

Enhancing financial and project management across the public sector: some recent developments

Introduction

In common with many jurisdictions, over the past 15 years the public sector at the federal level in Australia has undergone a significant devolution of authority from central Departments to individual agencies.

For those people working in the Commonwealth public sector, the most obvious reflection of this is probably the freedom that individual agencies now have to set their own pay and conditions, subject to meeting certain criteria and to at least partially funding pay rises through productivity improvements. The days of a central department handing down pay rates from “on high” for all federal government agencies – regardless of market conditions or the respective state of the individual agencies’ budgets – are long gone.

This simpler world is now a thing of the past in other respects. Subject to meeting the requirements of the financial framework legislation, individual agencies enjoy relative autonomy from central control in most aspects of financial management, including preparing financial reports, the signing of contracts, project management and risk management.

There is little doubt that this process of devolution has led to a more flexible and responsive public service, with agency heads having greater autonomy in determining how to best meet the policy objectives set by the government. However, from the perspective of a Parliamentarian tasked with overseeing the actions of executive government it sometimes seems that there is a price to pay, in terms of the challenge of ensuring that adequate standards of compliance are maintained across a multitude of public sector agencies.

Indeed, the Committee noted in its first *Annual Report* for this Parliament that:

The Committee has undertaken a series of reviews on [audits of] financial management within the public sector... A theme emerging from each of these reviews is that managers at quite senior levels within the public sector are either not fully aware of their responsibilities under the [Financial Management and Accountability Act], or are not discharging them appropriately... The Committee wishes to place all public agencies on notice that this is a matter it will continue to investigate throughout the 41st Parliament.¹

¹ Joint Committee of Public Accounts and Audit, *Report 405: Annual Report 2004-2005*, November 2005, p. 20.



Short of the simplistic and undesirable step of removing functions from agencies and imposing centralised control of spending, this then raises the question of how PACs, in cooperation with central agencies and Auditors-General, can encourage better practice across the public sector in project management, risk management and compliance with financial framework legislation, following the devolution of responsibility to individual agencies.

I intend to raise a few aspects of the Commonwealth experience for consideration today, and hope to hear from you during the discussion afterwards about some of the lessons we can draw from your jurisdictions.

The Commonwealth financial framework

The trend towards devolution at the Commonwealth level was formalised in major reforms to the financial framework legislation in 1997-98. The *Financial Management and Accountability Act*, or FMA Act, and the *Commonwealth Authorities and Companies Act*, or CAC Act, came into effect from 1 January 1998. These Acts formed part of a broader package of financial framework legislation including a new *Auditor-General Act* and significant changes to the Act under which this Committee operates, the *Public Accounts and Audit Committee Act 1951*.

FMA Act agencies are those which are financially part of the Commonwealth – that is to say, their enabling legislation does not give them legal ownership of money or property separately from the Commonwealth; while CAC Act bodies are entities formed under corporations law in which the Commonwealth has at least a direct controlling interest, which have legal ownership of assets in their own right.² The financial framework now includes over 90 departments and agencies which fall under the FMA Act; and approximately 100 entities subject to the CAC Act.

The FMA and CAC Acts (and the *Auditor-General Act 1997*) replaced the *Audit Act 1901*, which was the fourth piece of legislation passed by the new Commonwealth Parliament in 1901. Despite its title, the bulk of the old Audit Act was concerned with detailing the principles of the financial framework of the Commonwealth, and the requirements for the proper handling of public moneys and property.³

² Department of Finance and Administration website, www.finance.gov.au/finframework.

³ Joint Committee of Public Accounts, *Report 331: Advisory Report on the Financial Management and Accountability Bill 1994, the Commonwealth Authorities and Companies Bill 1994 and the Auditor-General Bill 1994, and on a Proposal to Establish an Audit Committee of Parliament*, September 1994, p. 4.

This Committee's predecessors took the view that the Audit Act was no longer able to accommodate the demands of the modern public sector, and recommended in 1989 that the Act be replaced with legislation that allowed more effective and flexible financial management. This recommendation was accepted by the government.⁴

The *Financial Management and Accountability Bill* and the *Commonwealth Authorities and Companies Bill* were first introduced to Parliament in June 1994, ultimately being passed by the Parliament after review by the Committee and an interruption for the 1996 federal election.

