

The Auditor-General
Auditor-General Report No.30 2023–24
Performance Audit

Corporate Planning in the Department of Climate Change, Energy, the Environment and Water

Department of Climate Change, Energy, the Environment and Water

© Commonwealth of Australia 2024

ISSN 1036–7632 (Print)

ISSN 2203–0352 (Online)

ISBN 978-1-76033-919-7 (Print)

ISBN 978-1-76033-920-3 (Online)

Except for the content in this document supplied by third parties, the Australian National Audit Office logo, the Commonwealth Coat of Arms, and any material protected by a trade mark, this document is licensed by the Australian National Audit Office for use under the terms of a Creative Commons Attribution-NonCommercial-NoDerivatives 3.0 Australia licence. To view a copy of this licence, visit <http://creativecommons.org/licenses/by-nc-nd/3.0/au/>.

You are free to copy and communicate the document in its current form for non-commercial purposes, as long as you attribute the document to the Australian National Audit Office and abide by the other licence terms. You may not alter or adapt the work in any way.

Permission to use material for which the copyright is owned by a third party must be sought from the relevant copyright owner. As far as practicable, such material will be clearly labelled.

For terms of use of the Commonwealth Coat of Arms, visit the *Australian honours system* website at <https://www.pmc.gov.au/honours-and-symbols/australian-honours-system>.

Requests and inquiries concerning reproduction and rights should be addressed to:

Chief Operating Officer
Corporate Management Group
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Or via email:

communication@anao.gov.au.





Canberra ACT
28 May 2024

Dear 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 Department of Climate Change, Energy, the Environment and Water. The report is titled *Corporate Planning in the Department of Climate Change, Energy, the Environment and Water*. 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

A handwritten signature in black ink, reading 'Rona Mellor'.

Rona Mellor PSM
Acting 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 their 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.

For further information contact:
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Phone: (02) 6203 7300
Email: ag1@anao.gov.au

Auditor-General reports and information about the ANAO are available on our website:
<http://www.anao.gov.au>

Audit team

Johanna Bradley
Emma Hussey
Mary Potter
Ashlee Johnson
Corinne Horton

Contents

Summary and recommendations.....	7
Background	7
Conclusion	8
Supporting findings.....	9
Recommendations.....	10
Summary of entity response.....	10
Key messages from this audit for all Australian Government entities	11
Audit findings.....	13
1. Background	14
Commonwealth Performance Framework.....	14
Department of Climate Change, Energy, the Environment and Water	15
Rationale for undertaking the audit	19
Audit approach	19
2. Development	20
Was the development of DCCEEW's corporate plan supported by appropriate governance arrangements?	21
Does the corporate plan meet the mandatory requirements of the PGPA Act and PGPA Rule?	28
Has DCCEEW appropriately applied the clear read principle?	32
3. Implementation	37
Has corporate planning effectively informed business planning?	37
Does DCCEEW have arrangements to monitor implementation of the corporate plan?	43
Is DCCEEW managing the risks to achieving the outcomes in its corporate plan?	45
4. Assurance.....	51
Has DCCEEW developed systems and processes to support quality performance reporting?	51
Does DCCEEW have quality assurance arrangements to ensure reporting is complete and accurate?	54
Appendices	59
Appendix 1 Entity response	60
Appendix 2 Improvements observed by the ANAO	61
Appendix 3 DCCEEW's purposes, outcomes, key activities and performance measures	62



Audit snapshot

Auditor-General Report No.30 2023–24

Corporate Planning in the Department of Climate Change, Energy, the Environment and Water



Why did we do this audit?

- ▶ The *Public Governance, Performance and Accountability Act 2013* establishes a structure for entities to plan, measure, evaluate and report performance. This includes a uniform requirement for entities to prepare a corporate plan to promote rigorous and transparent resource management planning and improve performance across the Commonwealth.
- ▶ A Commonwealth entity's corporate plan is its primary planning document. The corporate plan, Portfolio Budget Statements, and annual report should allow a clear line of sight between planned and actual performance.



What did we find?

- ▶ DCCEEW has largely established its corporate plan as its primary planning document.
- ▶ DCCEEW has developed its corporate plan in line with the Commonwealth Performance Framework.
- ▶ DCCEEW is partly effective in implementing its corporate plan.
- ▶ DCCEEW has a largely effective assurance framework to support reporting against the corporate plan outcomes.



What did we recommend?

- ▶ There was one recommendation made to DCCEEW relating to management of enterprise risks.
- ▶ DCCEEW agreed to the recommendation.



Key facts

- ▶ In July 2022, the Department of Climate Change, Energy, the Environment and Water (DCCEEW) was established, combining functions previously held by four other entities.
- ▶ DCCEEW leads Australia's response to climate change, sustainable energy use, and environmental protection.
- ▶ DCCEEW's first corporate plan was an opportunity for the department to set out its purposes and key activities, the outcomes it hopes to achieve and how achievement against the purposes would be measured.

8

key activities in DCCEEW's 2023–24 Corporate Plan

21

performance measures in DCCEEW's 2023–24 Corporate Plan

2

corporate plans since DCCEEW was established in July 2022

Summary and recommendations

Background

1. The Commonwealth Performance Framework is established under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) to provide a line of sight between the use of public resources by Commonwealth entities and the outcomes achieved.¹
2. Australian Government entities must meet high standards of governance, performance, and accountability. Under the Commonwealth Performance Framework, entities must prepare a corporate plan as the entity's primary planning document. The corporate plan and the Portfolio Budget Statements describe the entity's planned performance. The performance statements provide information on the entity's actual performance in achieving its purposes in the reporting period. Performance statements are included in the entity's annual report which is tabled in the Parliament. These three documents work together to provide a clear line of sight between planned and actual performance.²
3. The Department of Climate Change, Energy, the Environment and Water (DCCEEW) was established on 1 July 2022, combining functions previously held by four different entities. DCCEEW published its first corporate plan — for 2022–23 — in March 2023. The 2023–24 corporate plan was published in August 2023.³

Rationale for undertaking the audit

4. The Commonwealth Performance Framework, established under the PGPA Act, requires Commonwealth entities to annually publish a corporate plan that details how they intend to achieve their purposes and how their performance will be measured and assessed. Commonwealth entities must report on their performance in annual performance statements tabled in the Parliament.
5. DCCEEW is a new entity combining functions from four different entities following a machinery of government change in July 2022. This audit will provide independent assurance to the Parliament that DCCEEW's corporate planning meets the requirements and intent of the Commonwealth Performance Framework in operating as its primary planning document.

1 Joint Committee of Public Accounts and Audit, *Report 469: Commonwealth Performance Framework*, Parliament of Australia, Canberra, 2017. Available from https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/CPF/Report_1 [accessed 28 March 2024].

2 Department of Finance, *Commonwealth Performance Framework*, Finance, Canberra, September 2023, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/planning-and-reporting/commonwealth-performance-framework> [accessed 13 May 2024].

3 Subsection 16E(3) of the PGPA Rule requires Commonwealth entities to publish the corporate plan on the entity's website by the last day of the second month of the reporting period for which the plan is prepared. Subsection 16E(7) provides for new entities, allowing the corporate plan to be published 'as soon as practicable after the plan is prepared'.

Audit objective and criteria

6. The objective of this audit was to assess the effectiveness of DCCEEW's corporate plan as its primary planning document in accordance with the PGPA Act. To form a conclusion against the objective, the following criteria were adopted.

- Has DCCEEW developed its corporate plan in line with the Commonwealth Performance Framework?
- Is DCCEEW effectively implementing its corporate plan?
- Does DCCEEW have an effective assurance framework to support reporting against the corporate plan outcomes?

Conclusion

7. DCCEEW has largely established the corporate plan as its primary planning document in accordance with the *Public Governance, Performance and Accountability Act 2013*. The corporate plan meets legislative requirements. Priorities identified in the corporate plan are not yet reflected through a mature divisional planning process. The management of enterprise risks can be strengthened by assessing the risks against departmental risk appetite and tolerances. DCCEEW developed an enterprise performance framework to support the continual improvement of performance information.

8. DCCEEW has developed its corporate plan in line with the Commonwealth Performance Framework. The department established governance arrangements that supported the development and implementation of the 2022–23 and 2023–24 corporate plans. The corporate plans meet the mandatory requirements of the *Public Governance, Performance and Accountability Act 2013* as both corporate plans were published in accordance with publication requirements and include mandatory content. DCCEEW has presented information clearly to provide a line of sight within the performance cycle and across performance cycles.

9. DCCEEW is partly effective in implementing its corporate plan. The corporate plan has not yet been fully integrated into the department's planning and reporting frameworks. DCCEEW has established appropriate governance structures to provide oversight over corporate plan implementation. In March 2023, DCCEEW developed an Enterprise Risk Management Framework (ERMF) and identified eight enterprise risks. Committees are not providing effective oversight over all enterprise risks and the enterprise risks are not being managed in accordance with the ERMF. The nature of committee reporting to the Executive Board limits the Board's ability to have assurance over enterprise risk management. DCCEEW developed an Enterprise Performance Framework to support regular reporting against the performance measures listed in the corporate plan.

10. DCCEEW has a largely effective assurance framework to support reporting. Processes to support reporting include the development and certification of measure profiles for each performance measure, and certification of the accuracy of performance information by measure owners and deputy secretaries. The detail within the measure profiles regarding the responsibility for collating performance information differs. DCCEEW developed an Enterprise Performance Framework intended to provide annual risk-based reviews of performance measures.

Supporting findings

Development

11. DCCEEW established governance arrangements and processes to support the development of both the 2022–23 and 2023–24 corporate plans. Implementation plans were used to support the drafting and approval processes for both corporate plans. To support performance measurement and reporting, the department developed ‘profiles’ of each measure, with certification by division heads and deputy secretaries that the measures complied with the PGPA Act. (See paragraphs 2.3 to 2.29)

12. The 2022–23 and 2023–24 corporate plans were provided to relevant ministers and published in accordance with required timeframes. The corporate plans meet the mandatory content requirements of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) and place DCCEEW in a good position to provide meaningful and accurate performance information to the Parliament. DCCEEW has identified a mix of quantitative, qualitative, output and effectiveness measures across all outcomes. DCCEEW has not identified efficiency measures. (See paragraphs 2.30 to 2.49)

13. DCCEEW has provided a clear read across relevant Portfolio Budget Statements (PBS) and corporate plans from 2022–23 to 2023–24. Changes in performance information have been communicated to allow users and the Parliament to track the changes between the documents and across performance cycles. (See paragraphs 2.50 to 2.64)

Implementation

14. DCCEEW used the 2022–23 Corporate Plan to develop and embed purposes for the new department. The 2022–23 Corporate Plan published in March 2023 was intended to inform DCCEEW’s business and divisional planning. The first stage of this divisional planning occurred in October 2023. The corporate plan identified nine areas of capability development to support DCCEEW’s delivery of key activities. Five are being implemented. The priority focus areas for information technology (IT) that were identified in both corporate plans have not been reflected in enterprise-wide IT and digital transformation strategies and plans. (See paragraphs 3.3 to 3.20)

15. DCCEEW established five committees with roles related to the enterprise-wide monitoring of programs and performance. Each committee has a forward workplan that includes monitoring of plans and strategies in the corporate plan. In November 2023, DCCEEW commenced the development of an approach to regular reporting against performance measures through the Enterprise Performance Framework. (See paragraphs 3.21 to 3.30)

16. The 2022–23 and 2023–24 corporate plans identify eight enterprise risks and provide a narrative of how each risk will be managed. In February 2023, DCCEEW assigned governance committees with responsibility for the management of specific enterprise risks. The enterprise risks have not been assessed against departmental risk tolerances and the effectiveness of controls in managing the risks have not been assessed, in accordance with the ERMF. Committees discussed and considered control actions for four of the eight enterprise risks. The nature of committee reporting to the Executive Board limits the ability of the Board to have effective oversight of enterprise risk management. (See paragraphs 3.31 to 3.49)

Assurance

17. DCCEEW drafted an implementation plan for the development of the 2022–23 Annual Report, including a governance structure for the clearance of information in the report and a risk assessment. DCCEEW developed measure profiles to document the data and reporting arrangements for the performance measures. The measure profiles also document roles and responsibilities, data limitations and data validation. There is a risk the measure profiles do not provide the accountable authority with a consistent level of assurance that the performance information will be complete and accurate. (See paragraphs 4.2 to 4.19)

18. Division heads and deputy secretaries are required to provide assurance over reporting information against the performance measures. DCCEEW developed templates to guide certification of performance information for the 2022–23 Performance Statements and all certifications were provided. DCCEEW has recognised the need to continue to improve the performance measures through an Enterprise Performance Framework supported by the internal audit program. (See paragraphs 4.20 to 4.37)

Recommendations

Recommendation no. 1 The Department of Climate Change, Energy, the Environment and Water manage enterprise risks in accordance with the department’s Enterprise Risk Management Framework, including assessing enterprise risks against departmental risk appetite and tolerances, and assessing the effectiveness of controls.

Paragraph 3.47

Department of Climate Change, Energy, the Environment and Water response: *Agreed.*

Summary of entity response

The Department of Climate Change, Energy, the Environment and Water (the department) is committed to the establishment of compliant, sound, and best practice governance arrangements to support delivery of its large and complex agenda. The department agrees to the one recommendation regarding improvements to the management and oversight of enterprise risks in the context of implementation of our Corporate Plan.

Following its establishment in July 2022, the department published its first corporate plan in March 2023, following extensive consultation with all staff to establish our Vision and Purposes supported by our Key Activities. Our next Corporate Plan, published in August 2023, further matured our performance information.

In March 2023, the department implemented an Enterprise Risk Management Framework to support a fit-for-purpose approach to the identification and management of risks suited to its diverse operating context. We continue to mature our positive risk culture through our governance arrangements and supporting resources.

The department welcomes the ANAO’s recommendation and observations to support our improvement of corporate planning practices ahead of our next Corporate Plan in August 2024.

Key messages from this audit for all Australian Government entities

19. Below is a summary of key messages, including instances of good practice, which have been identified in this audit and may be relevant for the operations of other Australian Government entities.

Governance and risk management

- Corporate plans identify strategies and plans the entity will implement to develop the capability to undertake its key activities and achieve its purposes. Corporate plan implementation involves delivering these plans and strategies, as well as implementing programs under the key activities.
- It is good practice for entities to develop documentation for each performance measure that sets out the data, methodology, the limitation of both the data and method and the lines of responsibility to report a result. This documentation should be developed prior to the publication of the entity's corporate plan. These documents should form part of the entity's assurance framework to the accountable authority.

Audit findings

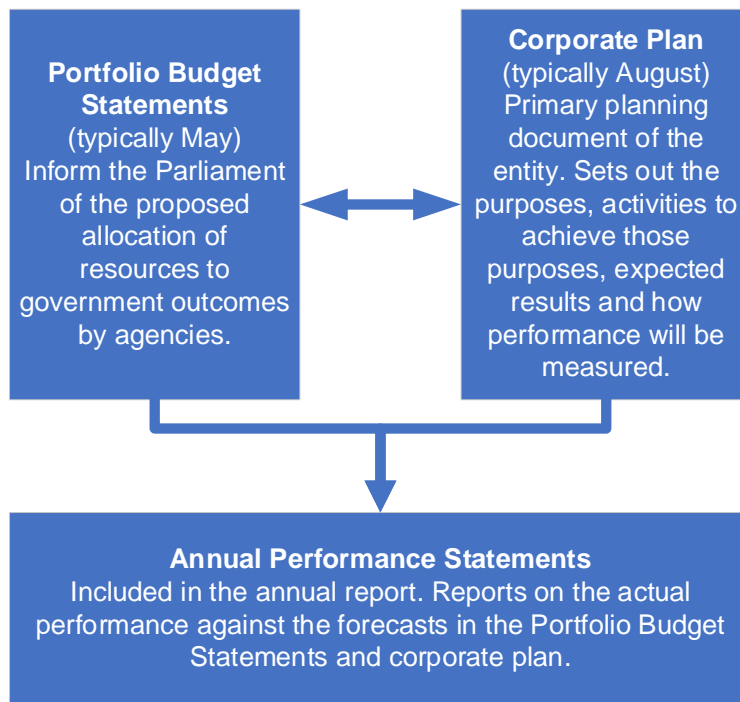
1. Background

Commonwealth Performance Framework

1.1 The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) establishes a performance framework across Australian Government entities and requires Australian Government entities to meet high standards of governance, performance and accountability.⁴ The Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) establishes requirements to give effect to matters covered by the Act.⁵

1.2 The Department of Finance defines how components of the PGPA Act and PGPA Rule combine in the Commonwealth Performance Framework to allow a clear line of sight between planned and actual performance.⁶ The Commonwealth Performance Framework consists of an entity's Portfolio Budget Statements, corporate plan, and annual performance statements⁷ as illustrated in Figure 1.1.

