

Effectiveness of Public Sector Boards — Australian Film, Television and Radio School

Australian Film, Television and Radio School

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ISSN 1036–7632 (Print)

ISSN 2203–0352 (Online)

ISBN 978-1-76033-737-7 (Print)

ISBN 978-1-76033-738-4 (Online)

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Canberra ACT
16 June 2022

Dear Mr President
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Australian Film, Television and Radio School. The report is titled *Effectiveness of Public Sector Boards — Australian Film, Television and Radio School*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely



Grant Hehir
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Audit snapshot

Auditor-General Report No.34 2021–22

Effectiveness of Public Sector Boards — Australian Film, Television and Radio School



Why did we do this audit?

- ▶ Boards play a key role in the effective corporate governance of an entity, by maintaining a focus on organisational performance and conformance with relevant requirements such as the Commonwealth finance law and enabling legislation.
- ▶ The Australian Film, Television and Radio School (AFTRS) has not been subject to an in-depth performance audit in recent years.
- ▶ This audit provides the Parliament with independent assurance regarding board governance at AFTRS.



What did we find?

- ▶ The governance board in AFTRS is largely effective.



What did we recommend?

- ▶ There were three recommendations made to: review internal processes to ensure that convocation appointments are made in accordance with all requirements of the AFTRS Act and that a roll of all members of convocation is maintained; that staff and student elections are carried out in accordance with all requirements of the Australian Film, Television and Radio School (Council Elections) Regulations 2017; and improve systematic monitoring and review of performance.
- ▶ AFTRS agreed to all three recommendations.



Key facts

- ▶ AFTRS is a corporate Commonwealth entity established under the *Australian Film, Television and Radio School Act 1973* (AFTRS Act).
- ▶ AFTRS provides screen and broadcast education, training and research.
- ▶ The AFTRS council is the accountable authority under the finance law and a 'governing body' under the Corporate Governance of Higher Education Standards Framework (Threshold Standards) 2021.

\$25 million

received in government
departmental appropriations
in 2020–21

\$8.4 million

generated in own source
revenue in 2020–21

3

committees to assist the AFTRS
council in carrying out its functions

Summary and recommendations

Background

1. The governing board of a corporate Commonwealth entity is the accountable authority for the entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act)¹, with responsibility for ‘leading, governing and setting the strategic direction’ for the entity.²
2. Around 59 corporate Commonwealth entities subject to the PGPA Act have governing boards, comprising a total of approximately 600 board positions.³ Corporate Commonwealth entities with governance boards vary significantly by function, and governance boards may also vary in their composition, operating arrangements, independence and subject-matter focus, depending on the specific requirements of their enabling legislation and other applicable laws.

Boards and corporate governance

Duties and roles

3. Boards play a key role in the effective governance of an entity. Corporate governance is generally considered to involve two dimensions, which are the responsibility of the governing board:

Performance — monitoring the performance of the organisation and CEO. This also includes strategy — setting organisational goals and developing strategies for achieving them, and being responsive to changing environmental demands, including the prediction and management of risk. The objective is to enhance organisational performance;

Conformance — compliance with legal requirements and corporate governance and industry standards, and accountability to relevant stakeholders.

...

it is important to understand that governing is not the same as managing. Broadly, governance involves the systems and processes in place that *shape, enable* and *oversee* management of an organisation. Management is concerned with *doing* – with co-ordinating and managing the day-to-day operations of the business.⁴

4. In the Australian Government sector context, boards must govern the entity in a way that complies with the requirements of any enabling legislation, the Commonwealth finance law

1 *Public Governance, Performance and Accountability Act 2013*, section 12.

2 Department of Finance, *Duties of Accountable Authorities* (RMG 200), April 2021, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/managing-risk-internal-accountability/duties/duties-accountable-authorities-rmg-200> [accessed December 2021].

3 Under the PGPA Act, the accountable authority of a Commonwealth entity may be a single person or group of persons (section 12). This total is based on the Department of Finance’s List of Commonwealth entities and companies under the *Public Governance, Performance and Accountability Act 2013* as at 30 June 2021. It includes those entities that have a collective accountable authority and includes governing bodies which have the title of board, authority, commission, corporation, council, or trust.

4 M Edwards and R Clough, *Corporate Governance and Performance: An Exploration of the Connection in a Public Sector Context*, Corporate Governance ARC Project, Paper No. 1, January 2005, pp. 2–3.

(which includes the PGPA Act and the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule)), and other applicable laws and requirements.

5. Sections 15 to 19 of the PGPA Act impose duties on accountable authorities in relation to governing the corporate Commonwealth entity for which they are responsible. As the accountable authority, members of Commonwealth governing boards are also officials under the PGPA Act and subject to the general duties of officials in sections 25 to 29 of the PGPA Act.

Australian Film, Television and Radio School

6. The Australian Film, Television and Radio School (AFTRS) is a corporate Commonwealth entity established under the *Australian Film, Television and Radio School Act 1973* (AFTRS Act). AFTRS' mission is: 'Delivering world-leading creative education across the nation, so Australian talent and culture thrive at home and around the world'. AFTRS' purpose is: 'Working hand-in-hand with our screen and broadcast industries, AFTRS is a global centre of excellence that provides Australians with the highest level of screen and broadcast education, training and research'.⁵

7. The council of AFTRS is the accountable authority under the finance law. The council is a 'governing body' under section 6.1 of the Corporate Governance of Higher Education Standards Framework (Threshold Standards) 2021.⁶ Under the AFTRS Act, all acts and things done in the name of, or on behalf of, the school by the council or with the authority of the council are deemed to have been done by the school.

Rationale for undertaking the audit

8. This topic was selected for audit as part of the ANAO's multi-year audit program that examines aspects of the implementation of the PGPA Act. Amongst other things, the PGPA Act requires the accountable authority of an entity to establish and maintain an appropriate system of risk oversight and management, and an appropriate system of internal controls.

9. This audit is part of a series of performance audits of board governance which provides independent assurance to the Parliament on whether the selected boards have established effective arrangements to comply with the audited legislative and policy requirements and adopted practices that support effective governance. The audits also focus on any examples of better practice which may be worth highlighting as a learning for other boards.⁷

10. Four entities were included in the ANAO's 2018–19 board governance audit series. For this second tranche of audits, the ANAO selected three corporate Commonwealth entities with enabling legislation (statutory authorities) that had no performance audit coverage in recent years. This enabled the ANAO to examine selected aspects of legal compliance and board

5 Australian Film, Television and Radio School, *2021–22 Corporate Plan For the period FY 2021–25*, p. 3.

6 For consistency in this series of audit reports (discussed in paragraphs 9–10) governing bodies such as the AFTRS council have been referred to as governance boards.

7 In addition to this series of governance audits, an upcoming Auditor-General report titled *Reporting on Governing Boards of Commonwealth Entities and Companies* will be presented for tabling in June 2022. This information report prepared by the ANAO will provide transparency and insights on the governing boards of Commonwealth entities and companies and the membership of these boards.

governance in entities not often subject to in-depth performance audit, to ensure the selected entities were getting the basics right.

11. This report outlines the audit of AFTRS in the Infrastructure portfolio.

Audit objective and criteria

12. The objective of the audit was to assess the effectiveness of the governance board in the AFTRS.

13. To form a conclusion against this objective, the following high-level criteria were adopted.

- The AFTRS council's governance and administrative arrangements are consistent with relevant legislative requirements and the council has structured its own operations in a manner that supports effective governance.
- The AFTRS council has established fit-for-purpose arrangements to oversight compliance with key legislative and other requirements, and the achievement of entity purposes.

14. The audit examined the period July 2019 until March 2022. This is referred to as the review period.

Conclusion

15. The governance board in the AFTRS is largely effective.

16. The AFTRS council has been largely effective in ensuring that its governance and administrative arrangements are consistent with relevant legislative requirements and structuring its own operations in a manner that supports effective governance. In the period reviewed by the ANAO the council's arrangements were effective except for not being fully compliant with convocation appointment and student election requirements.

17. The AFTRS council has established largely fit-for-purpose arrangements to oversight compliance with key legislative and other requirements, and the achievement of entity purposes. In the review period the council's arrangements were effective except for non-compliance with some of the corporate plan and annual performance statements requirements of the Commonwealth finance law, and a lack of systematic monitoring or review of performance.

Supporting findings

Council governance and structure

18. Council members were appointed in accordance with relevant legislative requirements. One new convocation appointment to the council in the review period was not made in full accordance with the *Australian Film, Television and Radio School Act 1973* (the Act). In the 2020–21 elections for staff and student members of the council, AFTRS did not meet all the requirements of the Australian Film, Television and Radio School (Council Elections) Regulations 2017. The Act states that an appointment is not invalid by reason only of a defect or irregularity in connection with the appointment. (See paragraphs 2.3 to 2.20)

19. Council meetings were properly constituted and there were mechanisms for enabling decisions to be taken without meetings. AFTRS records did not enable the ANAO to confirm

whether quorum requirements were met for some of the honorary degree committee meetings. (See paragraphs 2.21 to 2.31)

20. The council has established a charter, set expectations for school management and the secretariat, and assessed its own performance. The council's terms of reference do not provide sufficient information on its operating procedures, including performance assessment of the council and its members. The policies approved by the council did not include all areas that relate directly to the PGPA Act and other key legislative responsibilities of the council. For example, the AFTRS Code of Conduct, Student Handbook, Privacy and Freedom of Information Processes, Business Continuity Plan and Work Health and Safety Policy were not approved by the council or its committees. (See paragraphs 2.35 to 2.60)

21. There is an internal audit function that provides assurance to the council. The council, through the finance, audit and risk management committee, has oversight of internal audit and the school's response to internal audit findings and recommendations. During the review period the internal audit provider did not provide an annual report on the overall state of internal controls in AFTRS, as required by the Internal Audit Charter. (See paragraphs 2.61 to 2.71)

Oversight of compliance and the achievement of entity purposes

22. The council established arrangements to oversight compliance with the elements of enabling legislation selected for ANAO review. The oversight arrangements include: review by the finance, audit and risk management committee of compliance information; and a requirement that significant compliance breaches identified by management are to be reported to the committee and the council. The council does not have a compliance policy or framework to assist in its oversight of compliance with the AFTRS Act or regulations, or other legislative requirements. While there are processes for actioning and monitoring activity relating to the ministerial Statement of Expectations and the AFTRS Statement of Intent prepared in response to the minister, these documents are not referenced in entity corporate plans or annual reports. (See paragraphs 3.9 to 3.16)

23. There is oversight of, and compliance with, the PGPA Act corporate governance requirements selected for ANAO review. The arrangements include annual information and declarations to the council from management relating to compliance with the PGPA Act and PGPA Rule. AFTRS has recognised a need to improve its approach to risk management and reporting, and has initiated an improvement process. In February 2022, AFTRS prepared a fraud risk register which was scheduled to be provided to the finance, audit and risk management committee in June 2022, along with the Fraud Control Policy and Fraud Control Plan. This will facilitate AFTRS meeting its obligations under section 10 of the PGPA Rule. (See paragraphs 3.17 to 3.47)

24. There is oversight of school performance against the purposes and performance measures identified in the corporate plan and Portfolio Budget Statements. The corporate plan was not fully compliant with one of the five minimum requirements of the PGPA Rule, relating to performance measurement and assessment. The annual performance statements were not a standalone document and were not fully compliant with two of the three minimum requirements of the PGPA Rule related to the reporting of results and analysis. AFTRS has commenced activities to improve the development of performance measures included in its corporate plans, which will impact how results are presented in the annual performance statements. (See paragraphs 3.52 to 3.61)

25. The council assesses the achievement of performance measures included in the corporate plan annually, as part of its approval of the annual performance statements. There has been no systematic monitoring or review of performance. (See paragraphs 3.62 to 3.74)

26. During the review period, there were arrangements for the council, through the finance, audit and risk management committee, to receive assurance relating to the school's performance against the purposes and performance measures identified in the corporate plan. (See paragraphs 3.75 to 3.79)

Recommendations

Recommendation no. 1 The AFTRS council review internal processes to ensure that
Paragraph 2.8 convocation appointments are made in accordance with all requirements of the *Australian Film, Television and Radio School Act 1973* and that a roll of all members of convocation is maintained.

Australian Film, Television and Radio School response: *Agreed.*

Recommendation no. 2 The AFTRS council review internal processes to ensure that staff and
Paragraph 2.16 student elections are carried out in accordance with all requirements of the Australian Film, Television and Radio School (Council Elections) Regulations 2017.

Australian Film, Television and Radio School response: *Agreed.*

Recommendation no. 3 The AFTRS council implement systematic monitoring and review of
Paragraph 3.65 the achievement of performance measures included in the corporate plan and Portfolio Budget Statements.

Australian Film, Television and Radio School response: *Agreed.*

27. The ANAO also suggested fifteen areas of improvement related to board governance in AFTRS.

Summary of entity responses

28. A summary response from AFTRS is provided below and AFTRS's full response can be found at Appendix 1. An extract of the draft report was also provided to the Department of Finance (Finance). A summary response from Finance is provided below and Finance's full response can be found at Appendix 1.

Australian Film, Television and Radio School

AFTRS welcomes the proposed report, agrees with all recommendations and has noted the opportunities for improvement.

AFTRS is pleased that the ANAO found the governing board, being AFTRS Council, to be largely effective in ensuring that its governance and administrative arrangements are consistent with relevant legislative requirements and that it has structured its own operations in a manner that supports effective governance.

AFTRS is confident that implementing the report's recommendations, together with a thorough examination of the opportunities for improvement, will further enhance the AFTRS Council's already strong governance arrangements and practices.

Department of Finance

The Department of Finance (Finance) welcomes this report.

As the ANAO notes, accountable authorities have certain duties and responsibilities under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). To assist accountable authorities in understanding and meeting these duties, Finance provides all new accountable authorities with PGPA framework guidance and an offer of in-person briefings with Finance officials. These in-person briefings are also provided to boards, councils and senior executives where requested.