Unlike the former Audit Act, which was generally silent on matters of management performance, the new FMA Act expressly placed particular responsibilities on Chief Executives of agencies, for which they could then be held accountable.

Importantly, the new legislation gave Chief Executives the power to subdelegate to officials any of the Finance Minister's powers under the Act, unless the Minister had imposed a restriction prohibiting or limiting such subdelegation. This replaced the former system where officials had to be directly delegated by the Minister for Finance. As the then Minister for Finance noted at the time the new legislation was being debated:

These arrangements for subdelegating are intended to achieve a major strengthening in the financial framework. Chief Executives are better placed than the Finance Minister to manage, monitor and to control the activities of those officials who perform the delegated tasks.

It will thus be practicable to hold Chief Executives accountable to the Finance Minister in these respects, whereas it is currently quite impracticable to do so under the existing Audit Act's delegation structures where thousands of individual officials are directly delegated by the Finance Minister.⁵

Under the FMA Act, an agency's Chief Executive must manage the affairs of the agency in a way that promotes the efficient, effective and ethical use of the Commonwealth resources for which the Chief Executive is responsible (section 44 of the Act).

Other specific responsibilities of Chief Executives under the FMA Act include:

- instituting a fraud control plan (section 45);
- establishing an audit committee (section 46);
- pursuing the recovery of debts owed to the Commonwealth (section 47);

⁴ Joint Committee of Public Accounts, *Report 331*, p. 5.

⁵ House of Representatives *Hansard*, 12 December 1996, p. 8346.

- ensuring accounts and records are kept in accordance with the Finance Minister's Orders (section 48); and
- providing the Auditor-General with financial statements in the required form, including a statement from the Chief Executive on whether the statements give a fair and true reflection of the matters required (section 49).

The FMA Act removed much of the prescriptive procedural content of the *Audit Act 1901*, instead focussing on principles and facilitating the devolution of financial management to agencies.⁶ The significant increase in Chief Executives' responsibilities under these reforms was counterbalanced by a rare transfer of some powers from the executive to the Parliament (exercised by the Committee), with respect to independent audit oversight of the executive government and the public service. The Committee's independence to examine executive action was clarified in our strengthened Act, while the new *Auditor-General Act 1997* enhanced the independence of the Auditor-General and the Australian National Audit Office (ANAO).

Working in co-operation with the Auditor-General to enhance standards

A result of the changes to the financial framework was that the Parliament was even more dependant than previously on the expert advice of the Auditor-General. As the Committee noted at the time:

The Parliament – and in particular, Parliamentary committees which examine financial affairs and the performance of government agencies in detail – are becoming increasingly reliant on the Auditor-General to hold the Government of the day to account. The increasing complexity of arrangements for government service delivery... and the devolution of financial management to line managers, are challenges to public accountability that can only be met with the assistance of a well-equipped and fiercely independent Auditor-General.⁷

It was for this reason that the Committee, in its 1996 report *Guarding the Independence of the Auditor-General*, proposed a series of reforms aimed at securing the independence of the Auditor-General from the executive. These reforms were largely agreed to by the government, resulting in:

⁶ Joint Committee of Public Accounts and Audit (JCPAA), *Report 374: Review of the Financial Management and Accountability Act 1997 and the Commonwealth Authorities and Companies Act 1997*, March 2000, p. 6.

⁷ Joint Committee of Public Accounts, *Report 346: Guarding the Independence of the Auditor-General*, October 1996, p. 7.

- legislative guarantees of independence for the Auditor-General in setting his or her audit work program, together with powers to enter all Commonwealth premises and inspect records;
- an extension of the Auditor-General's mandate to include performance audits of Government Business Enterprises (GBEs);
- the formal appointment of the Auditor-General as an "independent officer of the Parliament" for a non-renewable 10-year term; and
- an enhanced role for the Parliament, through the Committee, in the appointment of Auditors-General, reviewing the adequacy of the ANAO's budget and offering input into the ANAO's annual work program.

