal controls to be applied appropriate to individual operating contexts.

Finance will continue to evaluate the metrics and feedback obtained through the survey and other communication channels to support the ongoing review and improvement of the PGPA framework.

Recommendation No: 11

The Committee recommends the Department of Finance reviews the protocols and common practice whereby officials supporting Ministers seeking routine approval for expenditure decisions via correspondence outside full Cabinet processes ensure there is a reasonable balance struck between efficiency and rigour in such decision-making, and that agency advice is robust and appropriate.

Response:

Agreed.

The Budget Process Operational Rules (BPORs) are the standing rules endorsed by the Cabinet regarding the administrative and operational arrangements for the government's Budget process. The BPORs set out a robust set of requirements for the development of, and consultation on, all new policy proposals (NPPs) and define the ways proposals involving spending are brought forward for consideration and/or agreement. The BPORs work together with the Cabinet process rules (as set out in the Cabinet Handbook) to ensure that there are clear processes for government decision-making.

The BPORs are reviewed regularly to ensure that they remain fit for purpose. The current version of the BPORs, which is publicly available on the Finance website, was agreed by

Government and circulated to entities in December 2023. This version incorporates changes arising from the recommendations of the Royal Commission into the Robodebt Scheme, including enhanced requirements for NPPs, such as the appropriate disclosure of legislative change, presentation of legal advice, and agreement of legal advice with the Australian Government Solicitor.

Finance will continue to advise Government on any necessary changes to the BPORs to ensure the ongoing integrity and efficiency of the Budget process.

Signed by

A black rectangular box redacting the signature of Jenny Wilkinson PSM.

Jenny Wilkinson PSM

17 December 2024