Key messages from this audit for all Australian Government entities

29. This audit is part of a series of governance audits that have applied a standard methodology to the governance of individual boards. Key messages from this ongoing series of audits will be drawn on to update the ANAO Insights product on Board Governance available on the ANAO website.⁸

⁸ Australian National Audit Office, *Audit Insights: Board Governance*, 17 May 2019, available from <https://www.anao.gov.au/work/audit-insights/board-governance> [accessed 22 February 2022].

Audit findings

1. Background

Introduction

1.1 The governing board of a corporate Commonwealth entity is the accountable authority for the entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act)⁹, with responsibility for ‘leading, governing and setting the strategic direction’ for the entity.¹⁰

1.2 Around 59 corporate Commonwealth entities subject to the PGPA Act have governing boards, comprising a total of approximately 600 board positions.¹¹ Corporate Commonwealth entities with governance boards vary significantly by function, and governance boards may also vary in their composition, operating arrangements, independence and subject-matter focus, depending on the specific requirements of their enabling legislation and other applicable laws.

Boards and corporate governance

1.3 Sections 15 to 19 of the PGPA Act impose duties on accountable authorities in relation to governing the corporate Commonwealth entity for which they are responsible (see Box 1).¹² As the accountable authority, members of Commonwealth governing boards are also officials under the PGPA Act and subject to the general duties of officials in sections 25 to 29 of the PGPA Act.¹³

Box 1: Department of Finance, Duties of Accountable Authorities (RMG 200), April 2021

Your general duties as an accountable authority

The additional duties imposed on you as an accountable authority are to:

- properly govern your Commonwealth entity
- establish and maintain appropriate systems relating to risk management and oversight and internal controls
- encourage officials to cooperate with others to achieve common objectives
- take into account the effects of imposing requirements on others
- keep your minister and the Finance Minister informed.

Governing your entity

You are responsible for leading, governing and setting the strategic direction for your entity. Governing your entity includes:

9 *Public Governance, Performance and Accountability Act 2013*, section 12.

10 Department of Finance, *Duties of Accountable Authorities* (RMG 200), April 2021, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/managing-risk-internal-accountability/duties/duties-accountable-authorities-rmg-200> [accessed December 2021].

11 Under the PGPA Act, the accountable authority of a Commonwealth entity may be a single person or group of persons (section 12). This total is based on the Department of Finance’s List of Commonwealth entities and companies under the *Public Governance, Performance and Accountability Act 2013* as at 30 June 2021. It includes those entities that have a collective accountable authority and includes governing bodies which have the title of board, authority, commission, corporation, council, or trust.

12 For full details of the general duties as an accountable authority, refer to Appendix 3.

13 For full details of the general duties as an official, refer to Appendix 4.

- promoting the proper (efficient, effective, economical and ethical) use and management of the public resources for which you are responsible
- promoting the achievement of the purposes of your entity
- promoting the financial sustainability of your entity
- importantly, taking account of the effect of your decisions on public resources generally
- establishing appropriate systems of risk management and internal control, including measures directed at ensuring officials comply with the finance law (such as accountable authority instructions and delegations).

1.4 Boards play a key role in the effective governance of an entity. Corporate governance is generally considered to involve two dimensions, which are the responsibility of the governing board:

Performance — monitoring the performance of the organisation and CEO. This also includes strategy — setting organisational goals and developing strategies for achieving them, and being responsive to changing environmental demands, including the prediction and management of risk. The objective is to enhance organisational performance;

Conformance — compliance with legal requirements and corporate governance and industry standards, and accountability to relevant stakeholders.

...

it is important to understand that governing is not the same as managing. Broadly, governance involves the systems and processes in place that *shape, enable* and *oversee* management of an organisation. Management is concerned with *doing* — with co-ordinating and managing the day-to-day operations of the business.¹⁴

1.5 The relationship between effective corporate governance and organisational performance is summarised in Box 2.

Box 2: The relationship between corporate governance and organisational performance

Narrowly conceived, corporate governance involves ensuring compliance with legal obligations, and protection for shareholders against fraud or organisational failure. Without governance mechanisms in place — in particular, a board to direct and control — managers might ‘run away with the profits’. Understood in this way, good governance minimises the possibility of poor organisational performance ... more recent definitions of good governance emphasise the contribution good governance can make to improved organisational performance by highlighting the strategic role of the board. Legal compliance, ongoing financial scrutiny and control, and fulfilling accountability requirements are fundamental features of good corporate governance. However, a high-performing board will also play a strategic role. It will plan for the future, keep pace with changes in the external environment, nurture and build key external relationships (for example, business contacts) and be alert to opportunities to further the business. The focus is on performance as well as conformance. The board is not there to simply monitor and protect but also to enable and enhance.^a

14 M Edwards and R Clough, *Corporate Governance and Performance: An Exploration of the Connection in a Public Sector Context*, Corporate Governance ARC Project, Paper No. 1, January 2005, pp. 2–3.

In summary, research conducted by those working closely with boards suggests that:

- The ‘hard attributes’ of governance such as board independence may be necessary but are not sufficient. At best, they form minimal standards of good governance. More accurately, it is the interplay of these ‘hard’ but easy to measure attributes and ‘soft’ attributes that lead to good governance.
- The ‘soft attributes’ of governance such as the chair/CEO relationship, board behaviours and board culture are critical to good governance.^b

Note a: M Edwards and R Clough, *Corporate Governance and Performance: An Exploration of the Connection in a Public Sector Context*, Corporate Governance ARC Project, Paper No. 1, January 2005, pp. 4–5.

Note b: *ibid.*, p. 14.

Culture and governance

1.6 The interplay of the ‘hard’ and ‘soft’ attributes of governance — and the criticality of board and organisational culture to an entity’s performance, values and conduct — have been central themes in notable Australian inquiries into organisational misconduct. These have included the 2003 Royal Commission into the failure of HIH Insurance¹⁵, the 2018 Australian Prudential Regulation Authority (APRA) Prudential Inquiry into the Commonwealth Bank of Australia¹⁶ and the 2019 Royal Commission into the financial services industry.¹⁷ While the specific focus of these inquiries was on financial institutions, their key insights on culture and governance (Box 3) have wider applicability and provide lessons for all accountable authorities, including governance boards.¹⁸

Box 3: Key insights for governance boards — Hayne Royal Commission, APRA Prudential Inquiry, HIH Royal Commission

The 2019 Hayne Royal Commission emphasised the need for boards to get the right information about emerging non-financial risks; to seek further or better information where what they had was clearly deficient; and ensure they use information to oversee and challenge management’s approach to these risks. The 2019 Hayne Royal Commission further emphasised that every entity must ask the questions raised by the 2018 APRA Prudential Inquiry:

- Is there adequate oversight and challenge by the board and its gatekeeper committees of emerging non-financial risks?
- Is it clear who is accountable for risks and how they are to be held accountable?
- Are issues, incidents and risks identified quickly, referred up the management chain, and then managed and resolved urgently? Or is bureaucracy getting in the way?

15 N Owen, *The Failure of HIH Insurance Volume 1: A Corporate Collapse and its Lessons*, The HIH Royal Commission, 4 April 2003 (all references in this audit are to vol. 1 of the report).

16 Australian Prudential Regulation Authority, *Prudential Inquiry into the Commonwealth Bank of Australia (CBA) Final Report*, 30 April 2018.

17 K M Hayne, *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*, Final Report, 1 February 2019 (all references in this audit are to vol. 1 of the report).

18 For additional information on these inquiries, refer to Auditor-General Report No. 34 2018–19, *Effectiveness of Board Governance at Old Parliament House*, paragraphs 1.7 to 1.16.

- Is enough attention being given to compliance? Is it working in practice? Or is it just ‘box ticking’?
- Do compensation, incentive or remuneration practices recognise and penalise poor conduct? How does the remuneration framework apply when there are poor risk outcomes or there are poor customer outcomes? Do senior managers and above feel the sting?

The 2019 Hayne Royal Commission recommended that entities should, as often as reasonably possible, take proper steps to:

- assess the entity’s culture and its governance;
- identify any problems with that culture and governance;
- deal with those problems; and
- determine whether the changes it has made have been effective.

The earlier HIH Royal Commission similarly warned in 2003 of the dangers of a ‘tick the box’ mentality towards corporate governance and highlighted the benefits of periodic review by boards of corporate governance practices to ensure their suitability.

Source: ANAO, Audit Insights: Board Governance, 17 May 2019, available from <https://www.anao.gov.au/work/audit-insights/board-governance>.

1.7 Many Auditor-General reports have made findings consistent with those appearing in the reports of these inquiries.¹⁹ In April and May 2019, the Auditor-General presented a series of performance audits that reviewed whether the boards of four corporate Commonwealth entities had established effective arrangements to comply with selected legislative and policy requirements, and adopted practices that support effective governance:

- Report No.34 2018–19 *Effectiveness of Board Governance at Old Parliament House* — published on 18 April 2019;
- Report No.35 2018–19 *Governance of the Special Broadcasting Service Corporation* — published on 26 April 2019;
- Report No.36 2018–19 *Effectiveness of Board Governance at the Australian Institute of Marine Science* — published on 30 April 2019; and
- Report No.37 2018–19 *Effectiveness of Board Governance at the Sydney Harbour Federation Trust* — published on 2 May 2019.²⁰

19 With particular reference to the importance of culture in risk management, see G Hehir (Auditor-General), *Strategic governance of risk: Lessons learnt from public sector audit*, [Internet], Australian National Audit Office, August 2018, available from <https://www.anao.gov.au/work/speeches-and-papers/strategic-governance-risk-lessons-learnt-public-sector-audit> [accessed February 2022].

20 A specific aspect of board governance — relating to the role played by a number of boards in promoting probity — was also examined in Auditor-General Report No.21 2019–20 *Probity Management in Rural Research and Development Corporations*. The report was published in December 2019.

1.8 The ANAO also published an audit insights product from this series of audits, which outlined a number of key messages that may be relevant to the operations of other Commonwealth boards as well as broader governance arrangements in Commonwealth entities.^{21 22}

The Public Governance, Performance and Accountability Act 2013 (PGPA Act)

1.9 The objects of the PGPA Act include: to establish a coherent system of governance and accountability across Commonwealth entities; and to require the Commonwealth and Commonwealth entities to meet high standards of governance, performance and accountability.²³

1.10 As discussed in paragraph 1.3, the PGPA Act includes both general duties of accountable authorities and general duties of officials. It also establishes obligations relating to the proper use of public resources (that is, the efficient, effective, economical and ethical use of resources).²⁴ In so doing, the PGPA Act establishes clear cultural expectations for all Commonwealth accountable authorities and officials in respect of resource management.

1.11 The Department of Finance (Finance), which supports the Finance Minister in the administration of the PGPA Act framework, has also issued a range of guidance documents on the technical aspects of resource management under the framework.

1.12 In April 2019 the Auditor-General made an agreed recommendation to Finance to update its guidance to accountable authorities having regard to the key insights and messages for accountable authorities identified in recent inquiries and reviews (the Hayne Royal Commission and APRA Prudential Inquiry).²⁵

1.13 In November 2019 Finance released a two-page paper titled: *Lessons learned from the private sector: Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*. This paper highlights that accountable authorities should be mindful of inquiries and reviews undertaken in the private sector and should consider any lessons that could be learned in their entity's context. The paper also stated the following.

21 Australian National Audit Office, *Audit Insights: Board Governance*, 17 May 2019, available from <https://www.anao.gov.au/work/audit-insights/board-governance> [accessed 22 February 2022].

The key audit insights were: establish a board charter; periodically evaluate board performance; actively consider current and future board skill requirements; recognise and manage conflicts of interest; retain adequate documentation and records of decisions and actions; actively question and challenge management; review key strategic risks in corporate risk registers and set risk appetite; ensure that the audit committee and its operating arrangements support the board obtaining the external advice and assurance it requires; approve and periodically review key policies and frameworks particularly those that relate to the duties of an accountable authority; provide appropriate induction to assist board members' understanding of their obligations; seek management assurance regarding internal controls and compliance; and seek consolidated progress reports on results against all performance targets in the corporate plan.

22 In addition to this series of governance audits, an upcoming Auditor-General report titled *Reporting on Governing Boards of Commonwealth Entities and Companies* will be presented for tabling in June 2022. This information report prepared by the ANAO will provide transparency and insights on the governing boards of Commonwealth entities and companies and the membership of these boards.

23 *Public Governance, Performance and Accountability Act 2013*, section 5.

24 *Public Governance, Performance and Accountability Act 2013*, section 8.

25 Auditor-General Report No.34 2018–19 *Effectiveness of Board Governance at Old Parliament House*, recommendation 1, p. 22.

- The accountable authority cannot simply rely upon the information presented by senior executive staff, they have the responsibility to request more information where necessary to fulfil their duties.
- The delegation of its powers does not discharge the duties of the accountable authority to ensure that those powers are being exercised correctly.
- The practical effectiveness of an entity's governance model and internal controls should be periodically tested. Technically ticking every best practice box is not functional as culture and governance are never 'fixed'.^{26 27}

1.14 Relevantly, Finance also released *A guide for corporate Commonwealth entities on the role of audit committees* in September 2021.²⁸ The guide states that:

Audit committees are integral to good corporate governance. They provide advice to accountable authorities, assist them to meet their duties and obligations, and support the development of key practice and capacity within [corporate Commonwealth entities] CCEs.²⁹

1.15 In December 2021 Finance advised the ANAO that:

- it monitors the appointment of new accountable authorities on a regular basis;
- to support accountable authorities in meeting their responsibilities under the PGPA Act, the Finance Secretary issues a new accountable authority with an introductory email providing guidance material, tools and resources available on the Finance website. These emails also offer in-person briefings from senior officials on their duties under the PGPA Act;
- it also provides broader PGPA framework briefings to senior executives and officials of PGPA Act entities and companies on request; and
- during 2020–21, it provided 17 new accountable authority introductory emails and delivered 14 in-person briefings. The briefings delivered by Finance officials in 2020–21 were to a combination of accountable authorities, officials and board members. Of the 14 in-person briefings, six were delivered to board members.