These measures significantly increased the Auditor-General's independence and also ensured that the Joint Committee of Public Accounts and Audit, as the audit committee of the Commonwealth Parliament, effectively stands between the Auditor-General and the Executive.⁸

Reviewing the ANAO's audit work program

In common with other PACs, our core duty as a Committee is to review reports published by the Auditor-General. The Committee in this Parliament has made a decision to take something of an activist role in increasing the number of Auditor-General's reports we review across the full range of the Public Service, and making a particular priority of reviewing those reports where the Auditor-General has highlighted issues related to poor project management and risk management, and poor adherence to the requirements of the Commonwealth's financial framework legislation. Details of the reports selected are available on our website.⁹

From a Parliamentarian's perspective this can sometimes feel like dripping water on a stone – hearing the same shortcomings repeatedly highlighted across different agencies – but we feel that through our hearings and reports, the PAC can play a leading role in emphasising to agencies that the Parliament places great importance on better practice in these areas. I believe that there is a marked difference for a Chief Executive in reading about the importance of compliance in a Finance Circular, and answering questions about their agency's shortcomings in public from unhappy members of a parliamentary committee!

The Committee continues to flag to all agencies wherever possible that these are central issues for the Parliament and the Committee.

⁸ Mr Bob Charles MP, "Audit Legislation – Trends in Australasia", 1999 ACPAC Conference, Fremantle.

⁹ JCPAA website at www.aph.gov.au/house/committee/jpau/index.htm.

The role of the Auditor-General in encouraging better practice

***AuditFocus* newsletter**

An initiative of the Auditor-General, Mr McPhee, since the last ACPAC Conference which has our strong support is the publication of the *AuditFocus* newsletter.¹⁰ *AuditFocus* aims to capture some of the lessons from the ANAO's audit work in a brief, user-friendly glossy magazine – usually around 10 pages – which is more likely to attract the casual public service reader than an audit report.

The Committee was pleased to see that the first edition of *AuditFocus* contained a simple, one-page summary of “Essential Skills for Public Sector Managers” in project and contract management, spelling out that projects are much more likely to result in successful outcomes when:

- a comprehensive business case has been prepared;
- a formal risk assessment has been undertaken;
- internal and external resources requirements are identified and committed;
- governance arrangements are established and clearly communicated to all parties;
- proper record-keeping practices are adhered to;
- appropriate probity and/or quality assurance arrangements have been established;
- project administrative arrangements are in place, in particular robust financial management of costs over the life of a project; and
- contracts are underpinned by an effective performance measurement regime.¹¹

The *AuditFocus* article also pointed to the ANAO's more comprehensive publications on these subjects, including its Better Practice Guide on contract management.

Better Practice Guides

We are all familiar with the work done by Audit Offices in reviewing the financial statements and value for money provided by government agencies and programmes – in Commonwealth parlance, “assurance” audits and “performance” audits.

¹⁰ See Australian National Audit Office (ANAO) website, www.anao.gov.au/director/publications/auditfocus.cfm.

¹¹ ANAO, *AuditFocus*, November 2005.

The advisory work of the ANAO in spreading expertise throughout the Commonwealth public sector is probably less well known, but is regarded by the Committee as being of vital importance. One of the main mechanisms through which this is done is the ANAO's "Better Practice Guides", which are directed to all Australian Government entities. The guides can involve examining practices in the public or private sectors, in Australia or overseas.¹²

The topics covered by the Better Practice Guides are extensive and include:

- developing and managing contracts (produced in partnership with the Department of Finance and Administration);
- implementation of programme and policy initiatives (produced in partnership with the Department of Prime Minister and Cabinet);
- administering regulation;
- preparation of financial statements;
- user-friendly form design;
- Audit Committees;
- fraud control;
- performance reporting;
- learning and development in the public sector;
- administration of grants; and
- workforce planning.

The Committee strongly supports the ANAO using its work to promote better practice throughout the public sector. This is a prime consideration for the Committee in its annual review of the adequacy of the Auditor-General's budget.

The Committee has a concern that, in the event of the Auditor-General receiving inadequate funding, discretionary activities such as the Better Practice Guides would be the first activities to be scaled back. This concern was expressed to the Parliament on budget day 2005 by the then Chair of the Committee, Mr Bob Baldwin MP, who noted that:

The ANAO has indicated that it will, of course, continue to meet its statutory financial auditing obligations. Any reduction in activity will be at the expense of the ANAO's discretionary products, such as its cross-agency "Better Practice Guides" and Business Support Process Audits, and performance audits.

The Committee would be greatly concerned by any such reduction in the ANAO's discretionary work. Items such as the Better Practice Guides, which are applicable across the entire Commonwealth public sector, are a cost-efficient method of raising the standard of public administration.

