

NATIONAL
FILM
& SOUND
ARCHIVE

australia's
living
archive

IS LESS MORE?

NFSA response to discussion paper

The National Film and Sound Archive of Australia (NFSA) welcomes the opportunity to contribute to this important discussion which could identify opportunities for improvement that will lead to long-term sustainability in the delivery of public services.

The NFSA aims to enrich Australia's cultural identity by developing, preserving, promoting and interpreting a national collection of recorded historic and contemporary sound, moving image, documentation and new media, and making Australia's audiovisual heritage available to everyone.

We are a small CAC Agency within the Portfolio of the Department of Regional Australia, Local Government, Arts and Sport and work closely with the Office for the Arts (OFTA) and other agencies within the Galleries, Museums and Libraries (GLAM) sector.

For further information or clarification on any of the points raised below, please contact our CFO.

Steve Vogt

General Manager, Corporate and Collections

Enhancing transparency and accountability

Key propositions

- **Simplify the appropriation bills by no longer appropriating to outcomes, but with outcomes retained in the performance context**

This measure would provide little benefit to smaller agencies, such as the National Film and Sound Archive of Australia (NFSA), which only has one outcome.

Some questions raised by this proposition include:

- where will outcomes be defined, and at what level? For example, would the agency or department define the outcome in their corporate plan? Would the outcome relate to the entire portfolio?
- what reporting arrangements will be in place to measure performance towards outcomes.

- **Restructure PB Statements to more closely align external reporting with internal planning and management reporting by entities**

The process to complete the PB Statements is not in alignment with the internal planning and external reporting processes including annual financial statements reporting. Accounting standards are often in conflict with the desired format of the PB Statements therefore any changes would need to accommodate the differences. The process to complete financial statements is much more complex than the completion of the PB Statements.

- **Align standards better for preparing appropriation bills, PB Statements, annual reports and audited financial statements to enable comparisons and a clear read between budgeted and actual expenditure and performance**

While in theory this sounds desirable, practical implementation arrangements would be complex and difficult. Also External Audit requirements would need to be considered. The time table and process to complete financial statements is more complex and costly than the creation of PB Statements.

- **Develop criteria for establishing and reviewing special appropriations.**

Not applicable to the NFSA.

- **Offer enhanced training and ongoing professional development to Parliamentarians and their advisers in relation to appropriations and other framework issues**

The NFSA fully supports this proposal.

More effective governance arrangements

Key propositions

- **Operate Commonwealth entities, which are not commercial in nature, from a single Commonwealth Bank Account.**

The NFSA does not support this proposition. A CAC entity should control its finances separately to FMA agencies. Investments and associated interest assist small government entities to continue their operations. There are already rules surrounding Government banks accounts and given the diverse nature of Commonwealth entities, a single bank account would create additional levels of complexity, red tape, processing delays and authorisation issues. Additionally it would be almost impossible to fulfil audit, grant acquittal and financial statement creation processes appropriately.

- **Apply directors' duties based on those in the Corporations Act 2001 only to entities that are commercial in nature**

Agreed – qualified by information about how 'commercial in nature' is defined. The NFSA has some commercial activity, but commercial revenue is a small percentage of annual funding.

- **Structure the financial framework to allow for more integrated portfolio governance**

The NFSA would support replacing the FMA and CAC Acts with a single act which would support fit-for-purpose governance arrangements. However, the single act should be able to cater for the diverse nature of Commonwealth entities and the associated sizes of entities so that additional inefficient processes and procedures are not applied on smaller entities. The NFSA enabling legislation institutes a governing Board for the organisation, however consideration could be given to whether an advisory council would better serve the needs of the NFSA and the Commonwealth.

In regards to shared-service arrangements across portfolios (p34), the NFSA would expect to see a clear cost-benefit analysis of this proposal before it was adopted. While some services do place a financial burden on smaller agencies, for instance maintaining an Audit Committee and an internal audit function, there is a risk that the benefits to the organisation of having a dedicated internal audit program could be lost if moving to a whole-of-portfolio arrangement. Careful consideration would have to be given to the planning and implementation of a portfolio program to ensure that small agencies are not disadvantaged.

There may also be wider economic implications of shared-service agreements. The current arrangements allow for individual agencies to contract the services, of for instance an internal audit provider. Smaller agencies may consider going with smaller, more specialised audit providers, opening up the sector to wider competition and increased employment opportunities. If the internal audit function was to be centralised to the Department, these smaller, more specialised providers would not have the scope or the workforce to compete in this market.

- **Recognise in the financial framework legislation that the responsibilities of office holders, management and staff can extend beyond their individual organisations to delivering wider government objectives, including joint activities**

The NFSA supports this proposition.

- **Structure the financial framework to allow for pooled funding arrangements and for appropriated amounts to be more readily redistributed among entities pursuing shared objectives**

The NFSA supports this proposal. We already work with other agencies and cultural institutions, and having a pooled funding arrangement could make this cooperation and collaboration easier.

However, effective mechanisms must be in place to ensure that there is fair distribution of funding across the agencies involved, fully reflecting the resources utilised by each contributor. Clarification is also required regarding which body would determine the agencies share of the funding (would this be through a proposal to Finance?).