26 Department of Finance, *Lessons Learned from the private sector: Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*, November 2019, p.2, available from <https://www.finance.gov.au/sites/default/files/2019-11/Lessons%20learned%20from%20the%20Banking%20Royal%20Commission.pdf> [accessed 22 February 2022].

27 In December 2019 Finance also updated its guidance for the directors of Government Business Enterprises (GBEs). The guide is intended to assist directors in familiarising themselves with GBE governance requirements. It is available from <https://www.finance.gov.au/business/government-business-enterprises/role-directors-commonwealth-gbes-guidelines> [accessed 6 June 2022].

28 Australian National Audit Office, *Audit Insights: Board Governance*, 17 May 2019, available from <https://www.anao.gov.au/work/audit-insights/board-governance> [accessed 22 February 2022]. The ANAO observed, in its May 2019 audit insights publication on board governance, the importance of ensuring that the audit committee and its operating arrangements support the board obtaining the external advice and assurance it requires.

29 Department of Finance, *A guide for corporate Commonwealth entities on the role of audit committees*, September 2021, p.5, available from <https://www.finance.gov.au/sites/default/files/2020-06/A%20guide%20for%20CCEs%20on%20the%20role%20of%20audit%20committees.pdf> [accessed 22 February 2022].

Rationale for undertaking the audit

1.16 This topic was selected for audit as part of the ANAO's multi-year audit program that examines aspects of the implementation of the PGPA Act. Amongst other things, the PGPA Act requires the accountable authority of an entity to establish and maintain an appropriate system of risk oversight and management, and an appropriate system of internal controls.

1.17 This audit is part of a series of performance audits of board governance which provides independent assurance to the Parliament on whether the selected boards have established effective arrangements to comply with the audited legislative and policy requirements and adopted practices that support effective governance. As discussed in paragraph 1.8, the audits also focus on any examples of better practice which may be worth highlighting as a learning for other boards.

1.18 As discussed in paragraph 1.7, four entities were included in the ANAO's 2018–19 board governance audit series. For this second tranche of audits, the ANAO selected three corporate Commonwealth entities with enabling legislation (statutory authorities) that had no performance audit coverage in recent years. This enabled the ANAO to examine selected aspects of legal compliance and board governance in entities not often subject to in-depth performance audit, to ensure the selected entities were getting the basics right. Each entity in this series of audits will be subject to a separate audit with three audit reports to be tabled.

1.19 The three entities included in the ANAO's 2021–22 board governance audit series are:

- Commonwealth Superannuation Corporation (CSC) in the Finance portfolio;
- Australian Hearing Services (Hearing Australia) in the Social Services portfolio; and
- Australian Film, Television and Radio School (AFTRS) in the Infrastructure portfolio.

Australian Film, Television and Radio School

1.20 The Australian Film, Television and Radio School (AFTRS) is a corporate Commonwealth entity established under *the Australian Film, Television and Radio School Act 1973* (AFTRS Act). AFTRS' mission is: 'Delivering world-leading creative education across the nation, so Australian talent and culture thrive at home and around the world'.³⁰ AFTRS' purpose is: 'Working hand-in-hand with our screen and broadcast industries, AFTRS is a global centre of excellence that provides Australians with the highest level of screen and broadcast education, training and research'.³¹

1.21 The council of AFTRS is the accountable authority under the finance law. The council is a 'governing body' under section 6.1 of the Corporate Governance of Higher Education Standards Framework (Threshold Standards) 2021.³² Under the AFTRS Act, all acts and things done in the name of, or on behalf of, the school by the council or with the authority of the council are deemed to have been done by the school.³³

30 Australian Film, Television and Radio School, *2021–22 Corporate Plan For the period FY 2021–25*, p. 3.

31 *ibid.*, p. 3.

32 For consistency in this series of audit reports, governing bodies such as the AFTRS council have been referred to as governance boards.

33 *Australian Film, Television and Radio School Act 1973*, section 7.

1.22 The director of the school is appointed by the Governor-General on the recommendation of the council (through the responsible minister). The director of the school manages the affairs of the school, subject to the general direction of the council.³⁴

1.23 Under section 8 of the AFTRS Act, the council shall consist of:

- three members appointed by the Governor-General;
- three members of convocation³⁵ appointed by the council;
- the director of the school;
- a staff member elected by the staff members of the school in the manner prescribed in regulations³⁶; and
- a student of the school elected by the students of the school in the manner prescribed in regulations.³⁷

1.24 All council members (except the director of the school) are appointed on a part-time basis and are paid remuneration that is determined by the Remuneration Tribunal. The director of the school is appointed on a full-time basis with remuneration determined by the Remuneration Tribunal. The director's terms and conditions of employment (including performance payment) are determined by the council.

1.25 The council has established three committees to assist it in carrying out its functions: the finance, audit and risk management committee; the academic board; and the honorary degree committee.

1.26 At 30 June 2021, there were 160 staff, of whom 53 worked part-time. The executive team comprised divisional directors who manage key strategic and operational activities and report to the director of the school. The executive team covers areas including: teaching and learning; partnerships and development; first nations and outreach; people and culture; and finance and technology. In 2020–21 AFTRS received approximately \$25 million in government departmental appropriations and \$8.4 million in own source revenue.³⁸

Audit approach

Audit objective, criteria and scope

1.27 The objective of the audit was to assess the effectiveness of the governance board in the Australian Film, Television and Radio School (AFTRS).

34 *Australian Film, Television and Radio School Act 1973*, section 26.

35 Convocation means a specific group of persons. Convocation as set out in section 21 of the AFTRS Act consists of: all members and past members of the council; all persons who were, at any time, members of the interim council; all members and past members of the staff of the school; all persons who have been awarded degrees or diplomas by the school; and such person as the council admits as a member of convocation.

36 Prescribed by the Australian Film, Television and Radio School (Council Elections) Regulations 2017.

37 Prescribed by the Australian Film, Television and Radio School (Council Elections) Regulations 2017.

38 Australian Film, Television and Radio School, *Annual Report 2020–2021*, available from <https://www.transparency.gov.au/annual-reports/australian-film-television-and-radio-school/reporting-year/2020-21-16> [accessed 29 March 2022].

- 1.28 To form a conclusion against this objective, the following high-level criteria were adopted.
- The AFTRS council's governance and administrative arrangements are consistent with relevant legislative requirements and the council has structured its own operations in a manner that supports effective governance.
 - The AFTRS council has established fit-for-purpose arrangements to oversight compliance with key legislative and other requirements, and the achievement of entity purposes.
- 1.29 The audit examined the period July 2019 until March 2022. This is referred to as the review period.

Audit methodology

- 1.30 In undertaking the audit the ANAO:
- reviewed council and committee papers and minutes from July 2019 to March 2022;
 - reviewed a range of relevant documentation including school corporate plans, strategy documents, council and committee charters, risk registers, conflict of interest declarations and other key policy and process documentation;
 - held discussions with the current council chair, director of the school and other senior school staff;
 - observed one council meeting in December 2021 and one finance, audit and risk management committee meeting in November 2021;
 - reviewed relevant guidance and reviews on council and corporate governance; and
 - examined internal audit and assurance reports.
- 1.31 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$170,000.
- 1.32 The team members for this audit were Michelle Page, Peter Bell and Susan Ryan.

2. Council governance and structure

Areas examined

This chapter examines if the council's governance and administrative arrangements are consistent with relevant legislative requirements, including the Commonwealth finance law, and the council has structured its own operations in a manner that supports effective governance.

Conclusion

The AFTRS council has been largely effective in ensuring that its governance and administrative arrangements are consistent with relevant legislative requirements and structuring its own operations in a manner that supports effective governance. In the period reviewed by the ANAO the council's arrangements were effective except for not being fully compliant with convocation appointment and student election requirements.

Areas for improvement

The ANAO made two recommendations aimed at the council reviewing internal processes to ensure that:

- convocation appointments are made in accordance with all requirements of the *Australian Film, Television and Radio School Act 1973* and that a roll of all members of convocation is maintained; and
- staff and student elections are carried out in accordance with all requirements of the Australian Film, Television and Radio School (Council Elections) Regulations 2017.

The ANAO also suggested nine areas of improvement, related to the council:

- using a Council Skills Matrix;
- ensuring that committee charters include sufficient information and process to guide the recording and approval of out-of-session decisions;
- ensuring information on committee membership and meeting attendance is accurately recorded in meeting minutes;
- updating the council terms of reference to outline its relevant operating procedures;
- confirming that committee terms of reference/charter requirements have been satisfied and that committees report annually to the council on the adequacy of the discharge of their responsibilities;
- identifying in the council's terms of reference the key policies it will approve which relate to the council's legislative responsibilities and support the institutional culture it wishes to promote;
- formalising induction processes for council and committee members;
- formalising when and how the council will assess its own performance; and
- reviewing the implementation of arrangements to assess the performance of council and committee members.

2.1 Board governance and structure encompasses how the entity establishes and manages the board in accordance with its duties and responsibilities under the Commonwealth finance law — which includes the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and

Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) — its enabling legislation and other regulatory requirements. The Australian Film, Television and Radio School's (AFTRS) enabling legislation is the *Australian Film, Television and Radio School Act 1973* (AFTRS Act). The AFTRS council is the accountable authority and governance board for the school. The council is a 'governing body' under section 6.1 of the Corporate Governance of Higher Education Standards Framework (Threshold Standards) 2021.³⁹ To assess the effectiveness of the governance board in AFTRS, the ANAO examined whether:

- the council's governance and administrative arrangements are consistent with relevant legislative requirements; and
- the council has structured its own operations in a manner that supports effective governance.

Are the council's governance and administrative arrangements consistent with relevant legislative requirements?

Council members were appointed in accordance with relevant legislative requirements. One new convocation appointment to the council in the review period was not made in full accordance with the *Australian Film, Television and Radio School Act 1973* (the Act). In the 2020–21 elections for staff and student members of the council, AFTRS did not meet all the requirements of the Australian Film, Television and Radio School (Council Elections) Regulations 2017. The Act states that an appointment is not invalid by reason only of a defect or irregularity in connection with the appointment.

Council meetings were properly constituted and there were mechanisms for enabling decisions to be taken without meetings. AFTRS records did not enable the ANAO to confirm whether quorum requirements were met for some of the honorary degree committee meetings.

2.2 To assess if AFTRS' governance and administrative arrangements were consistent with legislative requirements, the ANAO examined the structure, membership, nomination, election, appointment and reappointment of council members, the constitution of council meetings and the transparency of council decision-making. The audit examined the period July 2019 until March 2022. This is referred to as the review period.

Were council members and the chair appropriately appointed, and were acting arrangements properly conducted?

2.3 Under subsection 8(1) of the AFTRS Act the council shall consist of:

- three members appointed by the Governor-General;
- three members of convocation⁴⁰ appointed by the council;
- the director of the school;

39 For consistency in this series of audit reports, governing bodies such as the AFTRS' council have been referred to as governance boards.

40 Convocation means a specific group of persons. Convocation as set out in section 21 of the AFTRS Act consists of: all members and past members of the council; all persons who were, at any time, members of the interim council; all members and past members of the staff of the school; all persons who have been awarded degrees or diplomas by the school; and such person as the council admits as a member of convocation.

- a staff member elected by the staff members of the school in the manner prescribed in regulations⁴¹; and
- a student of the school elected by the students of the school in the manner prescribed in regulations.⁴²

2.4 Two Governor-General reappointments were made during the review period. AFTRS maintained evidence of these reappointments.

2.5 Two convocation reappointments were made by the council during the period reviewed by the ANAO. These were evidenced in council minutes and decision records. One new convocation appointment was made during the review period. AFTRS records indicate that this new appointment was not made in full accordance with the AFTRS Act.

2.6 Section 22 of the AFTRS Act requires the council to keep a roll of all members of convocation. New convocation appointments to council are to be made from this roll.⁴³ The council has not maintained a roll of members of convocation. The council appointed a person who had not yet been admitted to convocation. The person should first have been admitted to convocation (through a council vote to admit the person to convocation on the basis that they were suitably qualified and had the relevant knowledge or experience in connection with films, television or radio).⁴⁴ Once the person was admitted to convocation, the person was eligible for appointment to the council.

2.7 Although the two-step process for this new convocation appointment was not followed, subsection 8(6) of the AFTRS Act states that an appointment is not invalid by reason only of a defect or irregularity in connection with the appointment.

Recommendation no. 1

2.8 The AFTRS council review internal processes to ensure that convocation appointments are made in accordance with all requirements of the *Australian Film, Television and Radio School Act 1973* and that a roll of all members of convocation is maintained.

Australian Film, Television and Radio School response: *Agreed.*

2.9 *Internal processes will be updated to ensure the correct adherence of convocation appointments to the AFTRS Act and that a roll of convocation members is maintained.*

2.10 Acting arrangements for the director of the school were approved by the Governor-General. The new appointment of the director of the school in March 2020 was approved by the Governor-General.

2.11 The council chair wrote to the Minister for Communications, Cyber Safety and the Arts (minister) in June 2020 to confirm the appointment of the long-standing (10 months) vacancy of a member appointment by convocation. This letter advised that the council had discussed its composition and the skills mix of its members when considering the new appointment. The council

41 Prescribed by the Australian Film, Television and Radio School (Council Elections) Regulations 2017.

42 Prescribed by the Australian Film, Television and Radio School (Council Elections) Regulations 2017.

43 *Australian Film, Television and Radio School Act 1973*, section 8.