Figure 1.1: Commonwealth Performance Framework



Source: Department of Finance, *Corporate Plans for Commonwealth Entities (Resource Management Guide 132)*, 'What is a corporate plan?', available from <https://www.finance.gov.au/government/managing-commonwealth-resources/corporate-plans-commonwealth-entities-rmg-132/what-corporate-plan> [accessed 10 May 2024].

4 Subsection 5(b) and paragraph 5(c)(i) of the PGPA Act.

5 Department of Finance, *PGPA legislation, associated instruments and policies*, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/pgpa-legislation-associated-instruments-and-policies> [accessed 22 March 2024].

6 Department of Finance, *Commonwealth Performance Framework*, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/planning-and-reporting/commonwealth-performance-framework> [accessed 13 May 2024].

7 Annual Performance Statements are included in an entity's Annual Report.

1.3 The Commonwealth Performance Framework establishes an entity's corporate plan as its primary planning document including by requiring:

- performance planning and reporting to draw clear links between the entity's key activities and the results achieved; and
- performance reporting to provide meaningful performance information.⁸

Department of Climate Change, Energy, the Environment and Water

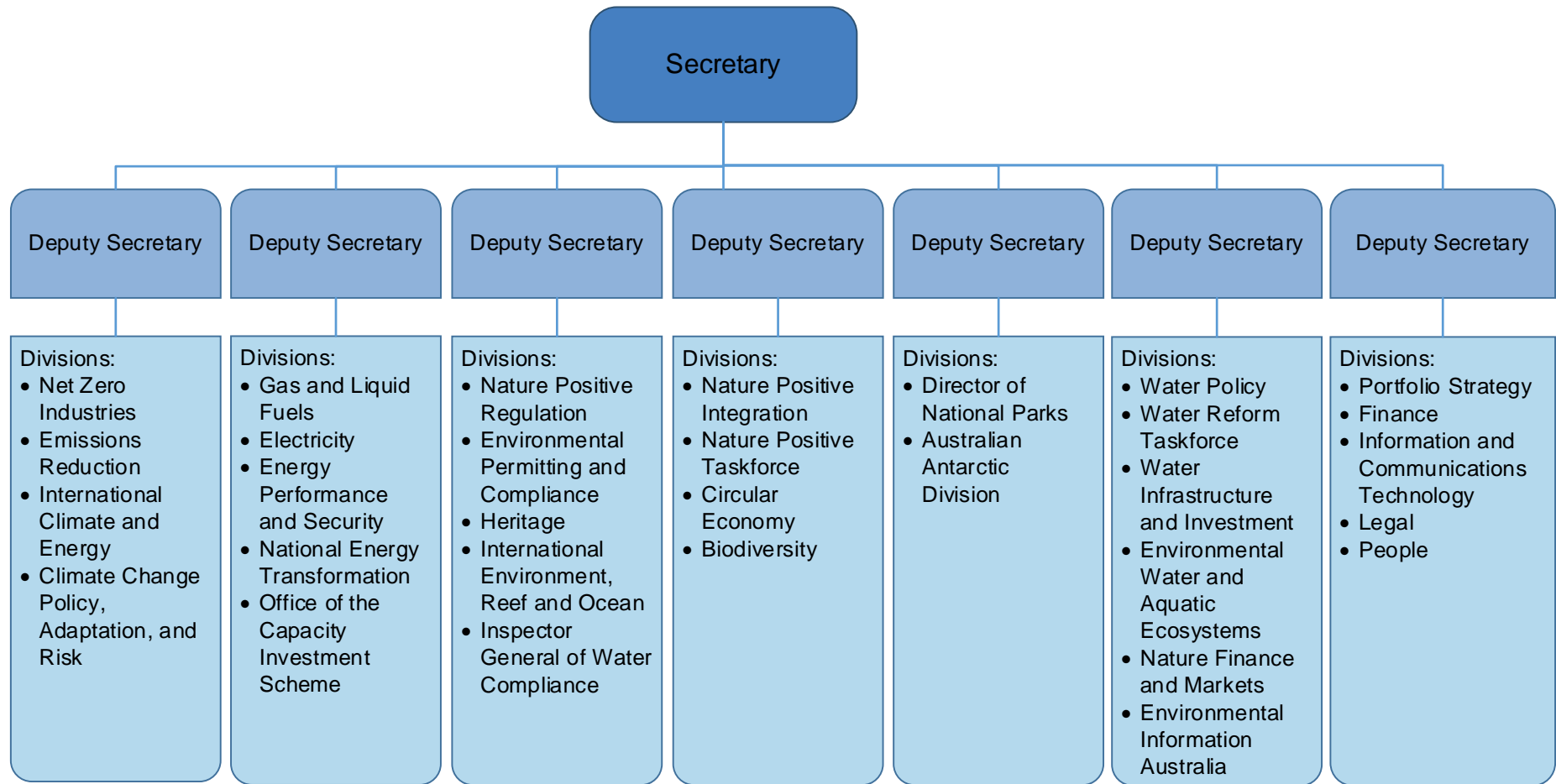
1.4 The Department of Climate Change, Energy, the Environment and Water (DCCEEW) was established on 1 July 2022. DCCEEW is responsible for:

- climate change and energy functions previously held by the Department of Industry, Science, Energy and Resources;
- environment and water functions previously held by the Department of Agriculture, Water and the Environment;
- international climate change functions previously held by the Department of Foreign Affairs and Trade; and
- water infrastructure functions and the National Water Grid Authority previously held by the Department of Infrastructure, Transport, Regional Development and Communications.

1.5 DCCEEW comprises seven groups, each led by a deputy secretary. The structure of DCCEEW as of March 2024 is depicted in Figure 1.2.

8 Department of Finance, *Commonwealth Performance Framework*, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/planning-and-reporting/commonwealth-performance-framework> [accessed 13 May 2024].

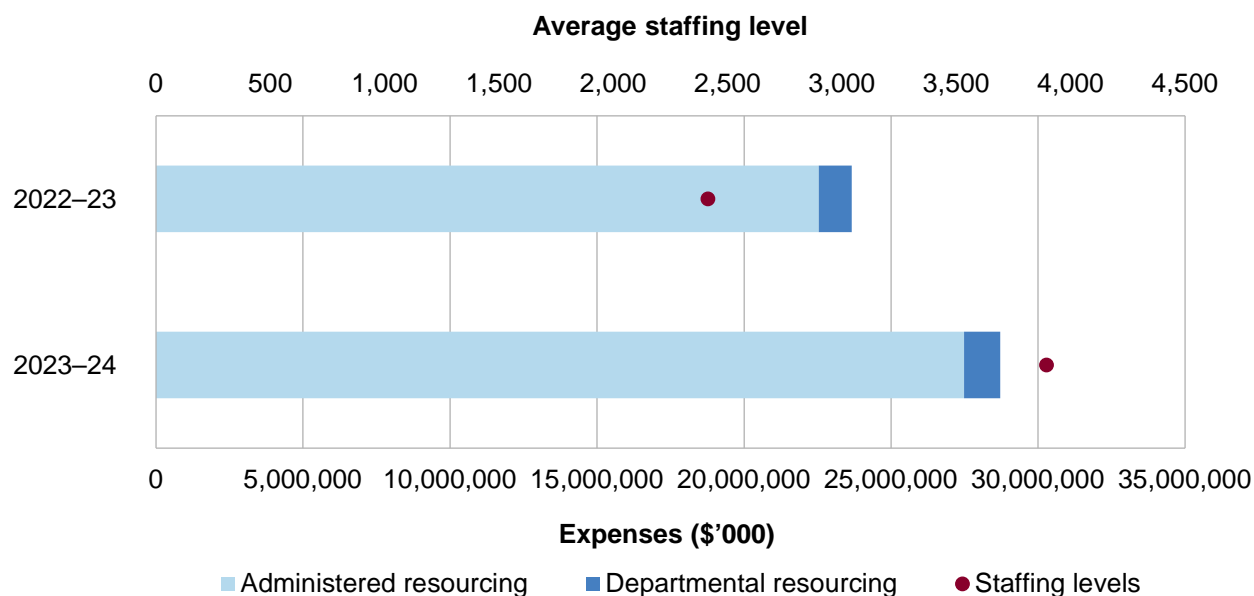
Figure 1.2: Structure of DCCEEW



Source: DCCEEW organisational chart March 2024.

1.6 As illustrated in Figure 1.3, DCCEEW's staffing level rose by 61 per cent from 2,414 staff in 2022–23 to 3,895 in 2023–24. DCCEEW's budgeted resourcing grew by 21 per cent from 2022–23 to 2023–24. DCCEEW's total estimated budget in 2023–24 was \$28.7 billion.

Figure 1.3: DCCEEW resourcing and staffing level



Source: DCCEEW, *Annual Report 2022–23*, Commonwealth of Australia, Canberra, 2023, available from <https://www.dcceew.gov.au/about/reporting/annual-report> [accessed 27 March 2024].

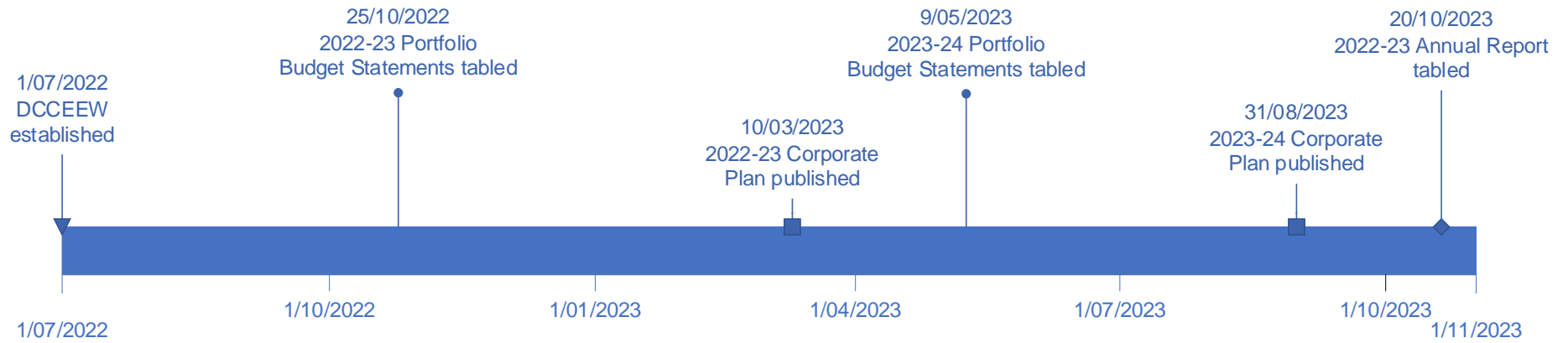
Australian Government, *Portfolio Budget Statements 2023–24, Budget Related Paper No. 1.3. Climate Change, Energy, the Environment and Water Portfolio*, Commonwealth of Australia, Canberra, 2023, available from <https://www.dcceew.gov.au/sites/default/files/documents/dcceew-2023-24-pbs.pdf> [accessed 14 February 2024].

1.7 DCCEEW published its first corporate plan — for 2022–23 — in March 2023. The 2023–24 Corporate Plan was published in August 2023.⁹ Figure 1.4 illustrates the release of the two corporate plans and other performance framework documents since the establishment of the entity. DCCEEW's first annual report was tabled in the Parliament on 20 October 2023.¹⁰

9 Subsection 16E(3) of the PGPA Rule requires Commonwealth entities to publish the corporate plan on the entity's website by the last day of the second month of the reporting period for which the plan is prepared. Subsection 16E(7) provides for new entities, allowing the corporate plan to be published 'as soon as practicable after the plan is prepared'.

10 Section 46 of the PGPA Act requires an entity's annual report to be given to the responsible minister, for presentation to the Parliament, by the 15th day of the fourth month after the end of the reporting period for the entity.

Figure 1.4: DCCEEW's performance framework documents



Source: ANAO analysis of departmental documentation.

Rationale for undertaking the audit

1.8 The Commonwealth Performance Framework, established by the PGPA Act, requires Commonwealth entities to annually publish a corporate plan that sets out how they intend to achieve their purposes, and how their performance will be measured and assessed. Commonwealth entities must report on their performance in annual performance statements that are included in an entity's annual report that is tabled in the Parliament.

1.9 DCCEEW is a new entity combining functions from four different entities following a machinery of government change in July 2022. This audit will provide independent assurance to the Parliament that DCCEEW's corporate planning meets the requirements and intent of the Commonwealth Performance Framework in operating as its primary planning document.

Audit approach

Audit objective, criteria and scope

1.10 The objective of this audit was to assess the effectiveness of DCCEEW's corporate plan as its primary planning document in accordance with the PGPA Act.

1.11 To form a conclusion against the objective, the following criteria were adopted.

- Has DCCEEW developed its corporate plan in line with the Commonwealth Performance Framework?
- Is DCCEEW effectively implementing its corporate plan?
- Does DCCEEW have an effective assurance framework to support reporting against the corporate plan outcomes?

Audit methodology

1.12 The audit methodology involved examining departmental documentation, including meeting papers of governance groups, and meeting with relevant departmental staff.

1.13 The ANAO also received one submission from the public via the citizen contribution facility on the ANAO website.

1.14 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$364,785.

1.15 The team members for this audit were Johanna Bradley, Emma Hussey, Mary Potter, Ashlee Johnson, and Corinne Horton.

2. Development

Areas examined

This chapter examines whether the Department of Climate Change, Energy, the Environment and Water (DCCEEW) developed its corporate plan in line with the Commonwealth Performance Framework.

Conclusion

DCCEEW has developed its corporate plan in line with the Commonwealth Performance Framework. The department established governance arrangements that supported the development and implementation of the 2022–23 and 2023–24 corporate plans. The corporate plans meet the mandatory requirements of the *Public Governance, Performance and Accountability Act 2013* as both corporate plans were published in accordance with publication requirements and include mandatory content. DCCEEW has presented information clearly to provide a line of sight within the performance cycle and across performance cycles.

2.1 The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) establishes an entity's corporate plan as its primary planning document and determines mandatory corporate plan content. The Commonwealth Performance Framework promotes a high standard of planning, measuring, evaluating and reporting on Commonwealth entity performance and provides for consistency across planning and reporting on performance.¹¹ The accountable authority is responsible for preparing a corporate plan and measuring and assessing the performance of the entity in achieving its purposes, in accordance with the PGPA Act.¹²

2.2 Strategic and concerted leadership over the performance cycle within an entity is essential to good management and the effective stewardship of public resources.¹³ Effective governance will support the accountable authority to ensure the corporate plan is the primary planning document and guide the achievement of the entity's objectives and key priorities.¹⁴ It will also ensure compliance with the requirements of the PGPA Act and position the accountable authority to be able to accurately report its progress.¹⁵

11 Department of Finance, *Managing Commonwealth Resources; Planning and Reporting*, Finance, Canberra, December 2023, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/planning-and-reporting> [accessed 5 April 2024].

12 Sections 35 and 39 of the PGPA Act.

13 Auditor-General Report No. 16 2023–24, *Audits of the Annual Performance Statements of Australian Government Entities — 2022–23*, ANAO, Canberra, 2024, para. 9, available from <https://www.anao.gov.au/work/performance-statements-audit/audits-the-annual-performance-statements-australian-government-entities-2022-23> [accessed 27 March 2024].

14 Section 15 of the PGPA Act requires the accountable authority of a Commonwealth entity to govern the entity in a way that promotes the proper use and management of public resources and promotes the achievement of the purposes of the entity.

15 Section 38 of the PGPA Act requires the accountable authority to measure and assess the performance of the entity in achieving its purposes in compliance with any requirements prescribed by the rules.

Was the development of DCCEEW's corporate plan supported by appropriate governance arrangements?

DCCEEW established governance arrangements and processes to support the development of both the 2022–23 and 2023–24 corporate plans. Implementation plans were used to support the drafting and approval processes for both corporate plans. To support performance measurement and reporting, the department developed 'profiles' of each measure, with certification by division heads and deputy secretaries that the measures complied with the PGPA Act.

Departmental governance and oversight structures

2.3 DCCEEW was established on 1 July 2022 and the Executive Board met for the first time on 15 July 2022. The Executive Board Charter (approved by the Executive Board in December 2023) states that the Executive Board is responsible for the overall governance and strategic direction of the department. This includes oversight of the development, implementation, and review of the corporate plan.