¹² ANAO, www.anao.gov.au/director/publications/betterpracguides.cfm.

For example, my Committee's current review of management of special appropriations has revealed a desperate need for increased awareness of best practice across the public service. A decrease in such advice and oversight by the ANAO, for want of adequate funding, would strike the Committee as a case of "penny wise, pound foolish".¹³

The Committee will continue to use its statutory role in examining the Auditor-General's budget to safeguard the cross-agency advice provided by the ANAO.

Collaboration between the ANAO and central agencies to promote better practice

Of particular interest to the Committee are the two recent Better Practice Guides which have involved collaboration between the ANAO and central agencies (the Department of Finance and Administration and the Department of Prime Minister and Cabinet) to provide unified advice to other agencies – a trend which we hope to see continue wherever appropriate.

In February this year the ANAO and the Department of Finance released a joint Better Practice Guide titled *Developing and Managing Contracts: Getting the Right Outcome, Paying the Right Price*. The Guide updates earlier ANAO advice and is intended to be a general reference document for those who are involved in developing and managing contracts in the public sector. The Guide emphasises that the foundations for the effective management of a contract are laid at the time the contract is being developed, and includes checklists, examples and proforma that can be used and tailored to meet individual circumstances.¹⁴

Given the recurring lessons in performance audit reports reviewed by the Committee about the significant costs attached to poor contract management (and the Committee's own efforts to enhance contract management through an inquiry in 2000¹⁵), we support this initiative to promote expertise throughout the public sector.

Another significant initiative is a recent co-operative effort between the Department of Prime Minister and Cabinet and the ANAO to develop a Better Practice Guide to the implementation of Australian Government policy.

This excellent joint publication, titled *Implementation of Programme and Policy Initiatives: Making Implementation Matter*, seeks to identify better practice considerations when implementing a new programme – in the words of the

¹³ House of Representatives *Hansard*, 10 May 2005, p. 39.

¹⁴ ANAO/Department of Finance and Administration (Finance), *Developing and Managing Contracts: Getting the Right Outcome, Paying the Right Price*, February 2007, p. i.

¹⁵ JCPAA, *Report 379: Contract Management in the Australian Public Service*, October 2000.

guide, “translating policy into reality”.¹⁶ The Guide focuses on the up-front planning and development phases leading to an initiative’s readiness for ongoing delivery. The comprehensive Guide is accompanied by a short “pocket guide” spelling out a series of questions Chief Executives need to be able to answer, before a programme is considered ready to be delivered, in the following categories:

- identification of challenges to implementation during policy development;
- governance;
- risk management;
- planning for implementation;
- procurement and contract management;
- stakeholder management;
- resources;
- communication; and
- monitoring and review.

Audit scrutiny of Defence procurement

I would like to draw your attention to a recent example where the Committee has decided – with the support of the Auditor-General – that scrutiny (as distinct from advice) by the ANAO should be significantly expanded, with a focus on continuous review instead of post factum assessment. This relates to project management by the Department of Defence.

The Committee is presently undertaking a major inquiry into financial reporting and equipment acquisition at the Department of Defence and Defence Material Organisation, following a series of critical reports by the Auditor-General on individual projects.

Rather than continuing to review those reports on an ad hoc basis, the Committee resolved last year to conduct an overarching inquiry to examine: how the problems identified by the Auditor-General arose; the systems that Defence has put in place to improve its financial reporting and equipment acquisition processes; and how those systems compare against international best practice.

Although the inquiry is still ongoing, it quickly became clear that there would be significant benefit in the ANAO being funded to annually review progress in major Defence capital equipment projects, in a manner similar to a review conducted by Great Britain’s National Audit Office.¹⁷

¹⁶ ANAO/Department of Prime Minister and Cabinet, *Implementation of Programme and Policy Initiatives*, October 2006, p. 1.

¹⁷ See example at the National Audit Office website at www.nao.org.uk/publications/nao_reports/06-07/060723ii.pdf.

The Committee therefore released an interim statement of the inquiry late last year, unanimously recommending that the Department of Defence and the Defence Materiel Organisation produce an annual report on progress in the “top thirty” capital equipment projects, including: a summary of procurement strategy; performance against project budgets; delivery milestones; explanations for variations; planned expenditure and deliverables; and a summary of the status of each project. That report, in turn, would be subject to published assessment by the ANAO.¹⁸

The Committee expressed the view that funding the ANAO to produce such an annual report could deliver significant benefits to Defence, the Parliament and the community, and that the additional \$1.5 million the ANAO would require to undertake this work would be offset by the potential savings. The Committee made representations to the Prime Minister, the Minister for Defence and the Minister for Finance accordingly.