44 *Australian Film, Television and Radio School Act 1973*, subsection 21(2).

could usefully consider whether the use of a formal skills matrix would assist in its identification of suitable persons for appointments.

2.12 There were two staff and two student members elected to council during the review period. The processes for staff and student elections are outlined in the Australian Film, Television and Radio School (Council Elections) Regulations 2017 (regulations). Amongst other things, the regulations set out requirements relating to:

- the eligibility of staff and students to nominate for elections;
- the timing of opening and closing of nominations and the opening and closing of voting for the elections; and
- how the order of candidates on the ballot paper should be determined.

2.13 AFTRS uses election software (Election Buddy) for the management of nominations, voting and count processes for both staff and student elections.

2.14 In the 2020–21 elections for staff and students, AFTRS:

- correctly described the eligibility requirements for nomination⁴⁵ in the email seeking nominations for the staff member of council, but incorrectly described these requirements in an email containing advice to staff about nominating for the election;
- allowed insufficient time between the opening and closing of voting for the student election (13 days and 23.5 hours rather than 14 days) as set out in subsection 16(1) of the regulations; and
- used a feature in its election software to randomise the order of staff and student candidates rather than the use of lots to determine the order of candidates, as required by subsection 16(4) of the regulations.

2.15 Although AFTRS did not meet all the requirements of the regulations, subsection 8(6) of the AFTRS Act states that an election of a member is not invalid by reason only of a defect or irregularity in connection with the election.

Recommendation no. 2

2.16 The AFTRS council review internal processes to ensure that staff and student elections are carried out in accordance with all requirements of the Australian Film, Television and Radio School (Council Elections) Regulations 2017.

Australian Film, Television and Radio School response: *Agreed.*

2.17 *Internal processes will be updated and full compliance with the Regulations will be met when preparing the next iteration of staff and student elections.*

2.18 In the period reviewed by the ANAO, there was a three-month gap in the term of the student elected member to council. This gap arose because of the period between the elected student council member finishing their course as a final year student (and therefore no longer meeting the conditions for council membership) and when the next student council member elections were held. AFTRS records indicate that such circumstances have resulted in a gap of up to five months (in

⁴⁵ Australian Film, Television and Radio School (Council Elections) Regulations 2017, section 13.

a one-year tenure) in student elected member representation on the council. The council considered the end dates for student elected members to council in May 2018 and noted the potential gap in representation which may result.

2.19 The three council committees comprise a combination of both council and non-council members. During the period reviewed there were four reappointments of non-council members, one reappointment of a council member and one new appointment of a council member to a committee. Council meeting minutes evidenced council decision-making about the reappointments/appointments. AFTRS records did not evidence consideration of the past performance of committee members and the individual or collective skill requirements of committees. The council could usefully consider whether the use of a formal skills matrix would also assist in this respect.

Opportunities for improvement

2.20 There is an opportunity for improvement for the council to use a Council Skills Matrix to assist in the selection and reappointment of council members and non-council members, council succession planning, and decision-making for the allocation of council members and non-council members to committees.

Were meetings properly constituted, and is there a mechanism enabling decisions to be taken without meetings?

Council meetings

2.21 The council should hold such meetings as are necessary for the performance of its functions.⁴⁶ The council usually holds five meetings each financial year.

2.22 A quorum at a council meeting is five members.⁴⁷ For voting, questions arising at a meeting of the council are decided by a majority of the votes of the members present. The member presiding at a meeting has a deliberative vote and, in the event of an equality of votes, also has a casting vote.⁴⁸ Quorum requirements for council were met during the period reviewed.

2.23 Council meetings are minuted and the minutes record decisions made and actions to be taken. Council meeting papers include draft minutes of the previous meeting for council approval.

2.24 The council's terms of reference outline procedures for the preparation and approval of meeting minutes. The terms of reference outline the mechanisms to facilitate decisions without meetings. In unforeseen circumstances, and with the approval of the chair, decisions of the council may be made without notice by circular resolution. Quorum requirements must still be met in these circumstances.

Council committees

2.25 Section 12 of the AFTRS Act allows the council to establish and delegate functions to a committee of council. The council has established three committees to assist it in carrying out its

46 Australian Film, Television and Radio School Act 1973, subsection 20(1).

47 Australian Film, Television and Radio School Act 1973, subsection 20(7).

48 Australian Film, Television and Radio School Act 1973, subsection 20(9).

functions: the finance, audit and risk management committee; the academic board; and the honorary degree committee.

2.26 The council has approved terms of reference/charters for each of these committees, which document the membership, number of meetings per year, quorum requirements and the need to ensure that minutes of the meetings are prepared and maintained. The committee terms of reference/charters do not document how to manage out-of-session decisions.

2.27 Each committee prepared meeting minutes for the period reviewed. Draft minutes of the previous meeting were provided to the committee for approval. The committee meeting minutes were tabled at the next practicable council meeting.

2.28 Quorum requirements for the finance, audit and risk management committee meetings were met during the review period. The committee regularly updated the council on its activities and made recommendations to the council as appropriate.

2.29 Quorum requirements for the academic board meetings were met during the period reviewed. The committee regularly updated the council on its activities and made recommendations to the council as appropriate.

2.30 AFTRS records did not enable the ANAO to confirm whether quorum requirements were met for some of the honorary degree committee meetings. In September 2020, the committee was approved to operate as a council committee, with members comprising selected council and academic board members. The terms of reference for that structure were approved by the council in December 2021. Prior to this, the committee was a sub-committee of the academic board and did not have formal terms of reference. It operated under an Honorary Degree & Award Policy and Procedure (September 2020) which outlined membership (consisting of external academic board members) but did not outline quorum requirements. During the period reviewed, there were inconsistencies in how membership and attendance at meetings were recorded, including who were voting members and who were attendees. For example, in October 2020 the director of the school chaired the meeting, when the committee composition documented in the procedure was that the director was 'invited' to the committee but was not a 'member' of the committee. There was also only one council member at this meeting, when the procedure stated that the committee composition was two council members.

Opportunities for improvement

2.31 There are opportunities for improvement for the council to:

- ensure that committee charters include sufficient information and process to guide the recording and approval of out-of-session decisions; and
- ensure information on committee membership and meeting attendance is accurately recorded in meeting minutes.

Has the council structured its own operations in a manner that supports effective governance?

The council has established a charter, set expectations for school management and the secretariat, and assessed its own performance. The council's terms of reference do not provide sufficient information on its operating procedures, including performance assessment of the council and its members. The policies approved by the council did not include all areas that relate directly to the *Public Governance, Performance and Accountability Act 2013* and other key legislative responsibilities of the council. For example, the AFTRS Code of Conduct, Student Handbook, Privacy and Freedom of Information Processes, Business Continuity Plan and Work Health and Safety Policy were not approved by the council or its committees.

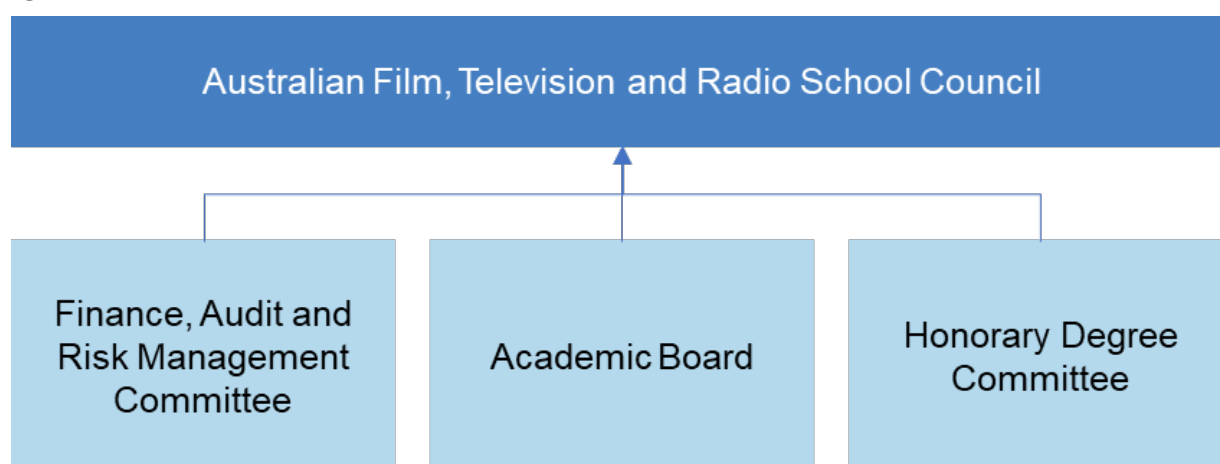
There is an internal audit function that provides assurance to the council. The council, through the finance, audit and risk management committee, has oversight of internal audit and the school's response to internal audit findings and recommendations. During the review period the internal audit provider did not provide an annual report on the overall state of internal controls in AFTRS, as required by the Internal Audit Charter.

2.32 During the period reviewed, the council was supported by three committees.

- **Finance, audit and risk management committee** — reviews the appropriateness of the council's: financial reporting; performance reporting; system of risk oversight; and system of internal controls. Provides a forum for communication between the council and senior management, the internal auditor, the ANAO and the service provider contracted by the ANAO. This committee includes two non-council members.
- **Academic board** — oversees the quality assurance of teaching, learning and research activities of the school; approves new curricula; approves major changes to courses of study; ensures the curricula are designed to meet the standards of the higher education sector; reviews policies, procedures and guidelines related to the admission, enrolment, assessment and progress of students in approved courses of study; and makes recommendations as appropriate relating to academic matters and student support. The committee is chaired by a non-council member who is a higher education specialist and includes three non-council members.
- **Honorary degree committee** — considers and advises on the process for nominations; considers, advises and approves based on the specific criteria for selection, as outlined in the Honorary Degree and Awards Policy and Procedure; and considers nominees and recommends a ranked shortlist to council for conferrals. The committee has the same chair as the academic board and includes three non-council members.

2.33 The governance structure of the council and its high-level committees is illustrated in Figure 2.1.

Figure 2.1: Council committees



Source: ANAO analysis of AFTRS' council and committee charters, meeting minutes and papers.

2.34 To assess if the AFTRS council had structured its own operations in a manner that supports effective governance, the ANAO examined the charters, committee arrangements, oversight of key policies, induction, council performance assessments and arrangements for the establishment and operation of the internal audit function. The ANAO also considered behavioural observations of the operation of the council.

Does the council have a fit-for-purpose charter, set expectations for entity management and the council secretariat, and assess its own performance?

Charter

2.35 A board charter is a written document that sets out such things as:

- the functions, powers, and membership of the board;
- role, responsibilities and expectations of members, both individually and collectively, and of management⁴⁹;
- role and responsibilities of the chairperson⁵⁰;
- procedures for the conduct of meetings⁵¹; and
- policies on board performance review.

2.36 A charter can provide a single reference point that clearly sets out the functions, powers and membership of the board, as well as roles, responsibilities and accountabilities, consistent with relevant legislative requirements. Board charters can also articulate the desired culture of the board

49 This can include: requiring members to act ethically and in the best interests of the entity; manage and declare conflicts of interest; conduct themselves in a professional and respectful manner; devote sufficient time to undertaking the required duties (for example, by reading papers prior to meetings and attending meetings); participate fully in meetings; apply due diligence; maintain confidentiality over information and provide guidance on how members can raise concerns outside board meetings; and protocols for dealing with media, politicians and lobbyists.

50 This can include: promoting full participation by all members; ensuring meetings are conducted in a professional and constructive manner; summing up to obtain clarity of decisions made; ensuring adequate reporting of key decisions and relationship management with the entity, minister and key stakeholders.

51 Relating, for example, to the agenda, papers, minutes, powers of the chair, voting procedures, and frequency of meetings.

and address the ‘soft attributes’ of governance discussed in Chapter 1 of this audit relating to board culture and behaviours, which are critical to good governance.⁵²

2.37 The Australian Institute of Company Directors has indicated that:

In most organisations the governance framework is determined by the legislation that it has been created under ... However, there are many aspects of modern governance which the board must consider and act upon that lie outside legal requirements. The board charter is one way of documenting these matters.⁵³

2.38 The AFTRS council’s terms of reference outline the legislation under which AFTRS was established and responsibilities of the council under the PGPA Act. The council terms of reference refer to the establishment of committees to assist in the discharge of the council’s responsibilities. The terms of reference also include information on: appointments to council; roles of council; matters requiring council authority; key documents to be approved by council; secretariat and management of meetings; and the duties of council members. Duties of council members include the duty to disclose interests relating to the affairs of AFTRS and for the council to identify any conflict of interest before discussion of the relevant agenda item or topic. The council terms of reference do not outline the frequency of meetings, how often and what mechanisms it will use to assess its own performance (individually and/or collectively), council skills required beyond those mentioned in the AFTRS Act (these are knowledge or experience in connection with films, television or radio) or succession planning activities.

2.39 Council approved charters/terms of reference have been prepared for all three committees.

2.40 The finance, audit and risk management committee’s charter refers to its specific functions outlined in section 17 of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) to review the appropriateness of the council’s: financial reporting; performance reporting; system of risk oversight and management; and system of internal controls. The charter requires the committee to provide a statement to council on:

- whether, in the committee’s view, the annual financial statements comply with the PGPA Act, the PGPA Rule, the accounting standards and supporting guidance; and in respect of the appropriateness of AFTRS’ financial reporting as a whole, referencing, if required, any specific areas of concern or suggestions for improvement; and
- the appropriateness of the annual performance statements.

