



26 November 2013

The National Commission of Audit
C/o- Department of Finance

By email: submissions@ncoa.gov.au

Dear Commissioners,

National Commission of Audit

The Institute of Chartered Accountants Australia (Institute) welcomes the opportunity to comment on the terms of reference of the National Commission of Audit (NCoA). The Institute is the professional body for Chartered Accountants in Australia and members operating throughout the world.

Representing more than 73,000 current and future professionals and business leaders, the Institute has a pivotal role in upholding financial integrity in society. Members strive to uphold the profession's commitment to ethics and quality in everything they do, alongside an unwavering dedication to act in the public interest.

Chartered Accountants hold diverse positions across the business community, as well as in professional services, government, not-for-profit, education and academia. The leadership and business acumen of members underpin the Institute's deep knowledge base in a broad range of policy areas impacting the Australian economy and domestic and international capital markets.

The Institute was established by Royal Charter in 1928 and today has more than 61,000 members and 12,000 talented graduates working and undertaking the Chartered Accountants Program.

The Institute is a founding member of both the Global Accounting Alliance (GAA), which is an international coalition of accounting bodies and an 800,000-strong network of professionals and leaders worldwide; and Chartered Accountants Worldwide, which brings together leading Institutes of Chartered Accountants in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support, develop and promote over 320,000 Chartered Accountants in more than 180 countries around the world.

General Comments

We note the terms of reference for the NCoA sets out work to be completed in two phases with two reporting timeframes. The Institute's comments include suggestions for both phases of your report.

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The Institute released its report *'An economic policy platform for the next term of government'* in August this year. This report makes some important observations on the important work of the Council of Australian Government (COAG) and the role of the Auditor-General. COAG has an important role in addressing national policy issues and developing appropriate policy outcomes. It is vital COAG rises above the political debate and is used to drive reform across all levels of government. COAG is the right forum with the appropriate stakeholders to make national policy decisions.

The Australian National Audit Office (ANAO) has a broad range of experience in assessing the effectiveness of policy programs. The Institute recommends exploring how the ANAO's insights into public policy can be woven back into policy development. With increasing pressure on government resources, even greater importance must be placed on ensuring learnings from past policies can be incorporated into future public policy development.

Specific Comments

Reporting and accountability

Transparency needs to be improved around decision-making. The communication across departments and within the Commonwealth as a whole is poor at times. Public sector employees do not always understand why decisions were made and the reasons associated with these decisions. If people working within the public sector do not understand the reasons for a decision, it is even more difficult for members of the community.

People working within government need a framework or criteria for making decisions. This would lead to more robust decision making and better outcomes as well as prioritizing ideas. Accountability for decisions through better reporting should help the identified benefits of the decision being delivered. Creating a culture of accountability should be at the heart of any new framework.

Stock take of committees

There are thousands of committees, panels, boards and advisory boards in operation across the public sector. Many of these perform important functions in governance and stakeholder engagement. However, a stock take should be performed of all existing government panels, committees and boards. Some of these committees and panels duplicate arrangements; while others are sometimes underutilized, despite incurring costs whether they are used or not. For example, the Financial Reporting Panel was abolished in 2012 after only being utilized on six occasions in six years. The consolidation and rationalization of some of these panels, boards and committees could result in significant cost savings.

There are also many panels and arrangements which are used for the provision of goods and services. Some departments leverage these panels and arrangements quite well, however, this is not a uniform observation across the entire public sector. The stock take of committees, panels and boards should also look at these arrangements. There is also potential to consolidate some of these arrangements and achieve cost savings.

Consistency of employee classifications

With over 160,000 people employed in the Australian Public Service there is scope to potentially centralize some human resource functions in respect of payroll. However, at present this is difficult with public servants employed under different conditions and awards and certified agreements as well as different classifications. The simplification and consolidation of these different classifications would make it easier for some payroll functions to be centralized across the public sector.

Silos

From our discussions with members working in the public sector, there appears to be a “silo” mentality operating within and across government departments. Employees are employed to fulfill a particular role with the duties required set out in a job description. Employees are not encouraged to assist other internal units or other departments when the assistance provided would be considered outside their job description. This approach leads to inefficiencies across the public service. For example, someone working in a finance function who has tax knowledge would not be encouraged to assist another department with a tax query. The result being outside tax assistance is purchased. Consideration could be given to implementing a rotation scheme within and across departments. This would give employees the opportunity to work in different operating units which would assist in breaking down silos. It would assist in potentially retaining staff who may not have a clear path to promotion within their department.

Productivity improvements

The NCoA should consider examining the key performance indicators (KPIs) and metrics used internally by departments to measure productivity and service quality with organizations. This is sometimes a weak area within government where more often than not, KPIs and metrics are not clearly articulated, measured or monitored.

There is increasing recognition within the corporate sector that measuring and reporting on non-financial indicators is important for understanding what drives and sustains value in the organisation. This is even more important in the public sector where the concept of ‘value for money’ is difficult to measure where the benefit provided should not be measured purely in financial terms.

The Institute notes the passage of the *Public Governance, Performance and Accountability Act 2013*, and in particular the requirement to state and report on the “purpose” of each Commonwealth entity.

This legislative requirement provides a useful mechanism to develop and report on KPIs demonstrating success in achieving an entities purpose, or identifying where improvement in program delivery (or abandonment) is required.

Reducing administrative bureaucracy

The detailed “Rules” required under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) are currently being written by the Department of Finance. These “Rules” will replace the existing *Financial Management and Accountability Regulations 1997*. With the Government’s drive to remove ‘red-tape’, writing “Rules” that require less ‘red-tape’ and administrative bureaucracy in the first place is recommended. This aligns with the PGPA Act requirements to establish an appropriate system of risk oversight and management and systems of internal control. Better use of information systems, clearer communication by senior management of key risks, improved design of key controls,

automated workflow, improved risk management training and creating a management culture that thoughtfully and actively engages with risk, rather than bureaucratic avoidance of risk should all be encouraged.

If you would like to discuss any aspect of this submission or require further information, please contact either myself on [REDACTED] or [REDACTED] on [REDACTED].

Yours sincerely,

[REDACTED]

[REDACTED]
Chief Executive Officer