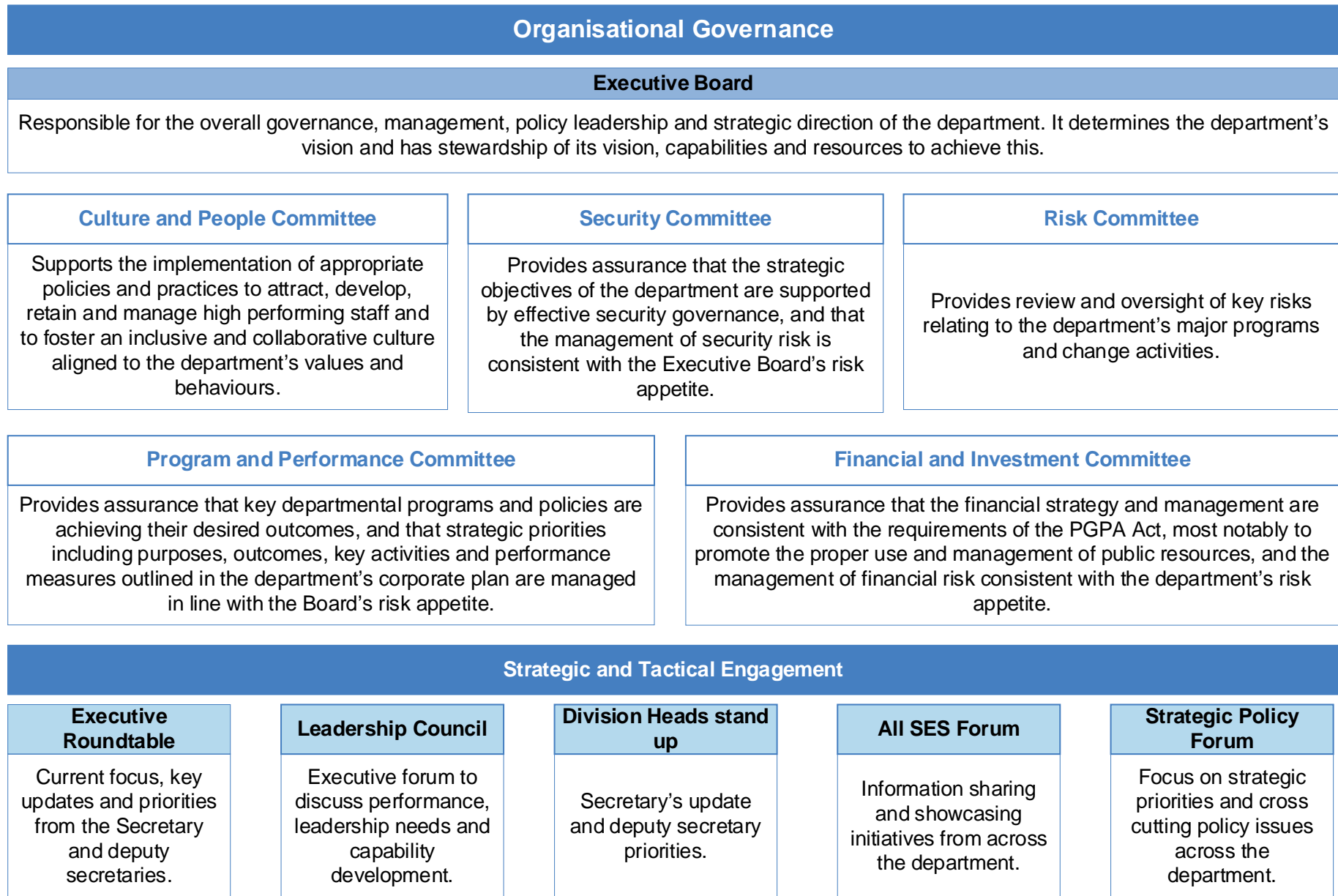
2.4 The Executive Board consists of the Secretary and deputy secretaries and meets fortnightly. On 10 August 2022, the Executive Board agreed to a structure for DCCEEW's governance committees and forums, establishing two categories of governance groups (depicted in Figure 2.1).

- Organisational Governance groups provide the key decision-making and governance mechanisms and are supported by formal secretariat arrangements. Board committees were established with decision-making authority through terms of reference.
- Strategic and Tactical Engagement groups provide forums for updates from the Secretary and deputy secretaries on current focus areas and provide opportunities for information sharing and showcasing activities. Actions are tracked by operational areas.

2.5 The Executive Board endorsed terms of reference for each committee. The terms of reference require the chair of each committee to report to the Executive Board after each meeting. The committees first met in November and December 2022, and the first reports were provided to the Executive Board on 14 December 2022.

2.6 The Performance and Audit Team within the Portfolio Strategy Division is responsible for preparing the corporate plans, drafting the non-financial aspects of the Portfolio Budget Statements (PBS), preparing drafts of the annual report, supporting the department's approach to performance reporting, and managing the department's internal audit function.

Figure 2.1: DCCEEW governance committees and forums



Note: The Executive Board established a Work Health and Safety Committee in August 2022, which was subsequently merged into the Culture and People Committee in April 2023. The Risk Committee was established in December 2023.

Source: DCCEEW intranet and internal documentation.

Development of the 2022–23 Corporate Plan

2.7 On 24 August 2022, the Executive Board discussed a one-page ‘Corporate Roadmap’ that outlined proposed approaches to developing ‘key corporate artefacts’ for the newly established department, including a new corporate plan. The Executive Board agreed:

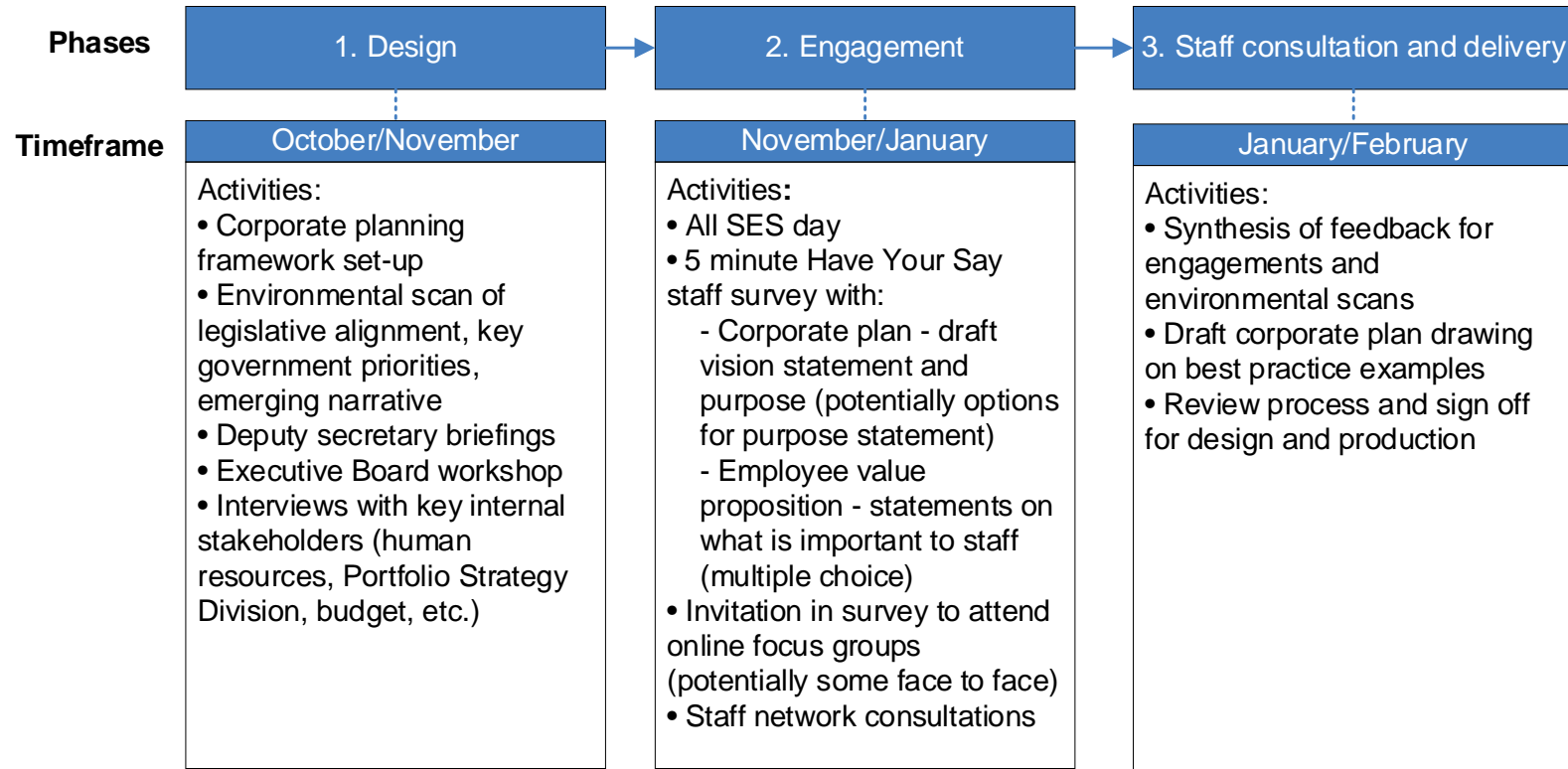
- to publish the inaugural corporate plan ‘by January/February 2023’;
- that an Executive Board strategy session would be held in October 2022 ‘to provide a top-down perspective on a vision, purpose and brand identity to frame and guide staff consultations’;
- to discuss the principles and interim purpose statement with the SES, including at a full day SES forum in November 2022¹⁶;
- to include broader consultation with staff;
- that the development of the interim purpose statement and principles would be discussed at the Strategic Policy Committee¹⁷; and
- to procure an external consultant to assist with the ‘establishment of corporate planning’ and other communication activities.

2.8 In November 2022, DCCEEW developed a plan to guide the preparation of the 2022–23 Corporate Plan. The plan included timeframes, key deliverables and consultation arrangements and aligned with the original consultation approach agreed by the Executive Board in August 2022. Twelve deliverables were to be completed over five months from October 2022 to February 2023. Figure 2.2 provides the deliverables and timeframes as agreed by the Executive Board in November 2022. All 12 deliverables were completed in accordance with the plan.

16 SES refers to the Senior Executive Service, who are the senior departmental executive.

17 DCCEEW advised the ANAO on 1 March 2024 that the reference to the Strategic Policy Committee is likely to be an error in the Executive Board meeting outcomes. The Executive Board is likely to have been referring to the Program and Performance Committee. The Program and Performance Committee did not consider the interim purposes statement and principles but first discussed the draft 2022–23 Corporate Plan when recommending it to the Executive Board on 14 February 2023.

Figure 2.2: 2022–23 Corporate Plan development plan



Source: DCCEEW internal documentation.

Consultation

2.9 DCCEEW planned to consult with the Australian Public Service Commission, the Department of the Prime Minister and Cabinet, and the National Indigenous Australians Agency on the draft vision and purposes. Consultation occurred with the Australian Public Service Commission, the Department of the Prime Minister and Cabinet, and the Department of Finance. Consultation did not occur with the National Indigenous Australians Agency.

2.10 The 2022–23 Corporate Plan lists external organisations and bodies that will make a significant contribution towards achieving the entity's purposes. On 8 March 2024, DCCEEW advised the ANAO that it relies on operational areas of the department to engage with partners and stakeholders and to take this into consideration when providing input into the corporate plan.

Publication

2.11 In August 2022, the Executive Board agreed the 2022–23 Corporate Plan would be published by 'January/February 2023' (see paragraph 2.7). In January 2023, the Executive Board was provided with a revised publication date of 'late February/early March 2023'.

2.12 The deliverables and timeframes agreed by the Executive Board on 28 November 2022 stated that the design phase for the 2022–23 Corporate Plan would start in October 2022 (see paragraph 2.8). These actions occurred over November and December 2022. DCCEEW published its first corporate plan for 2022–23 in March 2023.

Development of performance measures

2.13 The 2022–23 Corporate Plan contained 19 performance measures against which performance of DCCEEW's purposes would be measured. DCCEEW developed a measure profile to support each of these measures during the development of the 2022–23 Corporate Plan.

2.14 The measure profiles contained:

- the relevant PBS outcome and program;
- the data source and methodology for selecting, analysing and validating the data;
- an assessment of compliance with the PGPA Rule; and
- the previous department from which the measure had come, if applicable.

2.15 Each measure profile required certification by the relevant division head (the 'measure owner'), including sign-off of the assessment of the measure against section 16EA of the PGPA Rule.

2.16 Profiles for 11 measures were incomplete. Ten profiles did not provide information on relevant departmental or public outputs relating to the measure. Four measure profiles did not provide the date of certification by the measure owner. DCCEEW was unable to provide evidence of certification by measure owners for the measure profiles.

Consideration of risks to the development of the 2022–23 Corporate Plan

2.17 DCCEEW established its Enterprise Risk Management Framework in March 2023. Before March 2023, DCCEEW staff were instructed to operate under the risk management framework from the previous Department of Agriculture, Water and the Environment and Department of Industry Science, Energy and Resources.

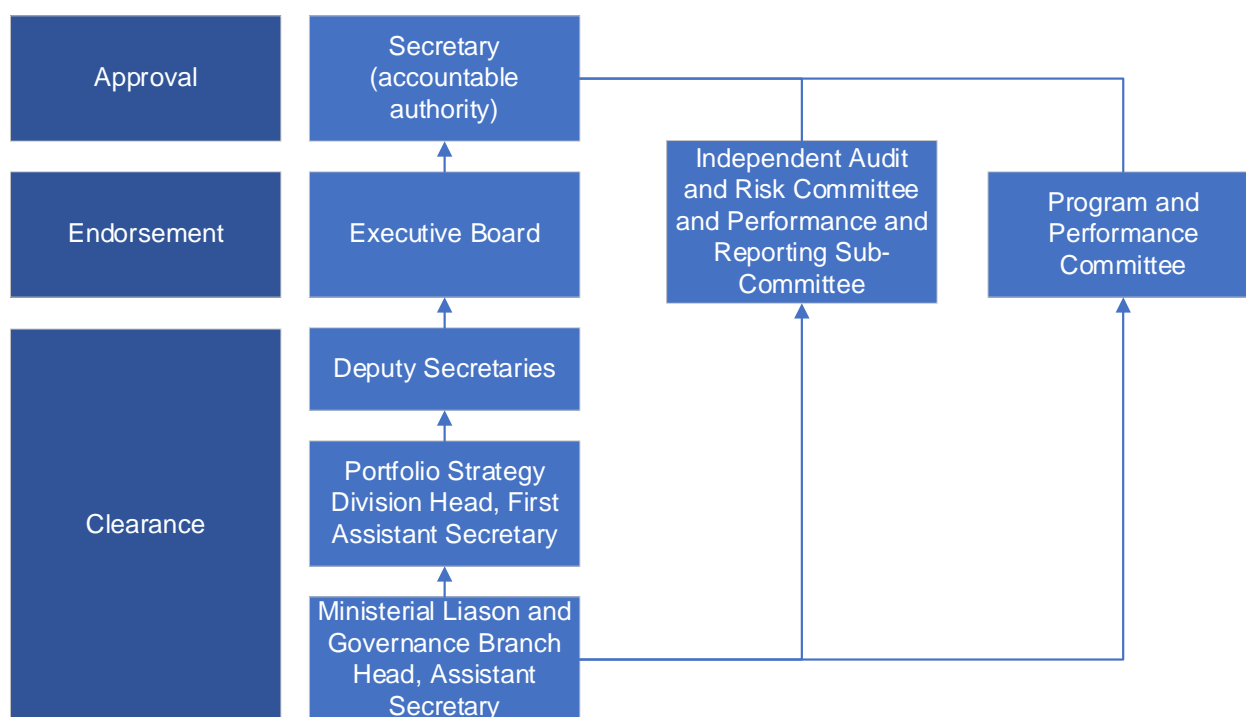
2.18 During the development of the 2022–23 Corporate Plan, the Executive Board considered the risk of not setting a clear purpose for the department; the risk of not complying with legislative requirements; the risk of poor staff engagement; and the risk of not delivering within a tight timeframe. Controls were identified and implemented for three of the four risks. A control was not identified for the risk of not delivering within the timeframe.

Development of the 2023–24 Corporate Plan

2.19 DCCEEW drafted an implementation plan to guide the development of the 2023–24 Corporate Plan. The 2023–24 Corporate Plan Implementation Plan included a timeline, roles and responsibilities, requirements regarding record keeping, and a governance structure. The 2023–24 Corporate Plan Implementation Plan was not required to be approved by a governance committee, and was not approved by the division responsible for corporate plan development.

2.20 Figure 2.3 provides the governance structure for the development of the 2023–24 Corporate Plan as presented in the Corporate Plan Implementation Plan.

Figure 2.3: Governance over 2023–24 Corporate Plan development



Note: Section 17 of the PGPA Rule requires the audit committee of a Commonwealth entity to provide independent advice and assurance to the entity’s accountable authority.