2.41 The charter does not outline the committee’s reporting requirements for communicating its conclusions on the assessment of appropriateness of risk oversight and management, or the system of internal controls. However, the charter requires that ‘biannually, the committee will conduct a self-assessment of performance assessing its conduct and deliverables against the charter’.⁵⁴

2.42 The finance, audit and risk management committee maintains a listing of regular agenda items mapped against its charter responsibilities and a list of previous and scheduled audits. It also

52 This discussion begins at paragraph 1.5.

53 Australian Institute of Company Directors, *Director Tools: Board charter Role of the board* [Internet], Australian Institute of Company Directors, July 2016, p. 1, available from https://aicd.companydirectors.com.au/-/media/cd2/resources/director-resources/director-tools/pdf/05446-5-3-mem-director-rob-board-charter_a4-web.ashx [accessed February 2022].

54 Information on the self-assessment is included at paragraph 2.58.

maintains a list of 'risk focus areas' examined by the committee since February 2019. This serves as a reminder to committee members on their role and which specific areas of interest have already been examined.

2.43 The academic board and honorary degree committee terms of reference do not outline when or how their performance will be assessed.

Opportunities for improvement

2.44 There are opportunities for improvement for the council to:

- update the council terms of reference to outline its operating procedures including: the frequency of meetings, the frequency and mechanisms it will use to assess its performance (individually and/or collectively), council skills required beyond those set out in the AFTRS Act and succession planning activities; and
- confirm that committee terms of reference/charter requirements have been satisfied and that committees report annually to the council on the adequacy of the discharge of their responsibilities.

Council expectations for entity management and the council secretariat

2.45 The council has set expectations for school management in its terms of reference. The terms of reference outlines matters requiring council authority. This includes the role of the director of the school under the AFTRS Act to manage the affairs of the school under the general direction of council. It also outlines those areas related to major changes in approach, new areas of significant investment or substantial new conditions impacting the running of the school, that should be subject to council approval. A list of areas such as: approval of lease conditions and signing; approval of expenditure over specific thresholds; and investments are also identified in the terms of reference.

2.46 The council's terms of reference also include the corporate governance cycle and how the council will set areas of strategic focus and oversight key activities. This includes the examination of specific documents including the corporate plan, annual report, risk management plan and reporting on annual budget and forecasts.

2.47 Although the council terms of reference outline some of the key policies that the council approves, there is no consolidated list maintained in the terms of reference. From a review of the council meeting papers and minutes, the ANAO identified that the council approved key policies such as HR Delegations and Financial Delegations (December 2021), Administrative Orders (December 2021)⁵⁵, Risk Management Policy and Guideline (March 2022), Fraud Control Policy (February 2020) and Fraud Control Plan (February 2020).

2.48 The policies approved by council do not include other areas that relate directly to the PGPA Act, and other key legislative responsibilities of the council. For example, the AFTRS Code of Conduct

55 The Administrative Order covers areas such as: approval and commitment of relevant money, hospitality and entertainment, procurement, corporate credit cards and managing relevant property.

(December 2018)⁵⁶, Student Handbook⁵⁷, Privacy and Freedom of Information Processes, Business Continuity Plan and Work Health and Safety Policy (November 2017) are not approved by the council or its committees. Policies such as these enable the governance board to influence behaviours and can be an important mechanism in communicating the desired culture within the school. Reviews such as the 2018 APRA Prudential Review⁵⁸ and the 2019 Hayne Royal Commission⁵⁹ have highlighted that boards need to be alive to how incentives in organisations can drive inappropriate behaviours. Periodic council review of these policies can assist in its messaging to the school as a whole about the institutional culture it wishes to promote.

2.49 The council terms of reference outline arrangements and expectations for the council secretariat. The corporate secretary for the council is managed out of the Office of the Chief Executive Officer (Governance Unit) by the Head of Governance. The corporate secretary is responsible for providing all secretariat functions to council, including drafting meeting agendas and papers, in consultation with the director of the school and council chair. In July 2021 the reporting lines for this role were updated to include a reporting line direct to the director of the school and the council chair.

Opportunity for improvement

2.50 An opportunity for improvement is for the council to identify in its terms of reference the key policies it will approve which relate to the council's legislative responsibilities and support the institutional culture it wishes to promote.

Council induction, education and performance

2.51 The council's terms of reference do not identify induction requirements. There were five new council members during the period reviewed. Induction for these new members consisted of access and information on the use of the council document sharing tool (BoardEffect) and one-on-one induction sessions with a governance unit representative. Governance reference material, including the AFTRS Act, is included within BoardEffect. Induction information for staff and students also included more detailed information on obligations under the AFTRS Act and an overview of the school's governance framework.

2.52 In June 2021 all council members received refresher training on their PGPA Act obligations. Relevant materials to support the training session were included on BoardEffect and could be accessed by council members at any time.

2.53 To assist the council in understanding the school's strategic environment and risks, the council has established a number of standard meeting agenda items covering areas such as: director of the school's report; staff and student member reports; corporate strategy; strategic risk profile; and financial reports. The finance, audit and risk management committee also receives 'risk in focus'

56 The code applies to all members of staff including the AFTRS council and all AFTRS contractors and volunteers. It also outlines the general duties of officials.

57 The 2021 Student Handbook includes: values, charter of conduct, assessment processes, academic appeals, academic integrity and misconduct, reasonable adjustment and learning plan access, and complaints processes.

58 Australian Prudential Regulation Authority, *Prudential Inquiry into the Commonwealth Bank of Australia (CBA) Final Report*, 30 April 2018.

59 K M Hayne, *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*, Final Report, 1 February 2019 (all references in this audit are to vol. 1 of the report).

sessions within its meetings to provide a 'deeper dive' into the relevant strategic risks. For example, since July 2020 the committee has examined the risk in focus areas of 'management of COVID-19', 'staff workload', 'research' and 'PGPA Act accountability'.

2.54 In the review period the council held a strategy day during which the council was able to engage with the executive on the direction of the school and to discuss its five-year strategy. A council strategy day was held in July 2020. The next strategy day was planned for May 2022.

2.55 The council terms of reference do not outline when or how the council will assess either the performance of individual council members or its performance as a group in discharging its legislative functions.

2.56 In December 2021 the council undertook a survey process for its members. The survey consisted of 88 statements which were rated using a ten-point scoring system to determine the extent to which the council member agreed or disagreed with the statement. The survey considered themes related to performance, culture and oversight. The survey was completed by all council members plus the chair of the academic board (a non-council committee member). The survey was not completed by other non-council committee members, key executives or the Head of Governance. Better practice suggests that all persons who have a direct relationship with the governing body should contribute to such surveys.⁶⁰ The survey did not assess the role of the chair or the chair of the committees. There were two statements which related to the performance of the council committees:

The Boards standing committee structure is lean and strategic.

The Board Sub-Committees administered by the Board contributed effectively to the operation and management of the organisation.

2.57 Based on the outcomes of the survey and related discussions, eight actions were agreed by the council in December 2021. These actions included:

- succession and talent plan to be tabled and discussed;
- annual council member performance conversations with the chair; and
- council to assess its own performance every two/three years.

2.58 The finance, audit and risk management committee charter requires the committee, biannually, to conduct a self-assessment of performance, assessing its conduct and deliverables against the charter. In June 2020 the committee performed a self-assessment which consisted of a survey of eight questions and a discussion. The self-assessment covered areas such as strengths of the committee, priorities of the committee, management improvement opportunities and ideas to increase the committee's effectiveness. The self-assessment resulted in the committee adding two standing items to its meeting agenda, related to an oral update from the director of the school and a financial position snapshot.

60 Australian Institute of Company Directors, *Reviewing Your Board Effectiveness: A Guide to Board and Director Evaluation*, February 2018, pp. 102–117.

Opportunities for improvement

2.59 Opportunities for improvement for the council are to:

- formalise induction processes for council and committee members;
- formalise when and how the council will assess its own performance; and
- review the implementation of arrangements to assess the performance of council and committee members.

Behavioural observations

2.60 The ANAO attended one council meeting in December 2021 and one finance, audit and risk management committee meeting in November 2021. The ANAO interviewed the council chair and director of the school in March 2022. Interviews were also held with key senior executive officers. In those meetings, and through a review of council and committee papers and minutes, the ANAO observed council and committee members collectively displaying a range of qualities and behaviours that indicate a positive governance culture at the council level.⁶¹ These included:

- an openness to declaring conflicts of interest;
- an ability to conduct meetings in a professional, collegiate and respectful manner;
- a willingness to undertake sufficient preparation to enable meetings to be conducted in a productive manner;
- an understanding of their obligations as the accountable authority under the PGPA Act and the challenges facing the school;
- a desire and commitment to act in the best interests of the school;
- a willingness to invest in their own understanding of issues and entity operations; and
- direct engagement with the school executive on key areas of interest.

Is there an internal audit function that provides assurance to the council and does the council have oversight of internal audit and the entity's response to internal audit findings and recommendations?

2.61 The finance, audit and risk management committee's charter outlines specific responsibilities related to the oversight of internal audit. These include:

- to provide a forum for communication between the council and senior management, the internal auditor, the ANAO and the service provider contracted by the ANAO;
- to approve the internal audit program and ensure that the internal audit function is adequately resourced and has appropriate standing within AFTRS;
- to promote co-ordination between management and internal and external audit;
- to review any significant matters reported by the internal auditors and ascertain whether management's response is adequate; and
- to ensure that the internal auditors are independent of the activities that they audit.

⁶¹ A full list of council member qualities and behaviours considered by the ANAO is included in Appendix 5.

2.62 In July 2021 the council, following a recommendation from the finance, audit and risk management committee, approved the reappointment of the internal audit provider (KPMG) for a further three-year period. To inform its recommendation, the committee considered the past performance of the provider, quality of deliverables, skills and experience and fee.

2.63 During the period of the review, the finance, audit and risk management committee approved an internal audit plan outlining the activities to be performed by the internal audit provider. The plan included the proposed audit coverage over the relevant period, including internal audit title, scope and objectives, executive sponsor, link to risk profile, estimated days and quarter in which the internal audit was planned to be executed.

2.64 In September 2019, the committee reviewed the internal audit plan for financial year 2020 and financial year 2021. In November 2020, the committee approved changes to the internal audit plan. The committee considered the priority of internal audits and updated the prioritisation for planned audits.

2.65 In September 2021, the committee approved the internal audit plan for financial years 2022 to 2024. This included three internal audits in the first year and four internal audits in each subsequent year. The adequacy of the breadth of coverage was also considered across the areas of information technology, education and curriculum, operations and finance and governance.

2.66 In the period reviewed by the ANAO, the finance, audit and risk management committee reviewed the outcomes of internal audit activities. This included management responses to audit findings and recommendations.

2.67 An 'implementation status report' is provided to the committee on a regular basis. This report tracks the implementation of internal audit recommendations, including agreed action, responsibility, target dates and status. The report also identifies when the internal audit provider validated that the audit recommendation had been implemented by management.

2.68 In November 2021 the finance, audit and risk management committee reviewed the Internal Audit Charter. The purpose of the charter is to address the roles, responsibilities, authorisation, activities and reporting relationships of the internal audit function. It includes the activities and reporting of the internal audit provider. Section 10.3 of this document states that:

The internal audit function will also report to the FARM [finance, audit and risk management] Committee at least annually on the overall state of internal controls in AFTRS and any systemic issues requiring management attention based on the work of the internal audit function.

2.69 For the period reviewed, this report was not provided by the internal audit provider. In November 2021 the finance, audit and risk management committee agreed to add this reporting requirement to its calendar of activities to ensure that it is prepared and reviewed by the committee for 2021–22.

2.70 At each council meeting the finance, audit and risk management committee chair has provided an oral report on the activities of the committee and the approved minutes of the previous meeting were tabled for noting.

2.71 During the review period the council, through the finance, audit and risk management committee, had effective oversight of the internal audit function and management's response to internal audit findings and recommendations.

3. Oversight of compliance and the achievement of entity purposes

Areas examined

This chapter examines if the council has established fit-for-purpose arrangements to oversight compliance with key legislative and other requirements, including the Commonwealth finance law, and the achievement of entity purposes.

Conclusion

The AFTRS council has established largely fit-for-purpose arrangements to oversight compliance with key legislative and other requirements, and the achievement of entity purposes. In the review period the council's arrangements were effective except for non-compliance with some of the corporate plan and annual performance statements requirements of the Commonwealth finance law, and a lack of systematic monitoring or review of performance.

Areas for improvement

The ANAO made one recommendation aimed at ensuring that the council implements systematic monitoring and review of the achievement of performance measures included in the corporate plan and Portfolio Budget Statements.

The ANAO suggested six areas for improvement, related to the council:

- referencing the ministerial Statement of Expectations and AFTRS Statement of Intent (and related progress against it) in corporate plans and annual reports;
- documenting its policy and framework for monitoring legislative compliance;
- continuing its initiative to improve the level of maturity of risk management in AFTRS, by reviewing the content of reporting to the council and the finance, audit and risk management committee;
- ensuring that the finance, audit and risk management committee has an opportunity to review a detailed fraud risk assessment and a plan for how AFTRS will deal with specific fraud risks;
- progressively increasing the alignment of the school's performance measures included in its corporate plans with the PGPA Rule and Finance guidance; and
- ensuring that the annual performance statements are in a standalone document that addresses all the minimum requirements of the PGPA Rule.

3.1 Accountable authorities have a duty to establish and maintain an appropriate system of internal control for the entity, including by implementing measures directed at ensuring officials of the entity comply with the Commonwealth finance law.⁶² To assess the effectiveness of the governance board in the Australian Film, Television and Radio School (AFTRS), the ANAO examined whether the AFTRS council has established fit-for-purpose arrangements to oversight:

- compliance with key legislative and other requirements; and
- the achievement of entity purposes.

62 *Public Governance, Performance and Accountability Act 2013*, section 16.

Has the council established fit-for-purpose arrangements to oversight compliance with key legislation and other requirements?