I am pleased to advise that the government has agreed with the Committee’s recommendation and will fund the ANAO accordingly from the 2008-09 federal budget.

The Committee believes that the annual progress report will put the ANAO and the Parliament in a much stronger position to review project management at Defence while major projects are still in train, rather than looking in the rear view mirror via an audit, and parliamentary review, sometime after failures have occurred. The Committee also believes that continuous monitoring through the annual review will assist in promoting cultural and attitudinal change in the management of Defence projects.

The Committee expects that this initiative will be well underway by the time of the next ACPAC biennial conference, and that we will be able to report accordingly.

The Department of Finance and Administration

The Department of Finance and Administration is the agency responsible for developing and maintaining the financial regulatory framework for the Commonwealth general government sector, focussing on effective financial governance, financial management and accountability.

¹⁸ See JCPAA website at www.aph.gov.au/house/committee/jpaa/defence/media/media05.pdf.

Finance Circulars

One of the Department of Finance's main tools for providing policy guidance to other agencies on financial framework requirements is its *Finance Circulars*.¹⁹ The Circulars are comprehensive in scope, and are complemented by other activities to raise agencies' awareness of the financial framework.

One of those Finance Circulars published in 1999 – titled "Follow up of Auditor-General Matters" – informed agencies that follow-up of ANAO recommendations by Finance was no longer deemed to be necessary, in light of: the primary responsibility the then-new FMA Act placed on Chief Executives to address matters raised by the Auditor-General; the strengthened role of internal audit committees under the Act; and the exercise of external scrutiny by the Committee. The Circular suggests that agencies should continue to provide periodic reports to the Auditor-General and the Committee.²⁰

Unfortunately a recent audit by the secretariat has revealed that agencies' response to this suggestion has of late been patchy, with only three portfolios submitting the reports on a regular basis. When our Committee is re-established after the pending federal election, we will as a first order of business write to all agency heads to inform them of the Committee's role and to request that they submit, on a six-monthly basis, a report advising of actions taken to address recommendations of the Auditor-General. We would hope to thereby exert continuous pressure on all agencies to ensure that the Auditor-General's recommendations are being acted upon.

Certificate of Compliance

One recent development which has the endorsement of the Committee has been the introduction of a "Certificate of Compliance" to be signed off by the Chief Executives of FMA Act agencies. The Certificate was introduced on a trial basis for reporting on the 2006-07 financial year and will be made permanent for this financial year onwards.²¹ A proforma of the Certificate is available on the Department of Finance's website.

The Certificate consolidates a range of existing agency reporting requirements into a single document, providing a comprehensive overview of an agency's compliance during the previous financial year with:

- the *Financial Management and Accountability Act* and associated regulations;
- the financial management policies of the Commonwealth;

¹⁹ See Finance website at www.finance.gov.au/finframework/finance_circulars.html.

²⁰ See Finance website at www.finance.gov.au/finframework/fc_1999_02.html.

²¹ Finance, Finance Circular No. 2006/08, *Certificate of Compliance – FMA Act Agencies*.

- the Australian Government's foreign exchange risk management requirements; and
- the legal and financial requirements for the management of Special Accounts.

The Certificate requires Chief Executives to state whether the agency is operating within agreed resources for the current financial year, and has adopted appropriate management strategies for all currently known risks that may affect the financial sustainability of the agency. Details of any breaches must be provided, focusing on remedial measures that are being taken to improve agency compliance.

Importantly, the Certificate must be signed by the agency's Chief Executive. This responsibility cannot be delegated.

The Committee believes that the Certificate will provide a useful mechanism for highlighting to all Chief Executives their personal obligations under the FMA Act. As time progresses the Certificate of Compliance should prove a useful addition to the tools available to us as Parliamentarians to scrutinise agencies' adherence to the financial framework requirements.