The Program and Performance Committee was established by the Executive Board to support the Executive Board (see Figure 2.1).

Source: DCCEEW 2023–24 Corporate Plan Implementation Plan.

2.21 The 2023–24 Corporate Plan was published five months after the 2022–23 Corporate Plan was published. The changes that were made in the 2023–24 Corporate Plan largely related to continuing to develop performance measures.

2.22 The 2023–24 Corporate Plan Implementation Plan outlines milestones that were to be completed over three months from May to August 2023. Of 12 key milestones in the 2023–24 Corporate Plan Implementation Plan, 11 were achieved as planned. The 2023–24 Corporate Plan

Implementation Plan intended that the draft 2023–24 Corporate Plan would be provided to the Secretary twice. The Secretary was provided with the draft 2023–24 Corporate Plan once, after it was reviewed by the Executive Board and the Program and Performance Committee.

2.23 The Program and Reporting Sub-Committee (a sub-committee of the Audit Committee) provided assurance over the 2023–24 Corporate Plan and performance measures, discussing some of the measure profiles in detail. The Executive Board and the Program and Performance Committee both endorsed the draft 2023–24 Corporate Plan.

Consultation

2.24 The Corporate Plan Implementation Plan did not include consultation with external entities involved in contributing to meeting DCCEEW's outcomes. DCCEEW engaged with the Department of Finance in the development stages of the corporate plan, on alignment with section 16EA of the PGPA Rule.¹⁸

Measure profiles

2.25 The 2023–24 Corporate Plan Implementation Plan included a template for measure profiles as was used to support performance measures included in the 2022–23 Corporate Plan (see paragraph 2.14). The template included an assessment of compliance with section 16EA of the PGPA Rule. In July 2023, measure profiles were prepared for all 21 measures using the template.

2.26 The Implementation Plan included templates for measure owners (division heads) and deputy secretaries to certify that 'the information contained in the 2023–24 Corporate Plan relating to [the performance measure] complies with section 16EA of the PGPA Rule 2014'. Certification was acquired through email. The emails requesting certification did not include the measure profile being certified for six of the 13 measure owners. Of 21 performance measures in the 2023–24 Corporate Plan, 20 were certified by the relevant measure owner, and all were certified by the relevant deputy secretary.¹⁹

2.27 The ANAO met with measure owners in January 2024 to discuss their role in certifying the performance measures. Measure owners reported being confident they understood their role and were sufficiently supported by the Portfolio Strategy Division, which was coordinating the measure profile completion and certifications.

2.28 The 2023–24 Corporate Plan Implementation Plan notes that particular attention would be paid to whether the measures were reliable, verifiable, and free from bias.²⁰ DCCEEW advised the ANAO on 1 March 2024 that this occurred through the self-assessment against section 16EA of the PGPA Rule in the development of the measure profiles.

Consideration of risks to the development of the 2023–24 Corporate Plan

2.29 DCCEEW's Enterprise Risk Management Framework released in March 2023 requires risk management to be integrated into planning and decision-making. No formal risk assessments were

18 The Department of Finance is responsible for whole-of-government administration of the Commonwealth Performance Framework and provides guidance to entities on their obligations under the framework.

19 The measure owner for the performance measure CCE01 provided early approval of the performance measure but did not respond to the final email requesting formal certification.

20 These are requirements of individual performance measures under section 16EA of the PGPA Rule, along with being measurable over time and relating directly to the purposes or key activities.

undertaken for the development of the 2023–24 Corporate Plan. No risks to the development of the 2023–24 Corporate Plan were considered by the Executive Board.

Does the corporate plan meet the mandatory requirements of the PGPA Act and PGPA Rule?

The 2022–23 and 2023–24 corporate plans were provided to relevant ministers and published in accordance with required timeframes. The corporate plans meet the mandatory content requirements of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) and place DCCEEW in a good position to provide meaningful and accurate performance information to the Parliament. DCCEEW has identified a mix of quantitative, qualitative, output and effectiveness measures across all outcomes. DCCEEW has not identified efficiency measures.

Minimum publishing and content requirements

2.30 The accountable authority of a Commonwealth entity must prepare and publish a corporate plan each year in accordance with any requirements prescribed by the PGPA Rule.²¹ Section 16E of the PGPA Rule outlines the content and publishing requirements for these corporate plans.

Publishing requirements

2.31 Both corporate plans were provided to the Minister for the Environment and Water, the Minister for Climate Change and Energy, and the Minister for Finance prior to publishing them on the department’s website, as required by the PGPA Rule.²²

2.32 Corporate plans must be published ‘by the last day of the second month of the reporting period for which the plan is prepared’.²³ The PGPA Rule makes a provision for new entities to publish the first corporate plan ‘as soon as practicable after the plan is prepared’.²⁴

2.33 The 2022–23 Corporate Plan was published on 10 March 2023. The 2023–24 Corporate Plan was published by the required date of 31 August 2023. DCCEEW met the minimum requirements for the publication of its 2022–23 and 2023–24 corporate plans.

Content requirements

2.34 The PGPA Rule requires that specific matters be included in entity corporate plans.²⁵ Resource Management Guide (RMG) 132 provides guidance on how to fulfil the requirements of the PGPA Rule.²⁶ Table 2.1 provides an assessment of the content of the 2022–23 and 2023–24 corporate plans against the requirements of the PGPA Rule, as per the guidance in RMG 132.

21 Section 35 of the PGPA Rule.

22 Subsection 16E(5) of the PGPA Rule.

23 Subsection 16E(3) of the PGPA Rule. DCCEEW’s corporate plan is required to be published by the last day of August.

24 Subsection 16E(7) of the PGPA Rule.

25 Section 16E of the PGPA Rule.

26 Department of Finance, *Resource Management Guide 132 Corporate plans for Commonwealth entities*, Commonwealth of Australia, 2024, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/corporate-plans-commonwealth-entities-rmg-132> [accessed 13 May 2024].

Table 2.1: Minimum corporate plan content requirements for 2022–23 and 2023–24

PGPA Rule requirements	ANAO assessment	
Subsection 16E(1) Introduction Statement of preparation Reporting period planned Reporting period covered	●	A statement of preparation is included; the reporting period for which the plan is prepared is included; the reporting periods covered by the plan is included.
Subsection 16E(2) Purposes ^a	●	The purposes statement is in line with RMG guidance.
Subsection 16E(3) Key activities	●	The 2022–23 Corporate Plan contains 11 key activities and the 2023–24 Corporate Plan contains 8 key activities that will assist DCCEEW in achieving its purposes. Each key activity relates to a different program area.
Subsection 16E(4) Operating context Environment	●	Most of the discussion relates to issues beyond the control of DCCEEW but states the main program that will influence DCCEEW's response.
Subsection 16E(4) Operating context Capability	●	Both corporate plans include strategies to improve DCCEEW's capabilities or outline process, systems and committees in place to support the capabilities.
Subsection 16E(4) Operating context Risks	●	Provides description of risk management systems, enterprise risks and risk governance.
Subsection 16E(4) Operating context Cooperation	◐	More information and a greater level of detail was included in the 2023–24 Corporate Plan. Specific examples of programs are listed that are influenced by the cooperative relationships. Not all entities that are identified in the PBS as contributing to multiple shared objectives are included.
Subsection 16E(4) Operating context Subsidiaries	N/A	DCCEEW does not have subsidiaries.
Subsection 16E(5) Performance Performance measures Targets	◐	15 of the 19 performance measures in the 2022–23 Corporate Plan and 18 of the 21 performance measures in the 2023–24 Corporate Plan provide a good basis for measuring performance (see paragraphs 2.39 to 2.49).

- Key:
- Requirement has not been met
 - ◐ Requirement has been partially met
 - ◑ Requirement has been half met
 - ◒ Requirement has been largely met
 - Requirement has been met.

Note a: DCCEEW's corporate plan also contains a vision. A vision statement is not a requirement under the PGPA Act and the ANAO has not audited DCCEEW's vision.

Source: ANAO analysis of DCCEEW's 2022–23 and 2023–24 corporate plans.

2.35 As demonstrated in Table 2.1, DCCEEW met the mandatory requirements of section 16E of the PGPA Rule.

2.36 Subsection 16E(2) of the PGPA Rule requires the corporate plan to include 'details of any organisation or body that will make a significant contribution towards achieving the entity's purpose

through cooperation with the entity, including how that cooperation will achieve those purposes'.²⁷ RMG 132 highlights that this requirement 'aligns with the requirement for entities who produce Portfolio Budget Statements to report links to the programs of other entities which assist them achieve their Outcomes'.²⁸

2.37 The 2023–24 PBS lists 30 Australian Government entities who deliver programs that contribute to achieving DCCEEW's outcomes.²⁹ Five of those 30 entities contribute to three or four of DCCEEW's outcomes (see Table 2.2).

Table 2.2: Entities in DCCEEW's PBS that contribute to three or four of DCCEEW's outcomes

Australian government entity listed in the DCCEEW PBS that contributes to three or four outcomes	DCCEEW's outcomes the entity contributes to as listed in the PBS ^a	ANAO analysis — Is the entity listed in DCCEEW's corporate plan?
Bureau of Meteorology	1, 2, 3, 4	✓
Commonwealth Scientific and Industrial Research Organisation	1, 2, 3	✓
Department of Foreign Affairs	1, 2, 3	✓
Department of Industry, Science and Resources	1, 2, 3	✗
Department of the Treasury	1, 2, 4	✗

Note a: DCCEEW has four outcomes. The outcomes relate to: 1 — Climate change and energy; 2 — Environment; 3 — Antarctica; 4 — Water. See Appendix 3 for the full outcome statements.

Source: 2023–24 Budget Paper 1.3. Climate Change, Energy, the Environment and Water Portfolio and DCCEEW 2023–24 Corporate Plan.

2.38 The 2023–24 Corporate Plan does not include the Department of Industry, Science and Resources, or the Department of the Treasury, although both departments contribute to achieving three of DCCEEW's four outcomes. On 15 December 2023, DCCEEW advised the ANAO that organisations and bodies in the 2023–24 Corporate Plan were 'initially identified as part of the (Machinery of Government) arrangements, then tested with the Executive Board as part of the consultation process'.

Performance measures

2.39 Australian Government entities are required to include performance measures in their corporate plan to measure and assess their performance in the reporting period. The performance measure results are included in the entity's annual performance statements in the annual report,

27 Subsection 16E(2) of the PGPA Rule.

28 Department of Finance, *Resource Management Guide 132 Corporate plans for Commonwealth entities; What to include in a corporate plan* available from <https://www.finance.gov.au/government/managing-commonwealth-resources/corporate-plans-commonwealth-entities-rmg-132/what-include-corporate-plan> [accessed 13 May 2024].

29 Australian Government, *Portfolio Budget Statements 2023–24; Budget Related Paper No. 1.3. Climate Change, Energy, the Environment and Water Portfolio*, available from <https://www.dcceew.gov.au/sites/default/files/documents/dcceew-2023-24-pbs.pdf> [accessed 25 March 2024].

which is tabled in the Parliament at the end of the reporting period. To meet the requirements of the PGPA Rule, each performance measure must:

- relate directly to one or more purposes or key activities;
- use information sources and methodologies that are reliable and verifiable;
- provide an unbiased basis for measurement/assessment; and
- provide a basis for assessment of entity's performance over time.³⁰

2.40 Collectively the measures must, where reasonably practicable, comprise a mix of quantitative and qualitative measures and include measures of an entity's output, efficiency, and effectiveness if these are appropriate.³¹

2.41 The ANAO was funded as part of the 2021–22 Budget to implement the ongoing program of performance statements audits. This funding established assurance of non-financial reporting as a core component of assurance to the Parliament. Conducting annual audits of performance statements ensures that the Parliament receives the same level of assurance on performance statements as it does for financial statements.³² On 16 January 2023, in response to correspondence from the Auditor-General, the Minister for Finance requested, under section 40 of the PGPA Act, that the Auditor-General undertake assurance audits of the Department of Industry, Science and Resources and the Department of Infrastructure, Transport, Regional Development, Communications and the Arts instead of the Department of Employment and Workplace Relations³³ and DCCEEW as part of the 2022–23 audit program.³⁴

Measures in the 2022–23 Corporate Plan

2.42 The 2022–23 Corporate Plan contained 19 performance measures. Appendix 3 contains a list of DCCEEW's purpose, outcomes, key activities, and performance measures in the 2022–23 Corporate Plan. Each measure included targets and was supported by a rationale, methodology and data sources that will be used, and outputs. The corporate plan identified the type of each performance measure such as effectiveness or output as well as if it was a quantitative or qualitative measure. The corporate plan also identified regulatory measures.³⁵

2.43 Of the 19 measures, the ANAO assessed that 15 provided a good basis for measuring performance and complied with the requirements of section 16EA of the PGPA Rule. Section 16EA of the PGPA Rule requires that performance measures must provide an unbiased basis for

30 Sections 16EA and 16F of the PGPA Rule.

31 Section 16EA of the PGPA Rule.

32 Auditor-General Report No. 16 2023–24 *Audits of the Annual Performance Statements of Australian Government Entities — 2022–23*, para. 1.21 and 1.40.

33 The Department of Employment and Workplace Relations was established on 1 July 2022 as a result of Machinery of Government changes.

34 Auditor-General Report No. 13 2022–23 *Audits of the Annual Performance Statements of Australian Government Entities — 2021–22*, ANAO, Canberra, 2023, para. 1.33, available from <https://www.anao.gov.au/work/performance-statements-audit/audits-the-annual-performance-statements-australian-government-entities-2021-22> [accessed 21 March 2023].

35 The Department of Finance released RMG 128 to outline performance expectations for Commonwealth Regulators. RMG 128 provides that regulatory functions may include administering, monitoring, promoting compliance with and enforcing regulation. Available from <https://www.finance.gov.au/government/managing-commonwealth-resources/regulator-performance-rmg-128> [accessed 25 March 2024]. DCCEEW has regulatory performance measures under the climate change, environment and water outcomes.

measurement or assessment. The ANAO assessed that three of the 2022–23 performance measures had a risk that the measurement or assessment of the results in the annual performance statements could be biased. Each of these three measures had targets without clearly pre-defined tolerances and reporting against the target in the annual performance statements could be biased towards being achieved or partly achieved.

2.44 Collectively, the 2022–23 performance measures comprised effectiveness, outputs, and qualitative and quantitative measures. DCCEEW identified one performance measure (EN06) as an efficiency measure, however the ANAO assessed this measure as not meeting the definition of an efficiency measure as it does not assess cost or the ratio of input to outputs.³⁶ DCCEEW did not consider this measure an efficiency measure in 2023–24.

Measures in the 2023–24 Corporate Plan

2.45 DCCEEW revised its performance measures for its 2023–24 Corporate Plan by:

- adding seven new measures;
- removing five measures; and
- amending nine measures, including by adding an additional target to one measure.³⁷

2.46 Three of the 21 measures in the 2023–24 Corporate Plan may not meet all PGPA Rule requirements as they are either at risk of bias or may not provide a measure of performance over time. This may limit DCCEEW’s ability to accurately measure these activities and demonstrate performance against its key activities over time.

2.47 The 2023–24 Corporate Plan included more qualitative measures than in the previous year. DCCEEW had not identified any performance measures as efficiency measures for 2023–24.

2.48 On 8 March 2024, DCCEEW advised the ANAO that the Executive Board would consider proxy measures for efficiency for inclusion in the 2024–25 Corporate Plan. Further information relating to improvements made by DCCEEW are outlined in paragraphs 4.30 to 4.34 and Appendix 2.

2.49 Compliance with the performance framework, including the development of appropriate performance measures, is positioning DCCEEW to be able to accurately report its performance against its key activities to the Parliament. DCCEEW needs to continue to refine its performance measures to ensure they provide an unbiased basis for measurement and provide a basis for assessment of performance over time.

Has DCCEEW appropriately applied the clear read principle?

DCCEEW has provided a clear read across relevant Portfolio Budget Statements (PBS) and corporate plans from 2022–23 to 2023–24. Changes in performance information have been

36 Department of Finance’s *RMG 131 Developing Performance Measures* says ‘efficiency is generally measured as the price of producing a unit of output, and is generally expressed as a ratio of inputs to outputs’. Available from <https://www.finance.gov.au/government/managing-commonwealth-resources/developing-performance-measures-rmg-131/measures-outputs-efficiency-effectiveness> [accessed 13 May 2024].

37 See Appendix 1 of the 2023–24 Corporate Plan for a description of the changed measures and targets. The additional target was added to the measure numbered CCE01 in both 2022–23 and 2023–24 Corporate Plans — that Australia’s emissions and projected emissions are on track to meet legislated commitments.

communicated to allow users and the Parliament to track the changes between the documents and across performance cycles.