The council established arrangements to oversight compliance with the elements of enabling legislation selected for ANAO review. The oversight arrangements include: review by the finance, audit and risk management committee of compliance information; and a requirement that significant compliance breaches identified by management are to be reported to the committee and the council. The council does not have a compliance policy or framework to assist in its oversight of compliance with the AFTRS Act or regulations, or other legislative requirements. While there are processes for actioning and monitoring activity relating to the ministerial Statement of Expectations and the AFTRS Statement of Intent prepared in response to the minister, these documents are not referenced in entity corporate plans or annual reports.

There is oversight of, and compliance with, the PGPA Act corporate governance requirements selected for ANAO review. The arrangements include annual information and declarations to the council from management relating to compliance with the PGPA Act and PGPA Rule. AFTRS has recognised a need to improve its approach to risk management and reporting, and has initiated an improvement process. In February 2022, AFTRS prepared a fraud risk register which was scheduled to be provided to the finance, audit and risk management committee in June 2022, along with the Fraud Control Policy and Fraud Control Plan. This will facilitate AFTRS meeting its obligations under section 10 of the PGPA Rule.

3.2 To assess if the council has established fit-for-purpose arrangements to oversight compliance with key legislation and other requirements, the ANAO examined processes to identify, monitor and report on relevant enabling legislation, and actions to address any identified breaches. The audit examined the period July 2019 until March 2022. This is referred to as the review period.

Is there oversight of, and compliance with, any Statements of Expectations and Statements of Intent?

3.3 As part of the Australian Film, Television and Radio School's (AFTRS) governance framework, each year the responsible minister sends the chair of council a 'Statement of Expectations'. This statement sets out the minister's expectations for the financial year. For 2021–22, this statement included the minister's expectations for policy priorities, approaches to reform, strategic imperatives and the emphasis to be placed on stakeholder relations and collaborative working.

3.4 The response to statements of ministerial expectations is through a formal reply from the chair of council in the form of a 'Statement of Intent'. This statement outlines how AFTRS will address the expectations through its own activities and strategic focus areas.

3.5 A Statement of Expectations and corresponding Statement of Intent was prepared for each of the financial years reviewed by the ANAO (for example, 2019–20, 2020–21 and 2021–22).

3.6 The Statement of Intent for each of the periods reviewed was reflected in the content of the relevant period's corporate plan. Although the council did not monitor the achievement of activities outlined in each Statement of Intent, it did monitor the achievement of the strategic priorities and activities outlined in the corporate plan. The content and monitoring of information included in corporate plans is discussed further at paragraph 3.52 to 3.61.

3.7 Council meeting papers and minutes reflect the content and discussion of the Statement of Expectations and Statement of Intent. AFTRS does not refer to either the Statement of Expectations or Statement of Intent in its corporate plans or annual reports for 2019–20 or 2020–21. The importance of these documents merits the inclusion of appropriate references in the AFTRS corporate plan and annual report.

Opportunity for improvement

3.8 There is an opportunity for improvement for the council to reference the ministerial Statement of Expectations and the AFTRS Statement of Intent (and related progress against it) in corporate plans and annual reports.

Is there oversight of compliance with elements of enabling legislation?

3.9 The AFTRS enabling legislation is the *Australian Film, Television and Radio School Act 1973* (AFTRS Act) and associated Australian Film, Television and Radio School (Council Elections) Regulations 2017 (regulations). As a corporate Commonwealth entity, AFTRS must also comply with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and Public Governance, Performance and Accountability Rule 2014 (PGPA Rule).

3.10 The council's terms of reference state that:

Council is the most senior decision-making authority governing the strategic operations of the School. It seeks to ensure that the reputation of the School for educational excellence and strong graduate outcomes, and that the School is able to maintain a position of industry relevance and cultural leadership while upholding its compliance obligations

3.11 The council does not have a compliance policy or framework to assist in its oversight of compliance with the AFTRS Act or regulations, or other legislative requirements.

3.12 The council receives annual information from management related to PGPA Act and PGPA Rule compliance. Each September, as part of financial statement close processes, management provides the council with a compliance table. This compliance table details the requirements of the PGPA Act and PGPA Rule and how AFTRS has satisfied itself that it has adhered to the requirements. In addition to the compliance table, the director of the school, chief financial officer and other executives sign against a compliance table that has been tailored to their roles. This includes statements that they have complied with AFTRS Administrative Orders (discussed in footnote 55). Any instances of significant non-compliance with the PGPA Act and PGPA Rule are reported to council.

3.13 The finance, audit and risk management committee charter outlines the following specific roles related to the oversight of compliance with elements of enabling legislation:

Financial reporting: to examine the annual financial report before submission to the Council, focusing particularly on ... compliance with accounting standards; compliance with Governance and legal requirements ...

System of internal control: to consider compliance with any regulatory or statutory requirements

3.14 To address these charter requirements, the finance, audit and risk management committee reviews information and items identifying, monitoring and assessing compliance, including review of:

- internal audit plan development, including adequacy of coverage of assurance activities;
- outputs of internal audit activity, including any instances of non-compliance identified;
- PGPA Act and PGPA Rule compliance statements/declarations as part of the financial statement close process;
- information included in the annual performance statements (discussed in more detail at paragraphs 3.67 to 3.79);
- updates provided by management on the content and outcomes of Tertiary Education Quality and Standards Agency (TEQSA) provider risk assessments; and
- updates provided by management on any instances of misconduct, fraud, cyber-attacks and security breaches.

3.15 Any significant compliance breaches identified by management are required to be reported to the finance, audit and risk management committee and to council. This includes any actions taken by management and risk remediation, as appropriate.

Opportunity for improvement

3.16 There is an opportunity for improvement for the council to document its policy and framework for monitoring legislative compliance.

Is there oversight of, and compliance with, selected PGPA Act requirements?

3.17 The PGPA Act sets out requirements for the governance, reporting and accountability of Commonwealth entities. The PGPA Act is principles based and the accountable authority has the flexibility to establish the systems and processes that are appropriate for their entity. The Department of Finance (Finance) provides entities with guidance on how to meet the various requirements of the PGPA Act and PGPA Rule including providing examples of how entities can demonstrate compliance.

3.18 The ANAO examined if the council had established fit-for-purpose arrangements for oversight of, and compliance with, the following parts of the PGPA Act and PGPA Rule relating to corporate governance: the general duties of an accountable authority and the duties of officials.

General duties of an accountable authority

3.19 The general duties imposed on an accountable authority in the PGPA Act, which are considered in the following section, are to:

- govern the Commonwealth entity (section 15);
- establish and maintain appropriate systems relating to risk management and oversight and internal controls (section 16);
- encourage officials to cooperate with others to achieve common objectives (section 17);
- take into account the effects of imposing requirements on others (section 18); and
- keep their minister, and the Finance Minister, informed (section 19).

3.20 The ANAO's assessment in relation to AFTRS' compliance with these requirements has been detailed below.

Duty to govern the entity

Box 4: PGPA Act — duty to govern the entity (section 15)

1. The accountable authority of a Commonwealth entity must govern the entity in a way that:
 - (a) promotes the proper (efficient, effective, economical and ethical) use and management of public resources for which the authority is responsible; and
 - (b) promotes the achievement of the purposes of the entity; and
 - (c) promotes the financial sustainability of the entity.
2. In making decisions for the purposes of subsection (1), the accountable authority must take into account the effect of those decisions on public resources generally.

3.21 The council has developed a terms of reference for how it performs its functions in a proper, efficient and effective manner. As outlined in Chapter 2, the council has also structured its own operations to include the use of committees to support its decision-making and assist it in meeting its responsibilities. This includes providing oversight and reporting on the use and management of public resources for which the accountable authority is responsible.

3.22 The council approves the strategic direction of the entity through the corporate plan. The corporate plan details the school's strategic pillars and priorities (national research, excellence and sustainability) and the key activities and performance measures to implement these strategies. AFTRS has also prepared a new five-year corporate strategy, *Creating the Future*. This strategy has been co-developed between management and the council, and was publicly launched at the AFTRS Digital Futures Summit in February 2022.

3.23 The council approves financial forecasts and budgets for the school and receives regular financial reporting to track the use and management of public resources and to monitor the financial sustainability of the school. The council regularly approves HR Delegations and Financial Delegations. Other policies reviewed by the council are described in paragraph 2.47 and 2.48.

Duty to establish and maintain systems relating to risk and control

Box 5: PGPA Act — duty to establish and maintain systems relating to risk and control (section 16)

- The accountable authority of a Commonwealth entity must establish and maintain:
- (a) an appropriate system of risk oversight and management for the entity; and
 - (b) an appropriate system of internal control for the entity;
- including by implementing measures directed at ensuring officials of the entity comply with the finance law.

3.24 The council has approved a Risk Management Policy and Guideline (March 2022) which sets out accountability and responsibility for risk management, risk appetite philosophy, and the approach to preparing and reviewing a business risk register. It contains a risk matrix, likelihood and consequence tables, risk appetite statements and protocols for monitoring, reporting and escalating risks.

3.25 Under this policy, any risk at a 'high' or 'significant' level must be escalated to the director of the school in the first instance, and reported to the finance, audit and risk management committee as part of quarterly reporting.

3.26 A business risk register is required to be maintained which identifies the key risks to AFTRS. The Business Risk Register is reviewed monthly by management and reported to the finance, audit and risk management committee quarterly. The Risk Management Policy and Guideline requires that risks which have moved outside their target risk rating be reported to the finance, audit and risk management committee and that mitigating action plans should be put in place to reduce risks to an acceptable level.

3.27 An internal audit of risk management was undertaken in November 2018. The audit report included a number of recommendations, to be implemented over the following twelve months, related to improving: the risk appetite statement; risk governance; risk assessment and measurement; and risk culture. All recommendations were agreed by management and implementation status was tracked by the finance, audit and risk management committee. The recommendations were noted, by the finance, audit and risk management committee, as completed in February 2021.

3.28 In June 2020, AFTRS management performed a review of the business risk register and the top ten risks. The register had a total of 29 risks. The outcomes of the management review were reported to, and noted by, the finance, audit and risk management committee.

3.29 Quarterly risk updates were provided to the finance, audit and risk management committee during the period reviewed by the ANAO. These updates detailed the action taken since the last report to mitigate key risks. This reporting did not provide information on risk ratings and whether identified mitigations would bring the risk within the approved risk appetite.

3.30 AFTRS has engaged the internal audit provider to advise on the development of a refreshed strategic risk profile and approach to risk management. This includes the development of fifteen new enterprise level risks associated with the school's five-year strategy. The work is intended to include a refreshed operational risk assessment and a new risk register, updated risk reporting procedures, updates to the risk management policy documents and the development of dashboards for key performance and key risk indicators. An update on the progress of this work was provided to the council in December 2021. A further update, including proposed changes to policies and procedures, was provided to the council in March 2022.

3.31 The council approved the Fraud Control Policy (February 2020) and Fraud Control Plan (February 2020) on recommendation from the finance, audit and risk management committee.

3.32 The Fraud Control Plan identifies the general approach taken by AFTRS for the prevention, detection, investigation and reporting of suspected fraud against AFTRS. It states that the finance, audit and risk management committee will review reports on the implementation of fraud control strategies, and any non-trivial incidents of suspected or actual instances of fraud, whether or not referred to the police.

3.33 The Risk Management Policy and Guideline states that AFTRS has a low risk appetite for any type of fraudulent activity.

3.34 The June 2020 business risk register, reviewed by the finance, audit and risk management committee, identified one risk related to fraud:

Risk 29: Fraudulent or corrupt conduct puts AFTRS' Assets, Equipment and Reputation at Risk.

3.35 The residual rating of this risk was assessed as low. The finance, audit and risk management committee has not reviewed a detailed fraud risk assessment or a plan for how AFTRS will deal with specific fraud risks. Under section 10 of the PGPA Rule the accountable authority has explicit governance responsibilities in relation to the management of fraud risks, including:

- (a) conducting fraud risk assessments regularly and when there is a substantial change in the structure, functions or activities of the entity; and
- (b) developing and implementing a fraud control plan that deals with identified risks as soon as practicable after conducting a risk assessment.⁶³

3.36 In February 2022, AFTRS prepared a fraud risk register which identifies nine specific fraud risks. It identifies one risk with a 'significant' residual risk rating, five risks with a 'moderate' residual risk rating and three risks with a 'low' residual risk rating.

3.37 The fraud risk register was scheduled to be provided to the finance, audit and risk management committee in June 2022, along with the Fraud Control Policy and Fraud Control Plan, for the committee's review and consideration. The tabling of these documents at the June 2022 committee meeting is intended to allow for a discussion about which fraud risks are outside of the council's risk appetite and whether mitigation plans are required and are able to reduce the fraud risks to the target risk level of 'low'.

3.38 For information related to establishing and maintaining an appropriate system of internal control for the school, refer to paragraphs 2.61 to 2.71 on the oversight of the internal audit function, and paragraphs 3.9 to 3.16 on arrangements for the oversight of compliance with key legislation.

Opportunities for improvement

3.39 There are opportunities for improvement for the council to:

- continue its initiative to improve the level of maturity of risk management in AFTRS, by reviewing the content of reporting to the council and the finance, audit and risk management committee; and
- ensure that the finance, audit and risk management committee has an opportunity to review a detailed fraud risk assessment and a plan for how AFTRS will deal with specific fraud risks.

⁶³ Public Governance, Performance and Accountability Rule 2014, subsections 10(a) and 10(b).

The stated purpose of section 10 is to ensure that there is a minimum standard for accountable authorities for managing the risk and incidents of fraud. The accountable authority must take all reasonable measures to prevent, detect and deal with fraud relating to the entity, including by taking the specified steps in the Rule.

Box 6: PGPA Act — duty to encourage cooperation with others (section 17) and duty in relation to requirements imposed on others (section 18)

17. The accountable authority of a Commonwealth entity must encourage officials of the entity to cooperate with others to achieve common objectives, where practicable.