A Committee proposal for more centralised reporting by Finance

While the Committee is regularly reminded that it is individual agencies' Chief Executives who are accountable under the FMA Act, we continue to encourage a greater monitoring role for central agencies where appropriate. For example, our *Report 407*, tabled last September, reviewed investment of public funds by Commonwealth agencies, in circumstances where those agencies have sought and obtained approval to make investments on their own behalf.²²

The Auditor-General had found that, for a number of entities, there were shortcomings in the management of investment of public funds. He found that some agencies were holding investments not authorised by the relevant legislation, while for some agencies, records maintained by Treasury and the agencies were both inaccurate and incomplete.²³

The Auditor-General, and then the Committee in our report, considered the question of the appropriate level of guidance and oversight to the broader public service by central agencies.

²² JCPAA, *Report 407: Review of Auditor-General's Reports 2004-2005*, tabled between 18 Jan and 18 April, September 2006.

²³ See ANAO Report No.22 of 2004-05, *Investment of Public Funds*, January 2005.

The ANAO argued that there is a role for central agencies to promote a shared understanding of the limits in the financial framework legislation on Commonwealth entities' investment activities. The ANAO recommended that compliance be promoted by central agencies issuing guidance to investing entities.²⁴

The Treasury (which at the time had responsibilities in relation to recording investments by Commonwealth authorities and companies) responded that "Treasury is strongly of the view that compliance with... the Commonwealth Authorities and Companies Act lies firmly with the directors of CAC Boards and that the Treasury does not perform a compliance audit function".

The Department of Finance was similarly careful to point out that the responsibility for compliance on the part of FMA agencies lies with the agencies' Chief Executives. However, Finance did agree that, where there was a lack of clarity, central agencies could assist by issuing guidance.²⁵ Finance advised the Committee of its response to the recommendations, including a number of Finance Circulars and a training program on the FMA Act for other departments.²⁶

While this helpful guidance to agencies was appreciated by the Committee, we nonetheless felt there would be benefit in progressing a little further down the path of central oversight. We recommended that the Department of Finance develop a central register of investments being undertaken by FMA Act and CAC Act agencies, to be updated annually. The information on such a register could include the amount being invested, each agency's investment and credit risk strategy, the investment vehicles being used, the rate of return on investment and the management process – whether outsourced to an investment firm (and, if so, what management fees are being charged), or if investments are managed in-house.

We suspect that the Department of Finance may not be enthused by this recommendation²⁷ (the Government's response is yet to be received). However, as we noted in our report:

²⁴ ANAO Report No.22 of 2004-05, p. 70.

²⁵ *ibid.*

²⁶ JCPAA, *Report 407*, p. 19. Finance Circulars no. 2005/05 and 2005/11 outline the statutory obligations under the CAC Act and the FMA Act for investment of public monies. The Circulars can be accessed at www.finance.gov.au/finframework/finance_circulars.html.

²⁷ The Committee endeavoured to impose a similar centralised reporting role on Finance in 2000, recommending that the Department collect and table in Parliament on an annual basis a consolidated series of charts and tables comparing the performance of all Commonwealth agencies against a range of key performance ratios. That recommendation was not supported in the government's response, which stated that "...Finance does not support the provision of a series of financial ratios comparing individual Commonwealth agencies on a consolidated basis". Finance response to JCPAA, *Report 374*, at www.aph.gov.au/house/committee/jpaa/FMA/ExecMinute.htm.

As there are only a small number of FMA Act agencies who invest public monies, it would not seem an onerous task to collect such information. There are a larger number of [Commonwealth companies and authorities] with investments, however, reporting such information to Finance once a year would not seem a large task for each agency to perform.

The development of such a register would allow this Committee, and other interested parties, to keep track of investment of public monies. It may also facilitate further information-sharing between agencies, if they notice that other departments have investment practices different to their own.²⁸

For these reasons the Committee hopes that the government's response to our recommendation will be positive. In any event, the Committee will continue to assess the appropriate balance between advice and oversight from central agencies in our inquiries and reviews.

Gateway Review Process

One major initiative phased in from last year's federal budget onwards - which hopefully will reduce the number of audit reports we review which deliver bad news about project management - is the Commonwealth Government's Gateway Review Process, designed to improve the delivery of major projects.²⁹ Gateway is a project assurance methodology that involves short, intensive reviews at critical points in the project's lifecycle by a team of reviewers not associated with the project. This is intended to provide an arm's length assessment of the project against its specified objectives, and an early identification of areas requiring corrective action.