Improving performance

Key propositions

- **Reflect in financial framework legislation the responsibilities of chief executives and directors for key elements of resource management, including budgeting, performance management, reporting and evaluation, to support a more comprehensive approach to resource management across the Commonwealth**

It should be noted that a range of lower level legislation already exists to guide management and boards (for example the NFSA Act 2008)

- **Consider introducing multi-year appropriations, especially for major programs and projects**

The NFSA supports this proposition. However, accounting standards and the impact on financial statements would need to be considered.

- **Develop a coherent and integrated performance management framework to give a clear and shared understanding of the government's priorities and strategic direction**

The NFSA supports this proposition, however the foundation of such a system would have to be a robust, responsive and reliable source of information about what are the government of the day's priorities and strategic direction.

- **Develop indicators that allow for performance to be measured and compared across the public service**

The NFSA supports these propositions. We are currently working with other cultural institutions in the Galleries, Museums and Libraries (GLAM) sector to establish an arts agency outputs framework which supports the government's policy priorities for the arts sector.

The aim of the project is to create a framework that can be used as:

- a reporting tool to communicate agency outputs in the context of wider government priorities
- a management tool to facilitate discussions with the Board, and as
- a communication tool to enable best practice to be shared across the agencies and introduce consistency in communication/reporting across the national cultural institutions.

Stage one of the consultancy involved developing a framework to articulate agency activities and outputs and link agencies' outcomes with government policy priorities and key focus areas. In consultation with OFTA, five policy priorities – underpinned by eleven key focus areas – have been articulated, reflecting the priorities of the emerging National Cultural Policy.

The five policy priorities are:

- Access
- Relevance
- Education
- Vibrancy
- National leadership and organisational excellence.

The project also involved developing cross-agency key performance indicators (KPIs) which can be used to measure the National Cultural Institutions contribution to government priorities. The first set of KPIs have been incorporated into our 2012-13 Portfolio Budget Statements and will be reported against in the 2012-13 annual report. Consultation with OFTA and the other National Cultural Institutions continues, with KPIs to measure success in relation to education and vibrancy being developed for inclusion in future budget papers.

Engaging with risk

Key propositions

- **Develop an overarching risk management framework for the Commonwealth to set the context for entities' risk practices**
- **Require entities to establish policies for oversight, management and reporting of material risks and to report to government on the management of these risks**

- **Make risk management a core competency in government, with the Department of Finance and Deregulation providing a more coordinated and systematic approach to risk management training**

The NFSA agrees that engaging with risk is a challenge for the Commonwealth, however caution should be taken when attempting to create an overarching risk management framework which attempts to define risk across the sector.

If implemented, this framework would have to recognise the widely different budget allocations and functions of Departments. For example, the NFSA would consider a potential financial loss of \$50 000 as a significant risk, but for other larger departments, this may be classified as insignificant.

The NFSA would encourage a focus on increased education and integration regarding risk. Engaging all staff in risk management encourages robust (rather than reactive) risk management practices to be developed within an organisation.

An alternative approach may be to create frameworks which suit a particular sector of the Commonwealth – for example organisations within the Galleries, Libraries and Museums (GLAM) sector face similar risks and are already collaborating to create cross-sector performance information.

A too-prescriptive approach is in danger of becoming a 'tick-box' rather than integrated approach. While the methodology should remain consistent across the Commonwealth – using for example ISO 31000 Risk Management – agencies should be left to apply that methodology as needed to suit their particular circumstances.

Building capability and culture

Key propositions

- **Increase Finance's coordination and targeting of training and enhance guidance material, including developing web-based tools, too improve financial literacy across the Commonwealth**
- **Clearly articulate qualifications, experience and minimum responsibilities for Chief Financial Officers**

The NFSA supports these propositions. The range of training and guidance should be appropriate to cater for the diverse operations and size of Commonwealth entities.

It is highly desirable that CFO's should hold at a minimum CPA or CA qualifications along with associated university qualifications and practical experience. Additionally, leadership, performance management and staff management skills and experience are now more important than ever for CFO's.

Simplifying requirements

Key propositions

- **Restructure the financial framework so that primary legislation is more clearly principles-based and focused on areas of high risk, with clearer and more detailed guidance to support entity performance**
- **Simplify financial framework legislation and rules applying to managing appropriations and public money to reduce compliance burdens**
- **Simplify and better align financial framework rules for grants and procurement and base their requirements on the level of risk involved**
- **Develop a more focused approach to reporting to remove duplication and reduce the burden on entities and managers**
- **Develop risk-based approach to reporting allowing for tiered reporting based on an entity's risk exposure**
- **Simplify the penalties and sanctions regime in the financial framework by relying on the Criminal Code for criminal conduct and removing overlapping offences**

The NFSA supports these propositions.

Clarification obligations

Key propositions

- **Adopt a more risk-based approach to imposing requirements within the financial framework, reporting compliance against those requirements and addressing non-compliance**
- **Consider making the regulatory requirements that apply to FMA and CAC act entities more consistent**
- **Make language consistent between financial framework and related legislation, including the enabling legislation of statutory authorities and the Public Service Act 1999.**

The NFSA supports these key propositions. There is a clear need to ensure that differences between FMA and CAC entities are maintained to support the diverse nature of Commonwealth entities. CAC entities need to be provided with support that, while allowing their independence, provides an appropriate risk and financial framework.