2.50 The Commonwealth Performance Framework provides that entities draw a clear line of sight between planned and actual performance.³⁸ Performance measures in the corporate plan and PBS (and any other budget statements) are reconciled in the annual performance statements at the end of each reporting period, which are included in the entity annual report that is tabled in the Parliament. As such, ‘it is important that the performance measures in both planning documents are consistent and work together to enable a coherent set of performance results to be included in the annual performance statements. This provides a clear read between these documents.’³⁹

Alignment in the 2022–23 performance cycle

2.51 There was alignment across the outcomes, programs, key activities and performance information presented in the 2022–23 PBS and the 2022–23 Corporate Plan. Outcomes in the 2022–23 PBS were reflected in the 2022–23 Corporate Plan. There was alignment between the programs in the 2022–23 PBS and key activities in the 2022–23 Corporate Plan. The key activities in the 2022–23 Corporate Plan were aligned to relevant outcomes.

2.52 The 2022–23 PBS contained one performance measure per program. The corporate plan contained ten additional measures across five programs and key activities. There were minor changes to some measures and targets.

2.53 There were minor changes between the performance measures in the 2022–23 PBS and the 2022–23 Corporate Plan. DCCEEW’s 2022–23 PBS noted that ‘[a]s per Department of Finance direction, one measure has been applied per program’.⁴⁰ Two performance measures in the 2022–23 Corporate Plan replaced measures in corporate plans from the departments that were previously responsible for those functions, prior to DCCEEW’s establishment.⁴¹

2.54 DCCEEW’s 2022–23 PBS was released on 25 October 2022 — just under four months after DCCEEW was established on 1 July 2022 — and its first corporate plan was released in March 2023. On 9 February 2024, DCCEEW advised the ANAO that the 2022–23 PBS did not contain a full suite

38 Department of Finance, *Commonwealth Performance Framework*, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/planning-and-reporting/commonwealth-performance-framework> [accessed 13 May 2024].

39 Department of Finance, *Corporate Plans for Commonwealth Entities (RMG 132); What to include in a corporate plan*, available from <https://www.finance.gov.au/government/managing-commonwealth-resources/corporate-plans-commonwealth-entities-rmg-132/what-include-corporate-plan#relationship-between-performance-measures-in-the-corporate-plan-and-portfolio-budget-statements> [accessed 13 May 2024].

40 The Finance Secretary Direction of 21 August 2022 requires entities to do the following in their PBS: for existing programs, entities must ‘report at least one high level performance measure and planned performance results’; for new or materially changed programs, entities must ‘report all performance measures and planned performance results’. Available at <https://www.finance.gov.au/government/managing-commonwealth-resources/reporting-performance-information-portfolio-budget-statements-rmg-129/finance-secretary-direction-21-august-2022> [accessed 5 April 2024].

41 ‘CCE05: Share of renewables in Australia’s electricity mix’ replaces a former Department of Industry, Science, Energy and Resources energy prices performance measure.
‘EN04: Commonwealth environmental water is fully utilised’ replaces a former Department of Agriculture, Water and Environment environmental water measure. For more detail see Appendix 1 of DCCEEW’s 2022–23 Corporate Plan.

of performance measures because the department was reviewing its measures for the 2022–23 Corporate Plan.

2.55 Appendix 1 in the 2022–23 Corporate Plan contains an explanation of the changes to performance measures designed by the previous function holders — the Department of Industry, Science, Energy and Resources, and the Department of Agriculture, Water and Environment — as well as changes since the 2022–23 PBS.

Alignment in the 2023–24 performance cycle

2.56 The 2023–24 PBS was tabled in May 2023 and the 2023–24 Corporate Plan was published in August 2023 (see Figure 1.4). Clear read across the performance cycles is examined further below.

2.57 DCCEEW reviewed its performance measures in line with revised outcomes and key activities in 2023–24. The 2023–24 PBS and 2023–24 Corporate Plan maintained clear connections between each element, with key activities and performance measures in the 2023–24 Corporate Plan aligned to each PBS outcome, which led up to the department’s overarching purposes.

2.58 The 2023–24 Corporate Plan included a new key activity with a new performance measure under Outcome 1, following additional funding in the 2023–24 budget.⁴² It is good practice for entities to consider the key activities and performance measures that should be included in their corporate plan on the basis of program appropriations. Where there are large appropriations for specific policies, activities or projects, entities should consider including a measure or measures to promote accountability and transparency and enable parliamentary and government scrutiny of whether these policies, activities or projects are delivering their intended return on investment and meeting the expectations of government.⁴³

2.59 In total, there were 12 performance measures included in the 2023–24 Corporate Plan that were not in the PBS.

- Four were performance measures that were included in the previous year’s corporate plan that had been carried across.
- Eight performance measures across five key activities were newly introduced in the 2023–24 Corporate Plan.

2.60 One key activity under Outcome 2 did not have any performance measures in the corporate plan.⁴⁴ The heritage performance measure included in the PBS was not in the corporate plan. The corporate plan noted that a number of reforms are progressing in the heritage space and stated that ‘[t]he development of future performance measures are currently under review and will be influenced by progress on these reforms’.⁴⁵

Line of sight across performance cycles

2.61 Demonstrating how reporting on performance information changes over time allows entities to demonstrate how priorities change and enables the Parliament to monitor the delivery

42 The new key activity was ‘Drive climate adaptation and resilience’.

43 Auditor-General Report No. 16 of 2023–24 *Audits of the Annual Performance Statements of Australian Government Entities — 2022–23*, para. 4.11 and 4.32.

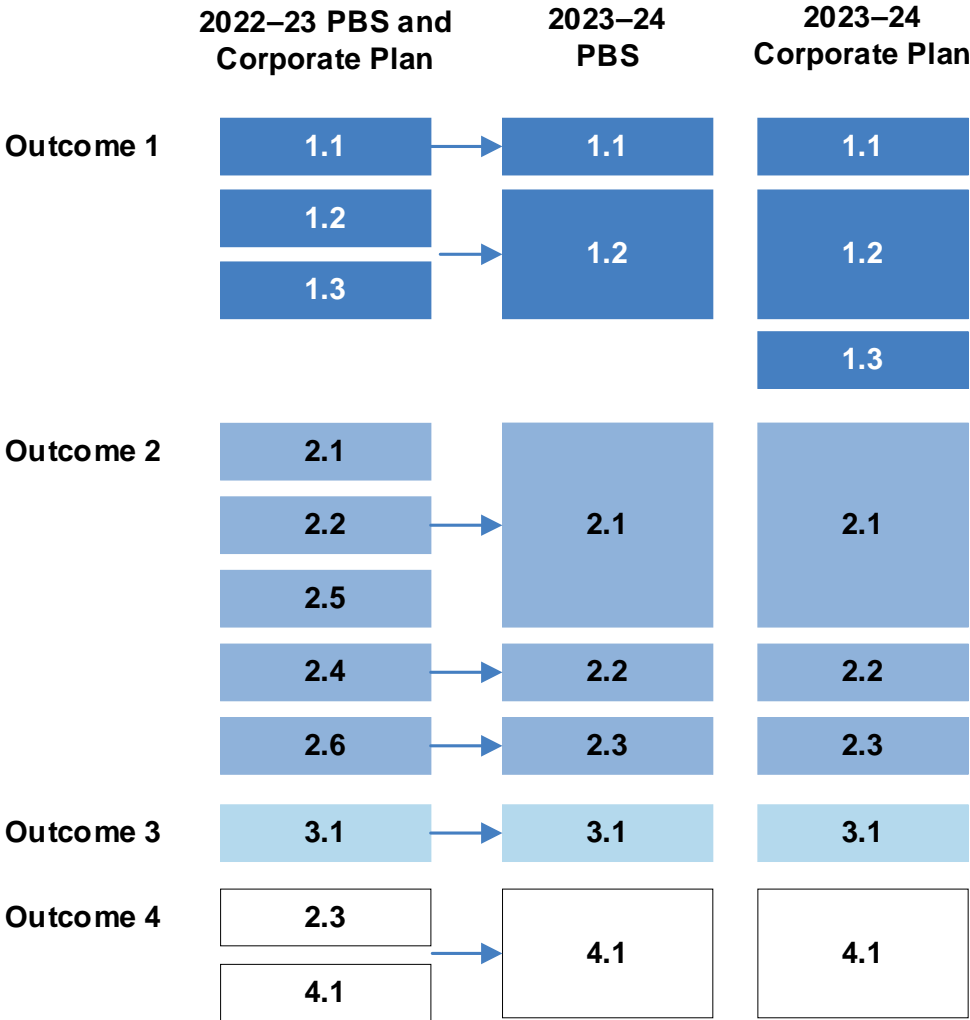
44 The key activity without a performance measure is ‘Protect Australia’s cultural, historic and First Nations heritage’.

45 DCCEEW 2023–24 Corporate Plan, p. 44.

of parliamentary priorities. Providing a clear line of sight in planning documents across years (from 2022–23 to 2023–24) enables comparison across performance cycles. This line of sight is provided if performance information that has been added to, amended, or removed between performance cycles is clearly explained to the reader.⁴⁶

2.62 The programs and key activities outlined in the 2022–23 performance documents were revised for the 2023–24 PBS. As noted at paragraph 2.58, a new key activity (1.3) was introduced under Outcome 1 in the 2023–24 Corporate Plan. Figure 2.4 illustrates the changes in program structure between the documents.

Figure 2.4: Comparison of 2022–23 and 2023–24 programs and key activities



Source: ANAO summary of departmental information.

46 Auditor-General Report No. 14 2019–20 *Commonwealth Resource Management Framework and the Clear Read Principle*, ANAO, Canberra, 2019, para. 3.60, available from <https://www.anao.gov.au/work/performance-audit/commonwealth-resource-management-framework-and-the-clear-read-principle> [accessed 13 May 2024].

2.63 Consistent with guidance from Department of Finance, these changes were outlined in DCCEEW's 2023–24 PBS.⁴⁷ The PBS noted that '[t]he department is currently reviewing its performance information in the context of new government and departmental responsibilities and initiatives', with further refinements to be reflected in the 2023–24 Corporate Plan. The 2023–24 Corporate Plan stated that the department had revised its outcomes and programs in the 2023–24 PBS 'to better reflect our core work'. This approach provided users with context for the changes and a basis for comparison with previous year's performance information.

2.64 As outlined in paragraph 2.45, across DCCEEW's 2022–23 and 2023–24 corporate plans, seven new measures were added, five measures were removed, and nine measures were revised. A detailed explanation for these changes was provided in Appendix 1 of the 2023–24 Corporate Plan. Readers were alerted that performance measures had been revised 'in line with the revised outcomes and key activities' before the performance information was presented in the corporate plan, and were directed to Appendix 1 for a summary of the changes. This approach assists the reader to identify differences in an entity's performance compared to the previous year, and understand why they occurred, facilitating clear read.

47 On 21 August 2022 the Finance Secretary issued a Direction under subsection 36(3) of the PGPA Act requiring entities to '(m)ap outcomes, programs and performance measures to the entity's key activities as expressed in the current corporate plan'. Available at <https://www.finance.gov.au/government/managing-commonwealth-resources/reporting-performance-information-portfolio-budget-statements-rmg-129/finance-secretary-direction-21-august-2022> [accessed 10 May 2024].

3. Implementation

Areas examined

This chapter examines whether the Department of Climate Change, Energy, the Environment and Water (DCCEEW) is effectively implementing its corporate plan.

Conclusion

DCCEEW is partly effective in implementing its corporate plan. The corporate plan has not yet been fully integrated into the department's planning and reporting frameworks. DCCEEW has established appropriate governance structures to provide oversight over corporate plan implementation. In March 2023, DCCEEW developed an Enterprise Risk Management Framework (ERMF) and identified eight enterprise risks. Committees are not providing effective oversight over all enterprise risks and the enterprise risks are not being managed in accordance with the ERMF. The nature of committee reporting to the Executive Board limits the Board's ability to have assurance over enterprise risk management. DCCEEW developed an Enterprise Performance Framework to support regular reporting against the performance measures listed in the corporate plan.

Areas for improvement

The ANAO made one recommendation around the management of enterprise risks. The ANAO identified two opportunities for improvement to ensure corporate plan information technology priority and focus areas are achieved, and ensure decision-making is supported by regular reporting.

3.1 Under the Commonwealth Performance Framework, the corporate plan is intended to be an entity's primary planning document. Strategic priorities identified in the corporate plan should be actively used by the entity to support decision making and manage the business, and senior management should have oversight over the implementation of these strategic priorities.

3.2 In addition to identifying key activities the entity will undertake to achieve its purposes, a corporate plan includes strategies and plans the entity will implement to have the capability it needs, and a summary of the risk oversight and management systems of the entity including key risks the entity will manage.⁴⁸

Has corporate planning effectively informed business planning?

DCCEEW used the 2022–23 Corporate Plan to develop and embed purposes for the new department. The 2022–23 Corporate Plan published in March 2023 was intended to inform DCCEEW's business and divisional planning. The first stage of this divisional planning occurred in October 2023. The corporate plan identified nine areas of capability development to support DCCEEW's delivery of key activities. Five are being implemented. The priority focus areas for information technology (IT) that were identified in both corporate plans have not been reflected in enterprise-wide IT and digital transformation strategies and plans.

48 Subsection 16E(2) of the Public Governance, Performance and Accountability Rule 2014.

Strategies to support the implementation of the corporate plan

3.3 DCCEEW used the development of the purposes and vision in the 2022–23 Corporate Plan to set the strategic direction for the new department and discuss tensions inherent in the department’s climate change, energy and environmental activities.

3.4 When it endorsed the 2022–23 Corporate Plan, the Executive Board agreed to a range of proposed activities to embed the vision and purposes throughout the department. The activities DCCEEW implemented included publishing the corporate plan on the DCCEEW intranet, an internal video message from the Secretary and deputy secretaries, an all Senior Executive Services briefing on 10 March 2023 to launch the corporate plan, and the creation of a visual identity incorporating First Nations themes.⁴⁹ A corporate plan intranet page and a process to help staff undertake divisional planning under the corporate plan were delivered following the release of the 2023–24 Corporate Plan in August 2023.

Divisional planning

3.5 The 2022–23 Corporate Plan was intended to inform DCCEEW’s divisional plans; staff development plans; and monitoring and reporting, insights and analytics. Following the release of the 2022–23 Corporate Plan, the Portfolio Strategy Division advised the Executive Board it would ‘work with divisions to prepare business plans that define the key activities under each program’. The Executive Board agreed to having ‘mature business plans complete at the divisional level prior to the new financial year in 2023–24’.

3.6 The Executive Board agreed to a divisional planning process in July 2023. The process comprised documenting the priorities of each division under key activities, identifying activities that cut across the department, and the main risks to being able to deliver key priorities. This process was ‘to align with the release of the 2023–24 Corporate Plan’.⁵⁰

3.7 The first stage of the process commenced in October 2023 when the Portfolio Strategy Division provided divisional planning information to divisions. The Portfolio Strategy Division prepared information to support divisional planning to ‘create a line of sight from the vision, purposes, outcomes and key activities to the work of the division’.

- Four ‘corporate cascades’ were prepared — one for each of the four outcomes — to guide the divisional consideration of strategic priorities.
 - The cascades provide ‘high-level mapping of legislation, Portfolio Budget Statement budget measures, ministerial priorities, and major departmental programs/projects/initiatives’.
 - The cascades were provided to deputy secretaries and heads of divisions with a request to identify divisional priorities and activities that cut across divisions and were uploaded to DCCEEW’s intranet.
- A divisional business plan template was uploaded to DCCEEW’s intranet. It included a section to identify alignment with the outcomes and key activities supported by the divisional activities.

49 The visual identity of DCCEEW is based on an artwork created by Daniel Apps, Bec Salcole and Jimi. K Thaiday entitled Gur. Ngurra. Wir (Sea. Land. Sky) which was launched by the Secretary in June 2023.

50 DCCEEW’s 2023–24 Corporate Plan was published on 31 August 2023.

3.8 Divisional plans prepared through this process demonstrate that divisions have considered to which key activities and outcomes their work contributes, and their priorities under the key activities. The divisional plans do not provide information on available resourcing or capabilities to deliver these strategic priorities and key activities.

3.9 On 8 January 2024, DCCEEW advised the ANAO that it was collating the divisional risk registers as part of the divisional planning process.

3.10 On 7 May 2024, DCCEEW advised the ANAO that the second stage of the divisional planning process involved targeted workshops with each division to identify out of tolerance risks. DCCEEW plans to 'embed risk monitoring and review into a division level planning cycle to maintain focus on these risks by relevant risk owners'.