Gateway applies to new projects undertaken by FMA Act agencies, which require Cabinet approval and which satisfy certain financial and risk thresholds. The current financial thresholds are \$10 million and over for IT projects, and \$20 million and over for other procurement and infrastructure projects. Gateway focused initially on a representative cross-section of projects that satisfied the financial thresholds and were identified as high risk. From this year's budget, all projects over the financial thresholds for which government approval is sought must go through the Gateway process. Projects deemed to be "high risk" against specified criteria must undertake a Business Case Review prior to consideration by Government. From next year's budget onwards, those projects that satisfy the financial thresholds and are deemed as medium risk will also be subject to the same process as high risk projects.

²⁸ JCPAA, *Report 407*, p. 19.

²⁹ Information taken from Finance website at www.finance.gov.au.

Once selected for inclusion in Gateway, a project will be assigned a review team by the Gateway Unit in the Department of Finance. The review team comprises experienced, trained and accredited reviewers. The reviews consist of a half day planning meeting and the onsite review activity which will be completed in four to five days.

On the last day of the review, the review team will provide a confidential report to the Senior Responsible Official (SRO) in the sponsoring agency. The report will summarise the status of the project's progress and make recommendation(s) to improve the implementation of the project. The SRO is responsible for determining and implementing any actions to address recommendations of a Gateway Review Report.³⁰

Developing links with the Department of Prime Minister and Cabinet and the Australian Public Service Commission

An innovation trialled by the Committee in this Parliament has been a regular private meeting between the Committee, the Secretary of the Department of Prime Minister and Cabinet (PM&C), and the Australian Public Service Commissioner. Such meetings have been held in each of the past two years.

Members were keen to pursue with the Secretary of PM&C – which has a role in coordinating government administration – what PM&C is doing to reinforce guidance to agencies, and with the Australian Public Service Commission – which amongst other things is responsible for promoting leadership, learning and development in the public service – its initiatives to build the public service's capacity in financial, project and contract management.

The meetings have proved very fruitful in conveying the Committee's concerns about some APS agencies' failure to consistently meet their compliance obligations, and in informing the Committee of the latest initiatives in enhancing public service management capacity including:

- the work of PM&C's Cabinet Implementation Unit in identifying and supporting best practice in project management and programme implementation, notably the recent joint publication with the ANAO described earlier;
- training being made available to SES officers on their obligations and in skills such as project management and risk management; and

³⁰ Finance website at www.finance.gov.au/gateway.

- the Australian Public Service Commission publication, and associated website, *Foundations of Governance in the Australian Public Service*.³¹

This publication is designed to assist agency heads meet their obligations and responsibilities. According to the Commission it is of particular value to those newly appointed to such duties, providing them with concise information about the key elements of the legislative and policy framework within which agency heads operate.

It is also of considerable assistance to many senior managers in the public service because it is the single authoritative statement of agency head responsibilities, including accountability requirements, the financial management framework, the employment and workplace relations framework, and the management of government information.³² The internet version of the document provides links to relevant legislation, policies and agency websites.

These meetings with the Secretary of PM&C and the Public Service Commissioner are expected to become an annual feature of the Committee's work after the next election.

Conclusion

In conclusion, Chief Executives in the modern public service can hardly complain about a lack of advice from the ANAO and central agencies as to best practice in compliance and programme management. These initiatives have the Committee's strong support, and we will continue to spread the message to agencies that adherence to the principles and requirements outlined in this advice is expected by the Parliament.

An observation frequently made by members of the Committee is that the public sector has a surfeit of accountability and oversight mechanisms but relatively little in the way of enforcement. The comment has been made that were compliance breaches of the type regularly reported by the Auditor-General to occur in the private sector, the organisations in question would attract the attention of ASIC or another regulator. Whether there needs to be a more vigorous "policing" role for the public sector assigned to an existing, or new, agency remains open for future debate.

Finally, at the Commonwealth level the government has recently announced that private-public partnerships are to be the preferred model for major projects. One challenge for the Commonwealth PAC – which many of you in State jurisdictions will have more experience of than us – will be how to

³¹ See www.apsc.gov.au/foundations.

³² *ibid.*

maintain standards and the chain of accountability as these projects are increasingly contracted out. Whether the powers of the Parliament and the Auditor-General are sufficient to cope with this new environment remains to be fully tested at the Commonwealth level; such issues will be considered by the Committee in future years.

