

27 June 2012

Mr David Tune
Secretary
Department of Finance and Deregulation
John Gorton Building, King Edward Terrace
PARKES ACT 2600

Business
Council of
Australia



Commonwealth Financial Accountability Review Discussion Paper

Dear Mr Tune

The Business Council of Australia (BCA) appreciates the opportunity to respond to the discussion paper on the Commonwealth Financial Accountability Review (CFAR).

The BCA brings together the chief executives of 100 of Australia's leading companies. For almost 30 years, the BCA has provided a unique forum for some of Australia's most experienced corporate leaders to contribute to public policy reform that affects business and the community as a whole. Our vision is for Australia to be the best place in the world in which to live, learn, work and do business.

The BCA welcomes the thought the Department has given to opportunities to reduce unnecessary internal government reporting requirements. In the light of the substantial budgetary challenges that lie ahead, a strong case can be made for further institutional reforms that will help drive longer-term fiscal sustainability through increased transparency and accountability. For this reason, we support the broad principles and propositions recommended by the paper.

We particularly support the more specific suggestions in the paper to:

- Reduce the volume of budget information.
- Amend the *Financial Management and Accountability Act 1997* (FMA Act) and the *Commonwealth Authorities and Companies Act 1997* (CAC Act) to be more principle-based.
- Increase the use of on-line transactions by government agencies to reduce costs.
- Develop a performance framework to increase accountability and transparency of government and increase the understanding of parliamentarians and the community of government performance.
- Simplify procurement processes and guidelines, the complexity of which are powerfully summarised in Attachment C. The BCA also suggested in its recent submission to the 2012-13 Budget that Commonwealth procurement processes be reviewed by the Productivity Commission (see: <http://www.bca.com.au/Content/101941.aspx>).

The BCA suggests that the next steps for this review focus on converting the discussion paper's propositions into clear actions for implementation by the Department of Finance and Deregulation. This would enable the Department to 'lead by example' and demonstrably implement the recommendation 8.3 of the 2010 *Blueprint for the reform of the Australian Public Sector* that relates to streamlining the compliance burden associated with administering the FMA and CAC Acts.

It would be useful if a limited number of specific recommended actions could be distilled from the propositions, which may include:

- Setting clear and measurable performance indicators and publish how these have changed over time. Where possible, these could be drawn from existing reporting of government performance measures similar to government performance indicators published annually by the Productivity Commission, for example. There should be separate, indicative measures of both financial and service performance and their management.
- Reviewing how existing legislation is interpreted and administered to reduce reporting costs. Legislative proposals should not delay reforms and opportunities to streamline administrative requirements may reduce the compliance burden associated with the FMA and CAC Acts while informing the proposed legislative changes.
- Enhancing incentives to drive cultural change, including requiring portfolios as a whole to meet specified performance targets or improvements. This could provide a strong incentive for 'joined up' government for individual agencies to work with other agencies and levels of government to achieve these targets.
- Defining the risks that should or should not be the responsibility of the public sector, to manage the risk that implementation of the proposed frameworks may result in increased compliance costs without improving performance.
- Undertaking a one-off independent audit of the efficiency of Government expenditure to assess the efficiency of government functions as recommended in the BCA's 2012-13 Budget submission. The most recent audit of this nature was undertaken in 1996.

In summary, to achieve the review's dual objectives of clear public accountability and removal of unnecessary reporting, the BCA agrees with the central proposition that 'less is more'. Realising this proposition will require concerted action on the ground to implement better incentives that will help drive cultural change across government.

If you would like to follow up any matters in this submission, please do not hesitate to contact Maria Tarrant, Deputy Chief Executive, on 03 8664 2608 or email: maria.tarrant@bca.com.au.

Yours sincerely



Jennifer Westacott
Chief Executive