18. When imposing requirements on others in relation to the use or management of public resources for which the accountable authority of a Commonwealth entity is responsible, the accountable authority must take into account:

- (a) the risks associated with that use or management; and
- (b) the effects of imposing those requirements

3.40 Encouraging officials of the school to cooperate with others to achieve common objectives is an underlying theme of AFTRS corporate plans. The corporate plan for 2021–22 identifies a range of entities that AFTRS works closely with to achieve its industry-wide initiatives. This includes: liaising with relevant government agencies within and outside its portfolio, including the Department of Education, Skills and Employment; and details of the school's associations with industry bodies including Screen Australia, Screen Producers Australia, the State-based screen and broadcast agencies, the National Film & Sound Archive, and the Screen Production Guilds. AFTRS works with industry with the objective of helping students to bridge the transition to working in the industry. The council receives regular updates on partnerships as part of its standing agenda items.

3.41 The AFTRS Code of Conduct includes the following commitments intended to encourage cooperation.

- We are committed to the open-minded pursuit of excellence.
- We are committed to working collaboratively.
- We actively seek out diverse perspectives.
- We behave honestly, with integrity, and without discrimination.
- We act with care and respect in our day to day work and our dealings with others.
- We trust and value everyone's participation and contribution to the School.

Duty to keep responsible Minister and Finance Minister informed

Box 7: PGPA Act — duty to keep responsible Minister and Finance Minister informed (section 19)

The accountable authority of a Commonwealth entity must do the following:

- (a) keep the responsible minister informed of the activities of the entity and any subsidiaries of the entity;
- (b) give the responsible minister or the Finance Minister any reports, documents and information in relation to those activities as that minister requires;
- (c) notify the responsible minister as soon as practicable after the accountable authority makes a significant decision in relation to the entity or any of its subsidiaries;

- (d) give the responsible minister reasonable notice if the accountable authority becomes aware of any significant issue that may affect the entity or any of its subsidiaries;
- (e) notify the responsible minister as soon as practicable after the accountable authority becomes aware of any significant issue that has affected the entity or any of its subsidiaries.

3.42 For each council meeting there are standing agenda items for: chair's opening remarks; director of the school's report; and matters for noting. The minutes of council meetings indicate that these agenda items are used to provide documents and/or oral updates on engagement to/from the minister and Finance Minister and to discuss the implications or actions by the council. For example, in the September 2021 council meeting papers, attachments were included which provided a copy of the letter from the minister to the chair on the 2021–22 corporate plan approval and the letter from the minister to the chair for the 2021–22 Statement of Expectations.

3.43 AFTRS advised the ANAO that during the period under review, there were regular briefings provided to the minister's office and the department. Briefing activity included fortnightly meetings between the director of the school and the department and periodic meetings that included the council chair.

General duties of officials

3.44 In addition to the general duties of an accountable authority discussed above, the PGPA Act specifies duties applicable to all officials (which include the accountable authority). Officials are required to exercise a duty:

- of care and diligence (section 25);
- to act honestly, in good faith and for a proper purpose (section 26);
- not to misuse position (section 27);
- not to misuse information (section 28); and
- to disclose material personal interests (section 29).

3.45 Officials also have a responsibility to:

- comply with the finance law;
- comply with the governance arrangements in the entity, for example, internal controls on the proper use and management of public resources; and
- meet high standards of governance, performance and accountability.

3.46 Officials who breach their duties or responsibilities under the PGPA Act can be subject to employment sanctions (including termination of appointment for board members) or criminal sanctions for intentional or serious misuse of public resources. For more details of the duties that apply to all officials under the PGPA Act, refer to Appendix 4 of this audit.

3.47 AFTRS has a range of policies and procedures that describe the general duties of officials. These are summarised in Table 3.1.

Table 3.1: Analysis of AFTRS policies to address the general duties of officials

AFTRS policies that cover aspects of the PGPA Act requirement	General duties of officials (PGPA Act sections 25–29)				
	Duty of care and diligence	Duty to act honestly, in good faith and for a proper purpose	Duty in relation to use of position	Duty in relation to the use of information	Duty to disclose interests
Council and committee charters/terms of reference	✓	✓	✓	✓	✓
AFTRS Code of Conduct	✓	✓	✓	✓	✓
Administrative Orders	✓	✓	✓	✓	✓
Fraud Control Plan	✓	✓	✓	✓	✓
Student Handbook	✓	✓	✓	✓	✓
Conflict of interest declarations in council and committee meetings	–	–	–	–	✓

Source: ANAO analysis of AFTRS policies and procedures.

Has the council established fit-for-purpose arrangements to oversight the achievement of school purposes?

There is oversight of school performance against the purposes and performance measures identified in the corporate plan and Portfolio Budget Statements. The corporate plan was not fully compliant with one of the five minimum requirements of the PGPA Rule, relating to performance measurement and assessment. The annual performance statements were not a standalone document and were not fully compliant with two of the three minimum requirements of the PGPA Rule related to the reporting of results and analysis. AFTRS has commenced activities to improve the development of performance measures included in its corporate plans, which will impact how results are presented in the annual performance statements.

The council assesses the achievement of performance measures included in the corporate plan annually, as part of its approval of the annual performance statements. There has been no systematic monitoring or review of performance.

During the review period, there were arrangements for the council, through the finance, audit and risk management committee, to receive assurance relating to the school's performance against the purposes and performance measures identified in the corporate plan.

3.48 The corporate plan is the primary planning document published by an entity⁶⁴, setting out its purposes, the operating context in which it will operate, the key activities it intends to pursue, and how performance will be measured and assessed over at least four reporting periods.⁶⁵

3.49 The annual performance statements are the mechanism by which an accountable authority provides information about the entity's performance in achieving its purposes.⁶⁶ The annual performance statements are intended to complete the cycle of performance reporting that commenced at the start of the reporting period with the corporate plan and the Portfolio Budget Statements (PBS). An entity's annual performance statements should report the actual results achieved against the performance measures and targets set for the entity in its corporate plan and PBS.⁶⁷

64 The following statement — 'The corporate plan is the primary planning document of an entity' — appeared in the Explanatory Memorandum (para. 226), Replacement Explanatory Memorandum (para. 231) and Revised Explanatory Memorandum (para. 231) of the Public Governance, Performance and Accountability Bill 2013, available from https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r5058 [accessed 6 June 2022].

65 Section 16E of the PGPA Rule 2014 requires an entity's corporate plan to state the entity's purpose over the next four years. The PGPA Act defines purpose as including the objectives, functions or role of an entity. The aim of the purpose statement is to give context to the significant activities that the entity will pursue over that period.

66 *Public Governance, Performance and Accountability Act 2013*, section 39.

67 Department of Finance, *Annual performance statements for Commonwealth Entities*, Resource Management Guide No.134, March 2020, para. 4.

3.50 Performance measurement involves collecting, analysing and reporting information about the performance of an entity against its purposes. Having effective performance reporting and monitoring arrangements is a key aspect of good governance. Finance guidance states that:

Effective performance measurement enables entities to:

- measure and assess their progress toward achieving their purposes;
- drive desired changes in the efficiency and effectiveness of services;
- demonstrate whether the use of public resources is making a difference and delivering on government objectives;
- make decisions about how best to deploy its resources to achieve competing priorities; and
- demonstrate and promote their achievements and explain any variance from expectations or reference points/enables entities to identify and report on their achievements.⁶⁸

3.51 To assess if the council has established fit-for-purpose arrangements to oversight the achievement of entity purposes, the ANAO examined the content of the corporate plans and the annual performance statements and assessed whether these documents complied with the PGPA Rule and reflected Finance resource management guidance. The level of assurance sought by the council over the content of these documents was also considered. In addition, the ANAO assessed the arrangements for monitoring by the council of financial and non-financial performance.

Is there oversight of the school's performance against the purposes and performance measures identified in the corporate plan?

Corporate plans

3.52 Each year the council approves the corporate plan, which is provided to the minister and Finance Minister. The AFTRS 2021–22 Corporate Plan outlines the mission, vision and values of the school, its strategy, including strategic focus areas, environment and factors impacting its focus, and the operating environment. It also provides information on the strategic pillars that will guide the school over the next four years. Performance measures to be used to assess AFTRS' achievement of the strategic pillars are also included in the corporate plan.

3.53 The AFTRS 2020–21 Corporate Plan was approved by the council in July 2020. The council noted that this was a transitional plan, representing the final year in the previous five-year strategy (titled the Rise of the Creative Entrepreneur). The AFTRS 2021–22 Corporate Plan was approved by the council in July 2021. For these corporate plans, the council noted the effort that management had taken in order to rationalise, consolidate and better focus the performance measures.

3.54 In June 2020, an internal audit of School Performance Reporting was tabled at the finance, audit and risk management committee. This audit found that better alignment between PBS and corporate plan performance measures and targets was required and that performance measures needed to be developed using a clear structure to meet the PGPA Act requirements. This report identified six action items aimed at:

- aligning timeframes for development of strategy and performance information;

68 Department of Finance, *Developing good performance information*, Resource Management Guide No. 131, May 2020, para 4.



- rationalising the number of performance criteria;
- clearly defining performance measures and targets, including data sources and how they will be tracked and monitored;
- validation processes to confirm accuracy and completeness of information reported; and
- establishing policies and procedures to set a strong foundation for performance reporting.

3.55 In August 2021 a Corporate Performance Reporting Policy and Procedure was approved by management. This document outlines the process for developing performance measures contained within the AFTRS corporate performance framework. This policy refers to the PGPA Rule requirements for the development of performance measures and also provides references to Finance resource management guides (these provide guidance and information for developing performance information). The policy also outlines a new process requirement for performance measures developed for the corporate plan — they are to be reviewed for appropriateness by the finance, audit and risk management committee.

3.56 The nature and complexity of an entity determines the scope and complexity of its internal planning processes and, by extension, the content of its corporate plan. However, the PGPA Rule provides that the corporate plan must cover a period of at least four reporting periods and there are another five PGPA Rule minimum requirements that must be addressed in the corporate plan. Table 3.2 summarises the ANAO's assessment of the AFTRS 2021–22 Corporate Plan document against these minimum requirements. Results of the assessment are further analysed below.

Table 3.2: Analysis of AFTRS compliance with corporate plan requirements

PGPA Rule 16E component	Requirement	Compliance assessment
Period corporate plan must cover	A corporate plan is prepared for a single reporting period; however, each plan must cover at least four reporting periods : the reporting period for which the plan is prepared and at least the following three reporting periods.	◆
1. Introduction	A statement that the plan is prepared for paragraph 35(1) of the PGPA Act, the reporting period for which the plan is prepared and the reporting periods covered by the plan.	◆
2. Purposes	The purposes of the entity.	◆
3. Key activities	The key activities that the entity will undertake in order to achieve its purposes.	◆

PGPA Rule 16E component	Requirement	Compliance assessment
4. Operating context	<p>For the entire period covered by the plan, the following:</p> <ul style="list-style-type: none"> a) the environment in which the entity will operate; b) the strategies and plans the entity will implement to have the capability it needs to undertake its key activities and achieve its purposes; c) a summary of the risk oversight and management systems of the entity, and the key risks that the entity will manage and how those risks will be managed; d) details of any organisation or body that will make a significant contribution towards achieving the entity's purposes through cooperation with the entity, including how that cooperation will help achieve those purposes; e) how any subsidiary of the entity will contribute to achieving the entity's purposes. 	
5. Performance	<p>For each reporting period covered by the plan, details of how the entity's performance in achieving the entity's purposes will be measured and assessed through:</p> <ul style="list-style-type: none"> a) specified performance measures for the entity that meet the requirements of section 16EA; and b) specified targets for each of those performance measures for which it is reasonably practicable to set a target. 	

Key:  Fully compliant  Partially compliant  Not compliant

Source: ANAO analysis of AFTRS 2021–22 Corporate Plan.

3.57 In the following section, the ANAO has set out details of the 'partially compliant' assessment in the table above.

Partially compliant result

3.58 *Performance*: Finance guidance on developing good performance information states that:

Accountable authorities are required to measure and assess the performance of the entity in achieving its purposes. One of the objects of the [PGPA] Act is to require Commonwealth entities to provide meaningful information to the Parliament and the public to assist them in understanding how entities are performing, and how they are using the resources that have been entrusted to them.⁶⁹

3.59 Section 16EA of the PGPA Rule outlines the requirements for the performance measures of a Commonwealth entity that are included in the entity's corporate plan. Section 16EA requires entities to use sources of information and methodologies that are reliable and verifiable and provide an unbiased basis for the measurement and assessment of the entity's performance. It also requires that where reasonably practicable, performance measures should comprise a mix of

⁶⁹ Department of Finance, *Developing good performance information*, Resource Management Guide No. 131, May 2020, p. 5.

qualitative and quantitative performance measures and include measures of the entity's outputs, efficiency and effectiveness.

3.60 The development of performance measures to meet section 16EA requirements is an area already identified as requiring improvement by AFTRS, and the school has progressively changed the focus and alignment of its performance information included in corporate plans over the last two years. The changes have been targeted at reducing the number and improving the quality of AFTRS' performance measures. The AFTRS 2020–21 Corporate Plan included 40 performance targets associated with 12 performance measures. In the AFTRS 2021–22 Corporate Plan there were 28 performance measures associated with 15 key activities.

Opportunity for improvement

3.61 There is an opportunity for improvement for the council to progressively increase the alignment of the school's performance measures included in its corporate plans with the PGPA Rule and Finance guidance.

Performance monitoring

3.62 The council assesses the achievement of performance measures included in the corporate plan annually, as part of its approval of the annual performance statements. To date, there has been no progressive tracking and review of the achievement of performance measures included in the corporate plan.

3.63 The council noted in September 2021 that the new five-year strategy will bring together the corporate performance measures, Portfolio Budget Statements measures and strategy progress into a single, trackable document. Since May 2020, AFTRS has also commenced development of a key performance measure dashboard to assist with regular monitoring of performance. The development of these dashboards was discussed by the council at its March 2022 meeting and a dashboard pilot was scheduled for presentation to the council at the May 2022 strategy day.