Enterprise Performance Framework

3.11 In November 2023, the Executive Board agreed to a 'performance framework and measures uplift' through the development of:

an enterprise performance framework to provide a logical, consistent and transparent process for planning, monitoring and reporting (including key activities and performance measures) across the department.

3.12 The Executive Board was provided with a roadmap for the development of the Enterprise Performance Framework, with final approval and project closure scheduled for late February 2024. Table 3.1 lists the steps provided in the roadmap.

Table 3.1: Enterprise Performance Framework Roadmap

Date	Action
Oct – Nov 2023	<ul style="list-style-type: none"> Division capture of priorities and cross cutting activities against key activities
Early Dec 2023	<ul style="list-style-type: none"> Desktop review on current state, identifying key risks and gaps Executive Board round table and Program and Performance Committee workshops All SES information session
Mid Dec 2023	<ul style="list-style-type: none"> Workshops with deputies, division heads, and key staff
Jan 2024	<ul style="list-style-type: none"> Draft Enterprise Performance Framework, including revised key activities and performance measures
Early Feb 2024	<ul style="list-style-type: none"> Develop and deliver key governance and assurance artifacts Program and Performance Committee, Executive Board, Audit Committee and Performance Reporting Sub-Committee review
Mid Feb 2024	<ul style="list-style-type: none"> Delivery of Enterprise Performance Framework, including revised key activities and performance measures
Late Feb 2024	<ul style="list-style-type: none"> Program and Performance Committee, Executive Board, Audit Committee and Performance Reporting Sub-Committee approval Project closure including review of knowledge gained and approach for continued refinement

Source: ANAO analysis of departmental documentation.

3.13 DCCEEW engaged Nous Group from November 2023 until February 2024 to provide the following two services.⁵¹





- Design new approach; including draft enterprise-level guidance on reviewing, developing and updating key activities and measures, and proposed updates to the key activities and measures.
- Delivery of final, endorsed enterprise performance framework, including finalised enterprise-level guidance and confirmed performance measure updates and final, endorsed measure documentation, including data dossiers, performance assessment tools, and third-party verifications.

3.14 The Enterprise Performance Framework was agreed by the Secretary in May 2024 following review by the Program and Performance Committee, Audit Committee and Performance Reporting Sub-Committee.

Developing capabilities

3.15 Subsection 16E(2) of the Public Governance and Performance Accountability Rule 2014 (PGPA Rule) requires entities to include ‘strategies and plans the entity will implement to have the capability it needs to undertake its key activities and achieve its purposes’. The 2022–23 and 2023–24 corporate plans outline nine strategies and plans to improve DCCEEW’s capabilities and deliver on its outcomes.⁵² By January 2024, five of the strategies and plans had been established and reflect the priorities identified in the 2023–24 Corporate Plan, as presented in Table 3.2.

Table 3.2: Delivering in capability development areas

Detail in the corporate plan ^a	ANAO assessment — Is the plan or strategy being implemented as planned?
APS Reform agenda We have begun work to align with the APS Reform agenda.	
People Strategy We are developing a people strategy that will outline our initiatives to position the department as a model employer.	
Divisional workforce plans/ operational workforce planning We are working on operational workforce planning as a systematic way to prepare for future needs.	
Employee experience and culture program The new Employee Experience Program is in its infancy. It is designed to enhance our culture and support our mission to be a model employer.	

⁵¹ The contract value for this contract was \$399,000.

⁵² The 2022–23 Corporate Plan contains eight of these nine strategies and plans. It does not include the plans regarding improving regulator performance.

Detail in the corporate plan ^a	ANAO assessment — Is the plan or strategy being implemented as planned?
<p>Place/properties</p> <p>We are pursuing properties with high environmental and sustainability ratings. We aim to create a flexible operating environment that will support our people strategy.</p>	◆
<p>Security</p> <p>We implement robust protective security policies, procedures and training around our information holdings, including information and communications technology (ICT).</p>	◆
<p>ICT</p> <p>We will begin to transition away from shared services arrangement ... to establish our own DCCEEW-managed ICT arrangement ... It will improve foundational IT capabilities and better enable the department to respond to emerging policy needs.</p> <p>Priorities and focus areas:</p> <ul style="list-style-type: none"> • Connectivity, mobility and accessibility • Regional and outreach connection • Secure and resilient systems • Business, ICT and global partnership • Integrated portal for digital services • Informatics, analytics and reporting 	▲
<p>Digital services and transformation</p> <p>A new ICT strategy is being developed to align with our broader directions and whole-of-government.</p>	▲
<p>Regulator performance^b</p> <p>We are examining our regulatory performance to help drive the work of our department. As part of this, we will formalise our Statements of Expectations and Statements of Intent which will be published on our website once available.</p> <p>We will continue to refine and mature our regulator performance reporting in line with the 3 principles of regulator best practice.</p>	◆

Key: ◆ Being implemented in accordance with the corporate plan
▲ Elements of the implementation are in accordance with the corporate plan
■ Not being implemented in accordance with the corporate plan.

Note a: The wording in the table is from the 2023–24 Corporate Plan.

Note b: The 2022–23 Corporate Plan does not contain this information on how DCCEEW will address regulator performance.

Source: ANAO analysis of departmental documentation.

3.16 Workforce plans analyse the current workforce, determine future workforce needs, identify the gap between the present and the future, and implement solutions to deliver on organisational

goals.⁵³ In March 2023, the 2022–23 Corporate Plan noted that DCCEEW was ‘working on operational workforce planning’. DCCEEW commenced the Operational Workforce Planning Initiative, ‘aimed at developing targeted operational workforce plans for each division’ in September 2023. Workforce plans were not in place during 2023. On 7 May 2024, DCCEEW advised the ANAO that ‘this work is now complete.’

3.17 The corporate plans describe an Employee Experience Program that is being developed to ‘enhance our culture and support our mission to be a model employer’. This program is to be supported by research and ‘map the employee life cycle ... and build an understanding of individual staff experiences at important touchpoints over the course of their career’.⁵⁴ On 16 November 2023, DCCEEW advised the ANAO that elements of the planned program are being implemented, such as an employee exit survey, action plans following the APS census, and employee pulse surveys.

3.18 DCCEEW is transitioning away from an ICT shared services arrangement with the Department of Agriculture, Fisheries and Forestry ‘to establish our own DCCEEW-managed ICT arrangement’.⁵⁵ On 31 May 2023 the Executive Board considered a business case to guide this transition. This business case did not reflect the six IT priorities and focus areas provided in both corporate plans. On 6 March 2024, DCCEEW advised the ANAO that the procurement and build of ICT capabilities was re-scoped in December 2023 to allow it to occur in parallel with a May 2024 deadline.

3.19 The 2022–23 Corporate Plan provides that the department ‘will continue to review, refresh and increase its ICT capability to reduce dependency on outdated legacy systems ... A new ICT Strategy will be developed, aligning with the broader directions of the department and the whole-of-government context’.⁵⁶ On 4 October 2023 the Executive Board decided the transition from a shared services ICT arrangement would take primacy over transformation in the short-term. On 31 October 2023 DCCEEW proposed an approach to the development of a Business Technology Strategy to ‘provide strategic guidance for any area of DCCEEW that consumes or delivers technology’.

Opportunity for improvement

3.20 DCCEEW align its enterprise-wide IT strategies and business cases with priorities identified in the corporate plan.

53 Australian Public Service Commission, *Workforce planning guide*, Commonwealth of Australia, Canberra, 2023, available from <https://www.apsc.gov.au/initiatives-and-programs/aps-workforce-strategy-2025/workforce-planning-resources> [accessed 13 May 2024].

54 Quotes are from the 2023–24 Corporate Plan, p 22. Similar wording is used in the 2022–23 Corporate Plan.

55 DCCEEW 2023–24 Corporate Plan, p. 23.

56 A similar statement is provided in the 2023–24 Corporate Plan.

Does DCCEEW have arrangements to monitor implementation of the corporate plan?

DCCEEW established five committees with roles related to the enterprise-wide monitoring of programs and performance. Each committee has a forward workplan that includes monitoring of plans and strategies in the corporate plan. In November 2023, DCCEEW commenced the development of an approach to regular reporting against performance measures through the Enterprise Performance Framework.

3.21 From the publication of the 2022–23 Corporate Plan in March 2023 until the end of December 2023, the Executive Board held 21 meetings. In these meetings, the Executive Board considered the strategies and plans listed in Table 3.2. The Executive Board’s 2023 forward workplan included regular updates on corporate plan strategies: quarterly updates on the People Strategy, including information on capability; and monthly updates in financial and property dashboards, including the average staffing level and property risks. The forward workplan included quarterly reporting on cyber security.

3.22 As outlined in paragraphs 2.4 and 2.5, the Executive Board established committees to assist its governance of DCCEEW. Each of these committees was established with terms of reference providing the committee with decision-making authority in its area of responsibility. Committee membership comprises between seven and 14 SES staff. The chair and deputy chair of each committee are to be held by staff at the deputy secretary level, with the exception of the Risk Committee, which is to be chaired by the Secretary.

3.23 The Culture and People Committee, Security Committee, Finance and Investment Committee, and Program and Performance Committee each had their inaugural meeting in November or December 2022, and all met five times during 2023. The Risk Committee was established in December 2023 and held its inaugural meeting in March 2024. According to its terms of reference it will ordinarily meet monthly.

3.24 Each committee has a role in enterprise-wide monitoring. Their monitoring role is provided in Table 3.3.

Table 3.3: Monitoring by Board committees

Committee	Monitoring role as described in the committee’s terms of reference	Number of times the committee has discussed a strategy or plan in the corporate plan ^a
Culture and People Committee	Responsible for monitoring the implementation of key people related strategies, policies and plans.	The People Strategy was discussed twice.
Finance and Investment Committee	Monitoring of divisional and departmental financial performance.	The costs associated with the transition to DCCEEW-managed ICT services was discussed regularly.
Program and Performance Committee	Monitoring the manner of delivery and performance of DCCEEW programs in achieving objectives and desired outcomes.	Regulatory functions were discussed 3 times.

Committee	Monitoring role as described in the committee's terms of reference	Number of times the committee has discussed a strategy or plan in the corporate plan ^a
Security Committee	Monitoring the effectiveness and progress of a security policy framework.	The Agency Security Plan was discussed once.
Risk Committee	Reviewing and oversight of the department's major programs and change activities.	N/A ^b

Note a: This assesses the number of times a strategy or plan has been discussed since the release of the 2022–23 Corporate Plan in March 2023 until the end of December 2023.

Note b: The Risk Committee's inaugural meeting was March 2024.

Source: ANAO analysis of departmental documentation.

3.25 All committees had forward workplans for 2023 and have developed forward workplans for 2024.⁵⁷

Regular reporting against performance measures

3.26 In May 2023, DCCEEW informed the Audit Committee's Performance Reporting Sub-Committee that quarterly reporting would 'commence next financial year against the 2023–24 Corporate Plan', incorporating 'updated outcomes, key activities and performance measures'.

3.27 As discussed in paragraphs 3.11 to 3.14, DCCEEW commenced the development of an Enterprise Performance Framework in October 2023, and finalised the framework in May 2024. The framework provides four pillars, including: a 'performance measurement culture' where 'we use data driven performance information in our daily behaviours to create insights that can inform decision-making'; and 'performance measure practices' including monitoring, reporting, and reviewing performance information. The framework notes the intention of the department to conduct 'formal monitoring of measures quarterly'.

3.28 DCCEEW has not established systems or processes to support regular monitoring or reporting against the performance measures in the 2023–24 Corporate Plan, outside the preparation of the annual performance statements (see paragraphs 4.10 to 4.18). On 1 March 2024, DCCEEW advised the ANAO that:

A quarterly performance reporting process has been proposed, integrated into Division level business planning. We are looking to implement this approach following the release of the 2024-25 Corporate Plan in August 2024.

3.29 Non-financial performance information should be an integral part of strategic and operational planning, budgeting, reporting and reviewing processes. Regular monitoring and evaluation of performance information should provide a basis for informed and evidence-based decision-making and accountability. By way of comparison, it is unlikely that there would be confidence in an entity that did not use its financial information for management and business improvement purposes.⁵⁸

⁵⁷ The Risk Committee did not have a 2023 workplan as it was established in December 2023.

⁵⁸ Auditor-General Report No. 16 2023–24, *Audits of the Annual Performance Statements of Australian Government Entities — 2022–23*, para. 1.6 and 1.16.

Opportunity for improvement

3.30 DCCEEW implement regular monitoring and reporting of its performance measures to support evidence-based decision-making and effective management and stewardship of public resources.

Is DCCEEW managing the risks to achieving the outcomes in its corporate plan?

The 2022–23 and 2023–24 corporate plans identify eight enterprise risks and provide a narrative of how each risk will be managed. In February 2023, DCCEEW assigned governance committees with responsibility for the management of specific enterprise risks. The enterprise risks have not been assessed against departmental risk tolerances and the effectiveness of controls in managing the risks have not been assessed, in accordance with the ERMF. Committees discussed and considered control actions for four of the eight enterprise risks. The nature of committee reporting to the Executive Board limits the ability of the Board to have effective oversight of enterprise risk management.

Oversight of enterprise risks

3.31 The Executive Board is responsible for setting DCCEEW’s risk appetite and treating strategic risks. The Board’s forward workplan lists ‘setting and annual review of enterprise risks’ in March each year. The 2022–23 and 2023–24 corporate plans identify eight enterprise risks and provide a narrative of how each risk will be managed.

3.32 On 25 January 2023, the Executive Board considered enterprise risks and a risk appetite statement proposed to be included in the 2022–23 Corporate Plan. The proposed risks were identified as ‘the overarching risks that may impact delivery of our purpose and were identified by divisions as part of recent updates to Divisional Risk Registers’. The enterprise risks were approved by the Executive Board on 25 January 2023 and subsequently included in the 2022–23 Corporate Plan.

3.33 At the time of approving the enterprise risks, the Executive Board was not presented with an assessment of enterprise risks including whether risks were within tolerances.

3.34 DCCEEW released its Enterprise Risk Management Framework (ERMF) in March 2023. The ERMF was updated in September 2023 with minor edits. The ERMF seeks to embed a positive risk culture in the department and outlines the approach for ‘embedding risk management into our culture, work practices and decision making’. It is underpinned by the principles of a positive risk culture; embedding a risk strategy; appropriate risk governance; and processes and procedures to deliver risk management practices. The ERMF aligns with all nine elements of the Commonwealth Risk Management Policy.⁵⁹

59 Department of Finance, *Commonwealth Risk Management Policy*, Commonwealth of Australia, Canberra, 2022 available from <https://www.finance.gov.au/government/comcover/risk-services/management/commonwealth-risk-management-policy> [accessed 13 May 2024].

3.35 The Executive Board did not review or discuss enterprise risks during the development of the 2023–24 Corporate Plan and the enterprise risks did not change from the 2022–23 Corporate Plan.⁶⁰

Board committee review and oversight of enterprise risks

3.36 The Executive Board agreed in February 2023 that the ‘Chair of each governance committee will be assigned accountability for the management of the relevant enterprise risks on behalf of the Secretary’. The 2022–23 and 2023–24 corporate plans specify which Executive Board committee is responsible for overseeing the enterprise risks. Each committee includes its role with regard to enterprise risks in its terms of reference. Table 3.4 identifies the committee responsible for each enterprise risk and describes how each committee exercised its oversight of enterprise risks during 2023.

Table 3.4: Enterprise risk oversight by Executive Board committees

Executive Board committee	Enterprise risk/s the committee is responsible for	ANAO analysis of committee oversight
Program and Performance Committee (PPC)	1. We are unable to deliver or implement effective regulatory practice, or influential, integrated and innovative policy.	During 2023 the PPC considered the regulatory functions of DCCEEW in June, October and December, and effective delivery of policies and programs in June and October.
	2. We do not develop effective relationships with stakeholders.	The PPC has not considered stakeholder relations or the impact of DCCEEW’s operations on the environment, during 2023.
	5. We do not prevent or limit negative impacts on the natural environment in the delivery of our operations.	
	7. We are unable to ensure the integrity and availability of data and deliver secure, integrated and reliable information systems. ^a	The PPC considered data governance, and the development of a data governance strategy in August, October and December 2023.
Finance and Investment Committee (FIC)	6. We do not appropriately manage our financial processes, assets, projects, budgets and investments.	Discussed in March 2023. Draft risk profile discussed April 2023.
	8. We do not have effective, efficient and fit for purpose systems and processes to meet operational needs.	Recognised oversight of this risk in April 2023 during discussion of draft risk profile.
Culture and People Committee (CPC)	3. We are unable to attract, develop and retain the people and integrity capabilities required.	In February 2023 the CPC noted its responsibility for the enterprise risk 3. The CPC discussed updated

⁶⁰ The Executive Board approved the enterprise risks in August 2023 with its approval of the 2023–24 Corporate Plan.

Executive Board committee	Enterprise risk/s the committee is responsible for	ANAO analysis of committee oversight
	4. We do not protect the health, safety and wellbeing of our people and other persons under our care. ^b	Terms of Reference in July, including the addition of enterprise risk 4.
Security Committee	7. We are unable to ensure the integrity and availability of data and deliver secure, integrated and reliable information systems. ^a	Discussed in March and May 2023.

Note a: The responsibility for enterprise risk seven is shared between the PPC and Security Committee. This risk is not listed in the PPC's terms of reference. This risk was not included in the version of the risk profile snapshot provided to the Audit Committee in June (see paragraph 3.40). It was included in the September snapshot and mis-assigned to the FIC.

Note b: The CPC was given responsibility for enterprise risk four in July 2023, following the merging of the Work Health and Safety Committee into the CPC in April 2023.

Source: ANAO analysis of departmental documentation.

3.37 In February 2023, DCCEEW proposed to develop a risk profile for each enterprise risk. The profiles would 'complement existing reporting to governance committees to support the oversight and management of the risks'.

3.38 In April 2023, draft risk profiles were provided to the Finance and Investment Committee for the two enterprise risks for which it has responsibility. The draft risk profiles were based on 'divisional and program risk data where available' and included sources/drivers; consequences; controls; treatments; and observations for each enterprise risk. The draft risk profiles did not include an assessment of the risks.

3.39 The Enterprise Risk Team's role is to 'prepare and present an Enterprise Risk Profile at each meeting [of the Finance and Investment Committee] for the consideration of the Committee. This includes providing oversight of other Enterprise Risk Profiles' for the other Board committees. At January 2024, risk profiles had not been finalised for the enterprise risks.

3.40 A 'Risk Profile Snapshot' was provided to the Audit Committee in June 2023, and an updated snapshot in September 2023. The June snapshot included seven of the eight enterprise risks. All eight risks were included in the September snapshot. For each enterprise risk, the snapshots included between three and six: sources of risk; consequences; and risk management strategies.

3.41 In total, 15 management strategies were listed in the risk snapshots, 10 of which were included in the 2023–24 Corporate Plan. These management strategies comprised: enterprise-wide programs (such as quality and assurance programs); specific strategies (such as the People Strategy); and activities that occur within individual programs (such as engagement with states and territories).

3.42 The Executive Board established a Risk Committee in December 2023, with the inaugural meeting in March 2024. The Risk Committee is to 'provide review and oversight of key risks relating to the department's major programs and change activities'. Two of the roles of the Risk Committee are:

- reviewing and oversight of the department's major programs to ensure that risks are clearly identified, have appropriate management approaches including mitigations and

appropriate governance arrangements for escalation for risks, consistent with the Enterprise Risk Management Framework (ERMF);

- providing an entity wide perspective of risk including consideration at an enterprise level on the risk profile and the risks of the department. This includes reporting to the Board in relation to oversight of the major programs and change activities and decisions that inform the management of our enterprise risks.’

3.43 The Risk Committee’s draft workplan requires ‘setting and annual review of enterprise risk’ in July each year.

Enterprise risk management

3.44 The ERMF requires risk management to be integrated into ‘planning and decision-making, including those made by senior leaders’. The Enterprise Risk Management Approach is described as contributing to the achievement of the purposes and outcomes in the corporate plan. Enterprise risks are defined as ‘risks that impact the delivery of our outcomes’ and are one of five types of risk alongside: divisional risks, operational risks, strategic risks and specialist risks.



3.45 DCCEEW’s risk management, as documented in the ERMF, includes that:

- where a risk is assessed as being outside of the department’s tolerance, risk treatment programs should be implemented;
- a senior responsible officer is ultimately responsible for the management of each risk;
- the first line of defence includes risk owners, senior responsible officers, and all staff. Governance boards and committees are considered the second line of defence, providing support, monitoring and guidance; and
- additional risk treatments should be applied where risk is assessed as being outside appetite and tolerance statements.

3.46 According to the ERMF, ‘practices and procedures applied to identify, assess and manage risk across the department must [original emphasis] be consistent and aligned with best practice’.

3.47 The ERMF defines risk management practices through four elements. An assessment of DCCEEW’s implementation of its ERMF with regard to enterprise risks, using the relevant elements, is provided in Table 3.5.

Table 3.5: Management of enterprise risks in accordance with DCCEEW’s ERMF

Risk management practice elements in the ERMF ^a		ANAO Assessment	
Element 2 Establishing the scope, context and criteria	Risk identification — find, recognise, and describe risks that might help or prevent us achieving our objectives.		<ul style="list-style-type: none"> • 8 enterprise risks have been identified.
	Risk analysis — detailed consideration of uncertainties, risk sources, consequences, likelihood, controls, and their effectiveness.		<ul style="list-style-type: none"> • Consideration of sources, consequences and controls in risk profiles. No consideration of likelihood, or the effectiveness of controls.

Risk management practice elements in the ERMF ^a		ANAO Assessment	
	Risk evaluation — comparing the results of the risk analysis with the department's risk appetite and tolerance statements to determine if the risk is being managed within the department's appetite and tolerance for risk.	■	<ul style="list-style-type: none"> DCCEEW has not compared risk analysis with the department's risk appetite and tolerance statements. The FIC was advised its role as enterprise risk owner includes considering risks against the risk appetites and tolerances.^b
	Risk treatment is the process of developing and implementing strategies to modify the current risk rating to an acceptable level.	◆	<ul style="list-style-type: none"> Controls have been identified for all risks in the risk profile snapshot.
Element 3 Monitor & review	We must measure, monitor and review the performance of our systems of risk oversight, management and internal control.	◆	<ul style="list-style-type: none"> The Executive Board, supported by the Risk Committee, is to review enterprise risks at least annually. This is in the Board's forward workplan. FIC, CPC and PPC's workplans include reviewing their enterprise risks. This is not in the SC workplan.^b
Element 4 Record and report	Risk reporting should focus on providing key information to support adequate risk oversight, and risk informed decision-making.	▲	<ul style="list-style-type: none"> The FIC was informed governance committees should 'report/escalate risks, issues and recommendations to the Executive Board as required'. Terms of reference of committees require regular reporting to the committee on risks, provide the committees to provide assurance to the Executive Board, and report to the Board after each meeting. Reporting to the Executive Board by the committees does not easily allow the Board to be assured of risk oversight.

Key: ◆ The element of the ERMF is being applied to enterprise risk management
▲ The element of the ERMF is partly being applied to enterprise risk management
■ The element of the ERMF is not being applied to enterprise risk management.

Note a: Element 1 of DCCEEW's ERMF is 'Communication and consultation' and provides that 'Staff at all levels must communicate and regularly consult on risks within their work'. The ANAO did not assess the management of enterprise risks against this element.

Note b: FIC is the Finance and Investment Committee; PPC is the Program and Performance Committee; SC is the Security Committee; and CPC is the Culture and People Committee.

Source: ANAO analysis of departmental documentation.

3.48 As outlined in Table 3.5, enterprise risks have not been assessed against DCCEEW's risk appetite or tolerances as defined in the ERMF, there has been no consideration of the effectiveness of controls in managing the risk, and the manner through which committees report to the Executive Board does not provide the Board with assurance that enterprise risks are being managed effectively.

Recommendation no. 1

3.49 The Department of Climate Change, Energy, the Environment and Water manage enterprise risks in accordance with the department's Enterprise Risk Management Framework, including assessing enterprise risks against departmental risk appetite and tolerances, and assessing the effectiveness of controls.

Department of Climate Change, Energy, the Environment and Water: *Agreed.*

4. Assurance

Areas examined

This chapter examines whether the Department of Climate Change, Energy, the Environment and Water (DCCEEW) has an effective assurance framework to support reporting against the corporate plan outcomes.

Conclusion

DCCEEW has a largely effective assurance framework to support reporting. Processes to support reporting include the development and certification of measure profiles for each performance measure, and certification of the accuracy of performance information by measure owners and deputy secretaries. The detail within the measure profiles regarding the responsibility for collating performance information differs. DCCEEW developed an Enterprise Performance Framework intended to provide annual risk-based reviews of performance measures.

Area for improvement

The ANAO identified one opportunity for improvement around the completeness of measure profiles to support accurate performance reporting.

4.1 The accountable authority must measure and assess the entity's performance in achieving the entity's purposes in accordance with the method set out in the corporate plan, and present the results in annual performance statements.⁶¹ The annual performance statements must be included in the annual report, which is tabled in the Parliament.⁶² It is important that the accountable authority has confidence that the entity has adequate systems, processes and assurance arrangements in place to support the preparation of accurate annual performance statements.

Has DCCEEW developed systems and processes to support quality performance reporting?

DCCEEW drafted an implementation plan for the development of the 2022–23 Annual Report, including a governance structure for the clearance of information in the report and a risk assessment. DCCEEW developed measure profiles to document the data and reporting arrangements for the performance measures. The measure profiles also document roles and responsibilities, data limitations and data validation. There is a risk the measure profiles do not provide the accountable authority with a consistent level of assurance that the performance information will be complete and accurate.

Governance over performance reporting

4.2 The Executive Board Charter defines one of the purposes of the Executive Board as 'ensuring departmental performance and achievement of purposes'. The Executive Board Charter delegates responsibility to the Program and Performance Committee (PPC) for ensuring 'that key departmental programs and policies are achieving their desired outcomes'. The Executive Board's

61 Subsection 16F(1) Public Governance and Performance Accountability Rule 2014 (PGPA Rule).

62 Section 39 of the *Public Governance and Performance Accountability Act 2013* (PGPA Act).

workplan indicates that annual report planning and finalisation of timelines is to be discussed annually in February.

4.3 The PPC's terms of reference designate it with the responsibility for 'leading the department's approach to enterprise-wide program reporting against the Corporate Plan'. The PPC's workplan includes considering the approach to annual performance statements in June and reviewing the draft annual report prior to Executive Board clearance in August.

Performance measure profiles

4.4 DCCEEW developed measure profiles to support each performance measure (see paragraphs 2.13 to 2.16 and paragraph 2.25). The measure profiles were based on a template that required information on data sources, a brief description of how the data will be analysed and validated, and limitations on the data. The measure profile template also included how often reporting occurs, and whether it is possible to track progress against the measure more frequently than annually.

4.5 Different approaches are evident in the level of detail in the measure profiles and there is a risk the measure profiles are incomplete or do not provide a consistent level of assurance.

- All measure profiles provide information on how the data could be validated — 18 of the 21 profiles (86 per cent) describe a validation process that will, or already does, occur. Three of the measure profiles (14 per cent) describe possible validation processes that could be applied if required.
- Eleven of the measure profiles (52 per cent) list the DCCEEW branch responsible for the collation and analysis of the data. Four of the measure profiles (19 per cent) provide this responsibility at the division level and six (29 per cent) at the section level.
- Procedures for data collection and analysis are dealt with differently across the measure profiles. Nine of the 21 2023–24 measure profiles (43 per cent) refer to additional procedures that are not contained within the measure profile. There is no reference to more detailed procedures in the remaining 12 measure profiles (57 per cent).

4.6 Three of the measure profiles document using data owned by external entities and the 21 performance measures are supported by 12 different systems or databases within DCCEEW.

4.7 In January 2024, the ANAO met with seven measure owners (responsible for 13 of the 21 performance measures). Measure owners discussed actions underway to improve measures, and actions to provide confidence in the data supporting performance information, particularly when that data is provided by third parties. Six of the seven measure owners discussed actions and limitations that were not reflected in the measure profiles, including actions to improve the suite of measures to provide a more complete set of performance measures.

Opportunity for improvement

4.8 Measure profiles could better support assurance if they are more explicit when external sources are relied on for data, a consistent approach is applied to the level of detail provided and they provide a description of actions being undertaken to provide further confidence in the data.

4.9 Each measure profile is to be certified by the division head, and the date of certification is provided on the profile. All measure profiles document the division responsible for the measure

and the individual who was the division head at the time the profile was certified. The profiles also document the 'Accountable Deputy Secretary'.

Process for preparing the 2022–23 Annual Report

4.10 As discussed in paragraphs 4.2 and 4.3 the PPC is responsible for leading DCCEEW's reporting against the Corporate Plan. On 1 August 2023, the PPC considered the draft 2022–23 Annual Report including the annual performance statements, and noted them in accordance with its annual workplan.

4.11 The Executive Board's workplan indicates that annual report planning would be discussed annually in February (see paragraph 4.2). Annual report planning was not discussed by the Executive Board in February 2023. The Executive Board considered the approach to the development of the 2023–24 Annual Report in April 2024.

4.12 The Executive Board endorsed the final draft 2022–23 Annual Report on 5 September 2023.⁶³ The Secretary approved the 2022–23 Annual Report on 20 September 2023 in accordance with the initial timetable provided to the PPC in May. The Annual Report was tabled in the Parliament on 20 October 2023.⁶⁴

Annual report implementation plan

4.13 On 31 May 2023, the Performance Reporting Sub-Committee of the Audit Committee noted the draft '2022–23 Annual Report and Annual Performance Statements Implementation Plan' (draft Implementation Plan) that defined the project plan for the preparation of the annual report in accordance with the PGPA Act. The draft Implementation Plan was not approved.

4.14 The draft Implementation Plan listed principles to guide the production of the annual report, including:

- reporting practices will be contemporary as defined by the Department of Finance guidelines and Commonwealth best practice examples;
- internal processes will be streamlined whilst ensuring relevant review and clearances are met, including early engagement with the executives;
- information about DCCEEW's performance will be clear and meaningful and incorporate lessons learnt from the 2022 ANAO performance statement audit⁶⁵; and
- an audit of legislative reporting requirements will be conducted.

4.15 The draft Implementation Plan contained a governance structure, record keeping instructions, and detailed descriptions of roles and responsibilities for all stakeholders involved in the production of the 2022–23 Annual Report. It noted that each division, via the Executive Officer

63 At an out of session meeting on 9 October 2023, the Executive Board endorsed a revised outcome for WA03: Increase in the volume of water recovered for environmental purposes in the Murray-Darling Basin to meet Basin Plan Targets.

64 For accountable authority approval and tabling dates see Auditor-General Report No. 9 2023–24, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2023*, ANAO, Canberra, 2023, Appendix 1, available from <https://www.anao.gov.au/work/financial-statement-audit/audits-the-financial-statements-australian-government-entities-the-period-ended-30-june-2023> [accessed 13 May 2024].

65 The former Department of Agriculture, Water and the Environment was one of the entities reviewed in Auditor-General Report No. 13 2022–23, *The ANAO report on the Audits of the Annual Performance Statements of Australian Government Entities — 2021–22*.

Network, was responsible for preparing content for clearance by division heads and deputy secretaries. The Assistant Secretary and the Performance and Audit Director of the Ministerial Liaison and Governance Branch were responsible for leading the annual reporting process for DCCEEW. The Performance Team in the same branch was to provide centralised project management and coordination.

4.16 The draft Implementation Plan noted that planning documents, templates, content input from divisions, performance results, procurement documentation, final versions of report content, and assurance certifications would all be stored in allocated files in one of DCCEEW's record management systems.

4.17 To facilitate communication with divisions, the draft Implementation Plan noted that the Performance Team would set up a site within Microsoft Teams. Emails to the measure owners and deputy secretaries requesting certification of performance information notes that templates for the certification were available on the Teams site.

4.18 The process provided by the draft Implementation Plan specifies that 'annual performance result templates and guidance' would be distributed to relevant divisions to be populated. The template included information on the result, the factors that contributed to the result, caveats, and methodology and data sources.

Consideration of risk

4.19 The draft Implementation Plan for the 2022–23 Annual Report included a risk assessment for preparing the annual report. The risk assessment outlined seven risks, all of which were rated as 'high'. Six risks were accepted with no further action required, while the seventh risk, that the annual report is not tabled in the required timeframe due to unforeseen circumstances, required an additional treatment.⁶⁶ The identified treatment for the seventh risk was that 'The Department will escalate as quickly as possible through Executives and Minister's offices'. The reason one of the risks was not accepted and required additional treatment when all seven risks were rated as high was not documented. DCCEEW advised the ANAO on 6 March 2024 that high risks require controls when the level of risk is above the tolerance level.

Does DCCEEW have quality assurance arrangements to ensure reporting is complete and accurate?

Division heads and deputy secretaries are required to provide assurance over reporting information against the performance measures. DCCEEW developed templates to guide certification of performance information for the 2022–23 Performance Statements and all certifications were provided. DCCEEW has recognised the need to continue to improve the performance measures through an Enterprise Performance Framework supported by the internal audit program.