3.64 The council regularly monitors the broader performance and activities of the school through its regular agenda items related to the director of the school's report, strategy updates and financial reporting.

Recommendation no. 3

3.65 The AFTRS council implement systematic monitoring and review of the achievement of performance measures included in the corporate plan and Portfolio Budget Statements.

Australian Film, Television and Radio School response: *Agreed.*

3.66 *A system of oversight of performance measures for AFTRS Council has been established and is currently in the process of being implemented.*

Annual performance statements

3.67 During the review period, the annual performance statements were approved by the council as part of its approval of the annual report. The annual performance statements were approved on recommendation from the finance, audit and risk management committee. Council meeting minutes recorded the approval of the annual performance statements for 2019–20 and 2020–21.

3.68 There are three PGPA Rule minimum requirements that must be addressed in an entity's annual performance statements. Table 3.3 summarises the ANAO's assessment of compliance for the AFTRS annual performance statements included in the Annual Report 2020–21.

Table 3.3: Analysis of AFTRS compliance with annual performance statements requirements

PGPA Rule 16F	Requirement	Compliance assessment
1. Statements	a) a statement that the performance statements are prepared for paragraph 39(1)(a) of the Act; b) a statement specifying the reporting period for which the performance statements are prepared; c) a statement that, in the opinion of the accountable authority of the entity, the performance statements: (i) accurately present the entity's performance in the reporting period; and (ii) comply with subsection 39(2) of the Act	◆
2. Results	The results of the measurement and assessment referred to in subsection (1) of this section of the entity's performance in the reporting period in achieving its purposes	▲
3. Analysis	An analysis of the factors that may have contributed to the entity's performance in achieving its purposes in the reporting period, including any changes to: a) the entity's purposes, activities or organisational capability; or b) the environment in which the entity operated; that may have had a significant impact on the entity's performance in the reporting period.	▲

Key: ◆ Fully compliant ▲ Partially compliant ■ Not compliant

Source: ANAO analysis of AFTRS Annual Report 2020–21.

3.69 In the following section, the ANAO has set out details of the 'partially compliant' assessments in the table above.

Partially compliant results

3.70 Annual performance statements should include information that demonstrates the connection between the corporate plan, PBS and annual performance statements to enable a 'clear read' across the three documents.⁷⁰

3.71 The AFTRS annual performance statements are included in the 'performance' section of its annual report. The performance section of the annual report includes four components.

- 2020–21 Portfolio Budget Statement and Key Performance Criteria — this section outlines the outcome and program information for AFTRS as detailed in the PBS. There was a total of one outcome and one program to be delivered by AFTRS in the financial year.

⁷⁰ Department of Finance, *Annual performance statements for Commonwealth entities*, Resource Management Guide No. 134, paragraph 15, p. 6.

- Portfolio Budget Statement Performance Information — this section provides a table of the performance criteria and targets included in the PBS and AFTRS 2020–21 actual results. A total of nine targets are outlined against three performance criteria.
- Annual Performance Statement: AFTRS 2020–21 — this section includes the statement of preparation for the annual performance statements signed by the chair of council. It also includes a table of ‘Results Against Our Corporate Plan’. The results include an explanation of factors impacting the achievement of individual targets. The table does not indicate whether AFTRS considers the targets to be met, partially met or not met.
- Analysis of Performance Against Purpose — this section provides an overall analysis of the school’s performance against the corporate plan targets. It provides information on how many targets were met and how many were not met. It also provides a narrative on overall school performance.

3.72 All of the above components of the ‘performance’ section of the annual report must be read together to obtain a complete picture of AFTRS’ performance. If the annual performance statements section is read in isolation, then the annual performance statements do not meet the minimum requirements for ‘results’ and ‘analysis’. It also does not provide information on the performance measures included in both the corporate plan and PBS.

3.73 As mentioned above, the council and school are working to better focus performance information included in the corporate plan and this will impact on the content and quality of the annual performance statements. It is important that, in future years, the annual performance statements provide complete and meaningful information to the Parliament and public to assist them in understanding how AFTRS is performing, and how it is using the resources that have been entrusted to AFTRS.

Opportunity for improvement

3.74 There is an opportunity for improvement for the council to ensure that the annual performance statements are in a standalone document that addresses all the minimum requirements of the PGPA Rule.

Are there arrangements to provide the council with assurance relating to school performance against the purposes and performance measures identified in the corporate plan?

3.75 The finance, audit and risk management committee charter outlines the following responsibilities related to performance reporting:

to satisfy itself that AFTRS has an appropriate performance reporting framework that is linked to AFTRS’ objectives and outcomes;

to provide a statement to the Council in respect to the appropriateness of the Annual Performance Statements.

3.76 The finance, audit and risk management committee reviewed and recommended that the annual performance statements be approved by council for 2018–19, 2019–20 and 2020–21. In the review period the committee actively sought information and change from management to assist in the continuous improvement of performance measures. The intention was to improve the

maturity of AFTRS' approach to performance reporting and to improve the level of assurance provided to the council.

3.77 In September 2019 the committee asked management for more information on the performance framework (including the development and monitoring approach). In September 2020 the committee asked management to look at performance measures to ensure they included quantitative, qualitative and efficiency measures.

3.78 In September 2020, the committee also received, for the first time, information from management on the validation of a selection of performance measures. This included information on source data prepared by management. Fifteen performance targets (out of 38) were chosen by management for validation. Eleven of these performance measures were validated, and information and results were provided to the committee for review. In respect of the remaining four performance measures, errors were identified in how results were reported. More refined definitions of source data were required to allow information to be extracted and reproduced for validation. The errors identified as part of this validation process were corrected in the annual performance statements provided to council for approval.

3.79 In September 2021, this management validation process of data sources was undertaken for a broader set of performance measures included in the 2020–21 annual performance statements. While this validation process was commissioned by management, it was performed by the finance department, at arms-length from the operational areas. Of the 16 performance targets examined (out of 40), 14 were validated, and two had errors in data sources and manual information collection processes. These errors were corrected in the annual performance statements provided to the council for approval.



Grant Hehir
Auditor-General

Canberra ACT
16 June 2022

Appendices

Appendix 1 Entity responses

AFTRS

Australian Film Television
and Radio School

The Entertainment Quarter
Moore Park NSW 2021
PO Box 2286
Strawberry Hills NSW 2012
CRICOS Provider Code: 03662D

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30 May 2022

Mr Grant Hehir
Auditor-General for Australia
Australian National Audit Office

Proposed Report under s.19 of the *Auditor-General Act 1997*, Effectiveness of Public Sector Boards – Australian Film, Television and Radio School

Dear Mr Hehir,

Thank you for your letter dated 2 May 2022, which contained the proposed audit report, prepared by the Australian National Audit Office (ANAO), on the Effectiveness of Board Governance at the Australian Film, Television and Radio School (AFTRS), pursuant to section 19 of the *Auditor-General Act 1997*.


AFTRS welcomes the proposed report, agrees with all recommendations and has noted the opportunities for improvement.

AFTRS is pleased that the ANAO found the governing board, being AFTRS Council, to be largely effective in ensuring that its governance and administrative arrangements are consistent with relevant legislative requirements and that it has structured its own operations in a manner that supports effective governance.

It is also reassuring to hear that the ANAO believe the AFTRS Council to have established largely fit-for-purpose arrangements to oversight compliance with key legislative and other requirements, and the achievement of its entity purposes.

AFTRS is confident that implementing the report's recommendations, together with a thorough examination of the opportunities for improvement, will further enhance the AFTRS Council's already strong governance arrangements and practices.

Yours sincerely,



RUSSEL HOWCROFT
Chair, AFTRS Council



Australian Government
AFTRS



Australian Government
Department of Finance

Rosemary Huxtable PSM
Secretary

Our Ref: EC22-000220

Mr Grant Hehir
Auditor-General
Australian National Audit Office
PO Box 707
CANBERRA ACT 2601

Dear Mr ~~Hehir~~ ^{Grant}

Thank you for the opportunity to respond to the extract relating to the Department of Finance (Finance) from your draft report on the effectiveness of public sector boards in the Commonwealth Superannuation Corporation, Hearing Australia and the Australian Film, Television and Radio School respectively.

As the ANAO notes, accountable authorities have certain duties and responsibilities under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). To assist accountable authorities in understanding and meeting these duties, I write to all new accountable authorities and provide PGPA framework guidance and an offer of in-person briefings with Finance officials. These in-person briefings are also provided to boards, councils and senior executives where requested.

As requested, please find attached a 'summary response' for inclusion in the report.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'R Huxtable'.

Rosemary Huxtable
Secretary

26 May 2022

Appendix 2 Improvements observed by the ANAO

1. The existence of independent external audit, and the accompanying potential for scrutiny improves performance. Improvements in administrative and management practices usually occur: in anticipation of ANAO audit activity; during an audit engagement; as interim findings are made; and/or after the audit has been completed and formal findings are communicated.

2. The Joint Committee of Public Accounts and Audit (JCPAA) has encouraged the ANAO to consider ways in which the ANAO could capture and describe some of these impacts. The ANAO's 2021–22 Corporate Plan states that the ANAO's annual performance statements will provide a narrative that will consider, amongst other matters, analysis of key improvements made by entities during a performance audit process based on information included in tabled performance audit reports.

3. Performance audits involve close engagement between the ANAO and the audited entity as well as other stakeholders involved in the program or activity being audited. Throughout the audit engagement, the ANAO outlines to the entity the preliminary audit findings, conclusions and potential audit recommendations. This ensures that final recommendations are appropriately targeted and encourages entities to take early remedial action on any identified matters during the course of an audit. Remedial actions entities may take during the audit include:

- strengthening governance arrangements;
- introducing or revising policies, strategies, guidelines or administrative processes; and
- initiating reviews or investigations.

4. During the course of the audit, the ANAO observed changes in the Australian Film, Television and Radio School's (AFTRS) approach to board governance. These included: updates to the council and committee terms of reference, preparation of a fraud risk register, changes to AFTRS' approach to risk management and more transparent documentation of council decision-making. It is not clear whether these actions and/or the timing of these actions were planned in response to proposed or actual audit activity. The ANAO has not sought to obtain assurance over the source of these actions or whether they have been appropriately implemented.

Appendix 3 General duties as an accountable authority

General duties as an accountable authority		Section of PGPA Act
Duty to govern the Commonwealth entity	<ol style="list-style-type: none"> 1. The accountable authority of a Commonwealth entity must govern the entity in a way that: <ol style="list-style-type: none"> a) promotes the proper (efficient, effective, economical and ethical) use and management of public resources for which the authority is responsible; and b) promotes the achievement of the purposes of the entity; and c) promotes the financial sustainability of the entity. 2. In making decisions for the purposes of subsection (1), the accountable authority must take into account the effect of those decisions on public resources generally. 	15
Duty to establish and maintain systems relating to risk and controls	<p>The accountable authority of a Commonwealth entity must establish and maintain:</p> <ol style="list-style-type: none"> a) an appropriate system of risk oversight and management for the entity; and b) an appropriate system of internal control for the entity; including by implementing measures directed at ensuring officials of the entity comply with the finance law. 	16
Duty to encourage cooperation with others	The accountable authority of a Commonwealth entity must encourage officials of the entity to cooperate with others to achieve common objectives, where practicable.	17
Duty in relation to requirements imposed on others	<p>When imposing requirements on others in relation to the use or management of public resources for which the accountable authority of a Commonwealth entity is responsible, the accountable authority must take into account:</p> <ol style="list-style-type: none"> a) the risks associated with that use or management; and b) the effects of imposing those requirements 	18
Duty to keep responsible Minister and Finance Minister informed	This includes keeping the responsible Minister informed of the activities of the entity and providing any reports, documents and information in relation to those activities as that Minister requires.	19

Source: ANAO analysis of sections 15–19 of the *Public Governance, Performance and Accountability Act 2013*.

Appendix 4 General duties of an official

General duties of an official		Section of PGPA Act
Duty of care and diligence	You must exercise your powers, perform your functions and discharge your duties with the degree of care and diligence that a reasonable person would exercise if the person had the same responsibilities as you.	25
Duty to act honestly, in good faith and for a proper purpose	You must exercise your powers, perform your functions and discharge your duties honestly, in good faith and for a proper purpose.	26
Duty in relation to use of position	You must not improperly use your position, or information you obtain in that position: a) to gain, or seek to gain a benefit or an advantage for yourself or any other person; or b) to cause, or seek to cause, detriment to the entity, the Commonwealth or any other person.	27
Duty in relation to the use of information	You must not improperly use information: a) to gain, or seek to gain a benefit or an advantage for yourself or any other person; or b) to cause, or seek to cause, detriment to the entity, the Commonwealth or any other person.	28
Duty to disclose interests	You must disclose material personal interests that relate to the affairs of your entity and you must meet the requirements of the finance law.	29

Source: ANAO analysis of sections 25–29 of the *Public Governance, Performance and Accountability Act 2013*.

Appendix 5 Council member qualities and behaviours

1. The ANAO sought to determine whether council members demonstrated corporate governance better practice qualities and behaviours drawn from key themes in recent reviews of corporate governance. These included:

- an openness to declaring conflicts of interest;
- an ability to conduct meetings in a professional, collegiate and respectful manner;
- a willingness to undertake sufficient preparation to enable meetings to be conducted in a productive manner;
- an understanding of their obligations as the accountable authority under the *Public Governance, Performance and Accountability Act 2013* and the challenges facing the entity;
- a desire and commitment to act in the best interest of the entity;
- a willingness to invest in their own understanding of issues and entity operations, including participation in voluntary training sessions; and
- direct engagement with the entity executive on key areas of interest.

2. A comparable list of qualities and behaviours was adopted in the ANAO's 2019 audit series on board governance discussed in paragraph 1.7 of this report.