66 The six risks that were accepted with no further action were: Change in resourcing and/or staff; The Finance Division does not provide financial information by the deadline; Accuracy of content; Change in deadline date (change in project deadlines might affect ability to clear and proof the report); Divisions not meeting deadlines; and Digital annual reporting tool not ready by specified date.

Management certifications

4.20 DCCEEW established a two-stage management certification process under the draft Implementation Plan as part of assurance processes for the 2022–23 Performance Statements in the 2022–23 Annual Report. In addition to certifying measure profiles for inclusion in the corporate plan (see paragraphs 2.15 and 2.26), each division head who is a measure owner was to ‘certify the accuracy of their performance results using an assurance certification’. Deputy secretaries ‘will also provide assurance certification on performance results once all measures owner certifications have been collated.’

4.21 The draft Implementation Plan included templates for this certification by measure owners and deputy secretaries. The templates required the measure owners and deputy secretaries to certify they were satisfied that:

- the data and information accurately describe the performance of my division(s) in achieving the department’s purposes for the reporting period ending 30 June 2023;
- the division(s) has (have) undertaken appropriate processes to validate the data used to prepare the performance results, including data sources that are reliable and verifiable;
- the data and information are supported by relevant records and adequate record-keeping practices;
- any caveats and disclosures accurately describe the limitations of the data or information in representing the department’s performance; and
- there are no additional matters that need to be considered or raised to enable the Accountable Authority to certify the accuracy of the 2022-23 annual performance statements.

4.22 DCCEEW advised the ANAO on 1 March 2024 that the templates that were used for certifications were updated following ‘feedback and refinements from the Audit Committee/Performance and Reporting Sub-Committee’.

4.23 Division heads responsible for certifying performance information gained the confidence to provide certification through a mixture of discussions with their staff; peer-reviewed scientific methodologies; and well-defined external national and international reporting frameworks.

4.24 Certifications were provided by all measure owners and deputy secretaries for all measures included in the 2022–23 Performance Statements.

Audit Committee role

4.25 Under section 17 of the PGPA Rule, the functions of an entity’s audit committee include reviewing the appropriateness of the accountable authority’s performance reporting. DCCEEW’s Audit Committee’s Charter states that the Audit Committee is responsible for reviewing the appropriateness of the department’s systems and procedures for reporting on performance and assuring itself the department’s approach to measuring performance is appropriate. The Audit Committee meets at least four times a year.

4.26 The Audit Committee's Performance Reporting Sub-Committee considered performance information at its April and May 2023 meetings and considered the appropriateness of the draft annual performance statements in August 2023.⁶⁷

4.27 The sub-committee commented on 'the need for further analysis around cross cutting themes (regulation, policy, management level activities); importance of robust and repeatable methodologies; querying individual measures such as liquid fuels and leveraging co-investment on low emissions technologies; the need to review and update self-assessment against 16EA of the PGPA Rule; assurance of data provided by third parties.'

4.28 On 12 September 2023, the Audit Committee was asked to note the final 2022–23 Performance Statements. The Audit Committee Chair advised the Secretary that the audit committee advised that:

- no significant issues have been brought to our attention that would prevent the signing of the Department of Climate Change, Energy, the Environment and Water's 2022–23 performance statements
- the performance statements are, at this time, acceptable, noting there is a risk that the formal requirements of the PGPA Act may not be satisfied in the presentation of the 2022–23 Performance Statements
- reporting as a whole is appropriate at this time and for the department's stage of maturity, and the reporting of performance information within the statements in [*sic*] considered fit for purpose.

4.29 The Audit Committee noted the department's continued commitment to improve its performance information, through improving the measures in the 2023–24 Corporate Plan, and the development of an Enterprise Performance Framework by early 2024.

Continuous improvement

4.30 As part of the process of assessing the appropriateness of performance measures (paragraphs 2.39 to 2.49) some measure profiles that DCCEEW assessed as not meeting all the requirements of the PGPA Rule identified actions for improvement.

- In 2022–23, DCCEEW determined four measures did not meet all the requirements of the PGPA Rule. DCCEEW identified actions to improve two of those four measures. Those two measures were both removed in the 2023–24 Corporate Plan.
- In 2023–24, DCCEEW determined six measures did not meet all the requirements of the PGPA Rule. Two measures had plans for improvement.

4.31 The Enterprise Performance Framework (see paragraphs 3.11 to 3.14) is intended to 'embed performance measurement into [DCCEEW's] culture, governance and decision-making processes'. The framework is to support the review of key activities and performance measures, identifying 'the best way to meaningfully measure performance'.

4.32 In December 2023, divisions were asked to document key risks to the successful completion of key activities. During January 2024, divisions participated in workshops to discuss improvements

67 The Audit Committee's Performance Reporting Sub-Committee meets 'prior to key milestones or decision points in the performance reporting cycle' and met in April, May and August in 2023.

that could be made to performance measures. At March 2024, DCCEEW had not completed risk assessments based on the risks documented in December 2023.

4.33 In March 2024 the Executive Board endorsed revised performance measures for the 2024–25 PBS and Corporate Plan. The Enterprise Performance Framework was finalised in May 2024.

4.34 The Executive Board recognises DCCEEW is on a ‘maturity path’ in measuring performance against its purposes, supported by ‘a formal program of work ... to review the key activities and ensure performance measures were reflective of the department’. This approach to continual improvement is reflected by measure owners (division heads) and deputy secretaries, who understand the limitations of their measures and are considering how their suite of measures could be improved.

Internal audit program

4.35 The 2022–23 internal audit program was approved by the Executive Board on 9 September 2022, and provided to the Audit Committee for noting at its first meeting on 9 December 2022. The Executive Board noted that ‘corporate audits would be kept to a minimum in light of the stage of implementation of the (Machinery of Government) changes, but corporate will be prioritised in the 2023–24 program’. There were no audits on the 2022–23 internal audit program relating to corporate planning.

4.36 On 13 June 2023, the Audit Committee endorsed the 2023–24 internal audit program, which was approved by the Secretary on 28 June 2023. Key activities and enterprise risks were taken into consideration in the development of the 2023–24 internal audit program, and the potential audits are aligned to enterprise risks. Internal audits are proposed relating to enterprise risks one, two, five, six and seven (see Table 3.4 for a list of the enterprise risks). No internal audits are scheduled that relate to risk three: unable to attract, develop and retain the people and internal capabilities required; and risk four: do not protect the health, safety and wellbeing of people.

4.37 The program includes a potential topic on ‘Performance Measures’ in Quarter 3, with the objective: ‘to test the integrity of the draft results of performance measures for the 2023–24 Annual Performance Statements’. On 7 May 2024 DCCEEW advised the ANAO that this audit has been completed and a final report will be provided to the Audit Committee.



Rona Mellor PSM
Acting Auditor-General

Canberra ACT
28 May 2024

Appendices

Appendix 1 Entity response



Australian Government
**Department of Climate Change, Energy,
the Environment and Water**

David Fredericks PSM
Secretary

Our Ref: EC24-001188

Ms Rona Mellor PSM
Acting Auditor-General
Australian National Audit Office
Office of the Auditor-General
officeoftheauditorgeneralperformanceaudit@anao.gov.au

Dear Ms Mellor *Rona*

Thank you for your correspondence of 9 April 2024 seeking comment on the audit report for the audit of the *Corporate Planning in Department of Climate Change, Energy, the Environment and Water*.

Pursuant to section 19 of the *Auditor-General Act 1997*, the Department of Climate Change, Energy, the Environment and Water (the department) has prepared a response to the report (Appendix A).

The department is grateful for the way the Australian National Audit Office conducted the audit. We were pleased with the high level of engagement from auditors and appreciate their dedication to understanding the context in which corporate planning is delivered.

The department is committed to the establishment of compliant, sound, and best practice governance arrangements to support delivery of its large and complex agenda. The department agrees with the audit's one recommendation. The recommendation will improve current processes and provide important direction in maturing our approach to corporate planning, monitoring and review.

Please find **enclosed** with this letter the Department's Summary Response: Response to the Proposed Recommendation (Appendix A), and information request response with editorial matters for your consideration at (Appendix B).

Kind regards,


David Fredericks

May 2024

DCCEEW.gov.au

John Gorton Building - King Edward Terrace, Parkes ACT 2600 Australia
GPO Box 3090 Canberra ACT 2601 ABN: 63 573 932 849

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 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 identified matters during the course of an audit. Remedial actions entities may take during the audit include:

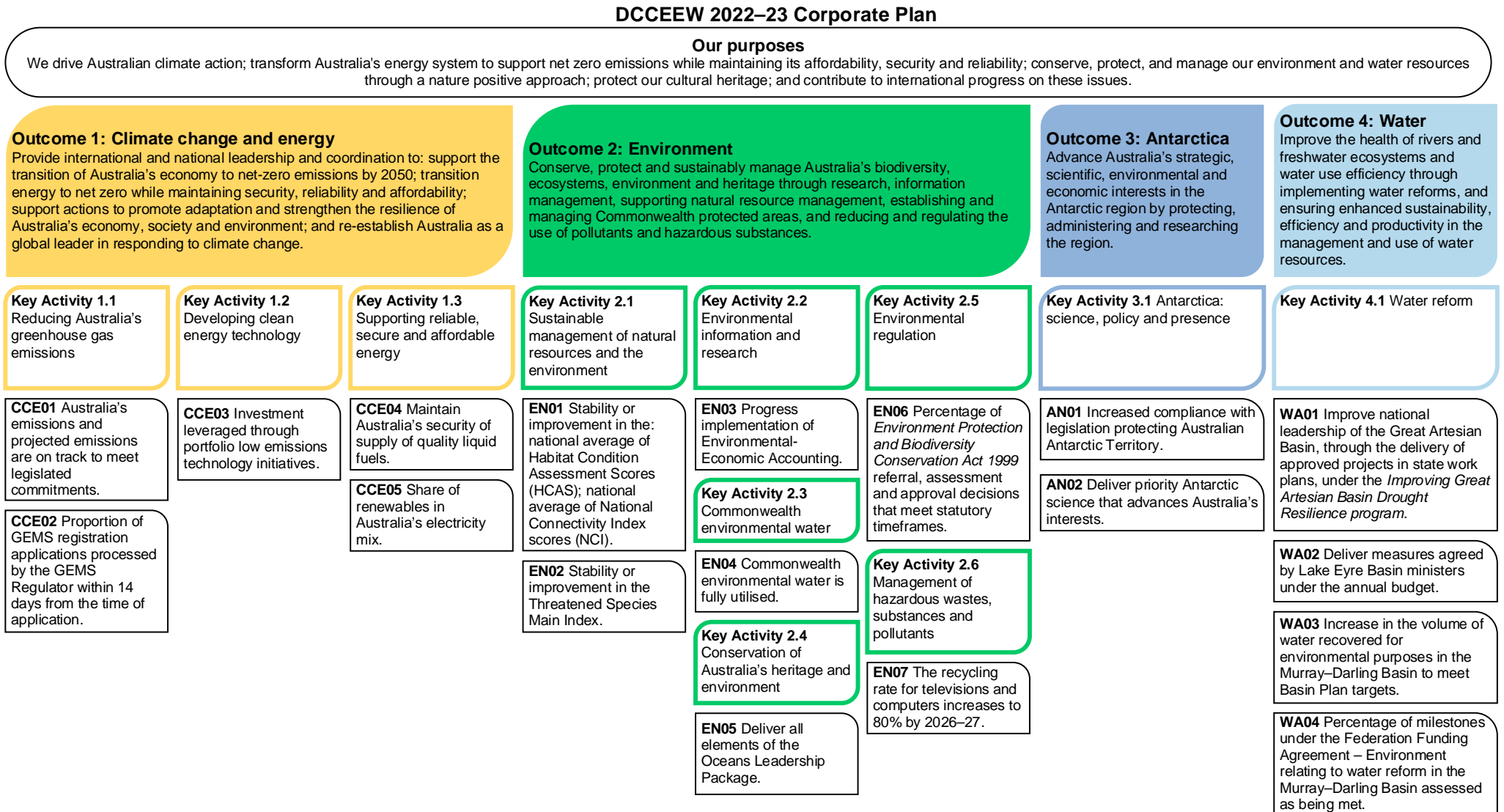
- strengthening governance arrangements;
- introducing or revising policies, strategies, guidelines or administrative processes; and
- initiating reviews or investigations.

4. In this context, the below actions were observed by the ANAO during the course of the audit. 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.

- The Enterprise Performance Framework is intended to provide a process for operationalising the corporate plan and reviewing performance measures. The framework was under development by consultants during the course of the audit and was finalised in May 2024.
- In April 2024 DCCEEW prepared status reporting against each of the 2023–24 performance measures to inform the development of the 2024–25 Portfolio Budget Statements.
- The Executive Board established the Risk Committee during the course of the audit.

Appendix 3 DCCEEW's purposes, outcomes, key activities and performance measures

Figure A.1: DCCEEW 2022–23 Corporate Plan — purposes, outcomes, key activities and performance measures



Source: Departmental documents.

Figure A.2: DCCEEW 2023–24 Corporate Plan — purposes, outcomes, key activities and performance measures

DCCEEW 2023–24 Corporate Plan

Our purposes

We drive Australian climate action; transform Australia's energy system to support net zero emissions while maintaining its affordability, security and reliability; conserve, protect, and sustainably manage our environment and water resources through a nature positive approach; protect our cultural heritage; and contribute to international progress on these issues.

Outcome 1: Climate change and energy

Support the transition of Australia's economy to net zero emissions by 2050; transition energy to support net zero while maintaining security, reliability and affordability; support actions to promote adaptation and strengthen resilience of Australia's economy, society and environment; and take a leadership role internationally in responding to climate change.

Key Activity 1.1
Reduce Australia's greenhouse gas emissions

Key Activity 1.2
Support reliable, secure and affordable energy

Key Activity 1.3 Drive climate adaptation and resilience

CCE01 Australia's emissions and projected emissions are on track to meet legislated commitments.

CCE02 Share of renewables in Australia's electricity mix.

CCE03 Proportion of GEMS registration applications processed by the GEMS Regulator within 14 days from the time of application.

CCE04 Investment leveraged through portfolio low emissions technology initiatives.

CCE05 Maintain Australia's security of supply of quality liquid fuels.

CCE06 Australia has a plan to adapt to nationally significant climate risks.

Outcome 2: Environment

Conserve, protect and sustainably manage our natural resources including through a nature positive approach; protect and conserve our natural and cultural heritage; reduce and regulate the use of pollutants and hazardous substances; and take a leadership role on these issues internationally.

Key Activity 2.1
Conserve, protect and sustainably manage Australia's natural environment through a nature positive approach

Key Activity 2.2
Protect Australia's cultural, historic and First Nations heritage

Key Activity 2.3
Accelerate the transition to a circular economy, while safely managing pollutants and hazardous substances

No performance measures for 2.2

EN01 Stability or improvement in the: national average of Habitat Condition Assessment Scores (HCAS); national average of National Connectivity Index scores (NCI).

EN02 Stability or improvement in the Threatened Species Main Index.

EN03 Environmental-Economic Accounting and Environmental Indicators.

EN04 Percentage of *Environment Protection and Biodiversity Conservation Act 1999* referral, assessment and approval decisions that meet statutory timeframes.

EN05 Number of *Environment Protection and Biodiversity Conservation Act 1999* approved projects that were subject to active compliance monitoring.

EN06 Percentage of Australia's land that is protected or conserved.

EN07 National standards to manage environmental impacts of industrial chemicals.

EN08 National resource recovery rate.

Outcome 3: Antarctica

Advance Australia's environmental, scientific, strategic and economic interests in the Antarctic region by protecting, researching and administering in the region, including through international engagement.

Key Activity 3.1 Contribute to Australia's national Antarctic interests through science, environmental management and international engagement, including delivering Australia's scientific research and operations in Antarctica and the Southern Ocean

AN01 Deliver priority Antarctic science that advances Australia's interests.

AN02 Improve our understanding of Antarctica and the Southern Ocean through mapping and charting.

AN03 Conduct an annual deep-field activity to support Australia's national Antarctic interests.

Outcome 4: Water

Improve the health of rivers and wetlands and enhance the sustainable, efficient and productive use of Australia's water resources.

Key Activity 4.1 Protect, restore and sustainably manage Australia's water resources

WA01 Improve national leadership of the Great Artesian Basin, through the delivery of approved projects in state work plans, under the *Improving Great Artesian Basin Drought Resilience program*.

WA02 Increase in the volume of water recovered for environmental purposes in the Murray–Darling Basin to meet Basin Plan targets.

WA03 Compliance with the Water Efficiency Labelling and Standards (WELS) scheme is improved.

WA04 Commonwealth environmental water is managed effectively to protect and restore environmental assets.

Source: Departmental documents.