



Australian Government

Commonwealth Grants Commission

2020 Review

2020 Review Quality Assurance
Strategic Plan

September 2020

Contents

Introduction	1
Objectives	1
What does the Commission want to achieve?	1
Who has responsibility?	2
Strategies	2
Objective 1: Conceptual validity, reliability and accuracy of relativities	2
Objective 2: Transparent and appropriate reporting of methods, decisions and results	4
Objective 3: Monitor and report on effectiveness of QA processes	5
Implementation of QA strategies	6
QA Action Plan	6
Attachment A— Quality assurance action plan 2020 review	7

Introduction

- 1 On 28 November 2016, the Treasurer gave the Commission terms of reference (ToR) for a 2020 Methodology Review (the review).¹ Clause 7d asks the Commission to ensure robust quality assurance (QA) processes are in place when preparing its assessments.
- 2 The Commission has developed this QA strategic plan for the 2020 Review. It is based on the 2015 Review QA strategic plan, which has been improved through consultation with the States. It documents the processes the Commission will put in place to quality assure its work and to demonstrate that these processes have been implemented. The strategic plan will be translated into actions through annual operational work plans of the Commission.
- 3 This plan is a living document that will be updated to reflect developments in the Commission's work programs, IT systems and business processes.

Objectives

What does the Commission want to achieve?

- 1 The aim of the QA strategic plan is to ensure there are strategies in place that will result in reliable and accurate assessments of State fiscal capacities and to strengthen confidence in the processes undertaken in their development.
- 2 There are three objectives:
 - assure stakeholders of the conceptual validity, reliability and accuracy of the relativities that will be used to distribute the GST to the States
 - ensure the reporting of methods, decisions and results are transparent and in appropriate detail for their purposes
 - monitor and report on the effectiveness of QA processes implemented.
- 3 Performance measures for QA processes are:
 - Commission decisions are evidence based and transparent
 - Commission decisions on assessments are correctly implemented
 - data used are fit for purpose and of good quality
 - calculations are error-free
 - the work of the Commission and resulting relativities are reported in a transparent and verifiable manner.

¹ The complete terms of reference for the 2020 Review can be found on the [Commission's website](https://cgc.gov.au/), (<https://cgc.gov.au/>).

Who has responsibility?

- 4 The following parties have a role to play in assuring the quality and acceptance of the work of the Commission:
- 5 the Australian Treasury, by specifying clearly what is required of the Commission in the terms of reference
- 6 State treasuries, by providing good quality data, supporting evidence and arguments
- 7 Commissioners, by making sound decisions based on good quality data and evidence
- 8 Commission staff, by producing work that is rigorous, accurate, reliable and within the QA parameters specified by the Commission.

Strategies

- 9 The Commission has two main work cycles:
 - a cycle in which calculation methods and data/evidence are reviewed, usually every five years
 - an annual cycle in which the calculations are updated using the latest data (a method change might be allowed subject to terms of reference and consultation with Australian and State treasuries).

These cycles are concurrent.

- 10 The Commission's work involves:
 - research, consultation and decision making on methods
 - calculations that implement those methods, using the latest available data
 - production of reports that explain the results, methods and decision-making processes.
- 11 The Commission will implement the following strategies in its work program for the 2020 Review (some will also apply to updates following the review) to achieve the objectives of this plan. Some strategies had already been implemented before the publication of this plan.

Objective 1: Conceptual validity, reliability and accuracy of relativities

- 12 The Commission applies the following strategies in developing its assessments to ensure they meet the requirements of the ToR, are conceptually sound, are based on the best evidence available, use the best quality data and are implemented accurately in its calculations.
 - **Develop and implement a comprehensive work program.** The Commission will develop and circulate a work program to the Commonwealth and States after receipt of the ToR. States will have the opportunity to comment on the program. The Commission will circulate the agreed program and work to implement it.
 - **Develop equalisation principles consistent with the terms of reference.** The Commission will develop principles of equalisation based on the ToR. Those principles will guide the Commission when considering options for developing assessment methods.

- **Develop assessment guidelines.** The Commission will develop assessment guidelines to assist the development of reliable and material assessments. Commission staff will use these guidelines to develop appropriate assessment methods, the States will use them to advance their arguments and the Commission will use them in its decision making.
- **Improve quality of data.** Commission and State treasury staff will work together to improve the quality of data to be used in the 2020 Review and subsequent updates, including working with third party data providers. This will ensure the assessments use suitable and good quality data.
- **Internal review of assessments.** The Commission will use its internal expertise and subject specialists to review methods and calculations to ensure a consistent approach is taken and errors minimised. This includes ensuring the assessment guidelines (especially the consistency of methods, use of discounts in assessments and evaluation of data quality) have been followed, Commission decisions recorded in minutes have been implemented correctly, and the level of documentation provides an adequate explanation of decisions.
- **Engage external consultants to validate assessments.** The Commission will engage external consultants to validate proposed methods (including econometric work) for complex assessments and to provide additional research in problematic or major assessments. States will be given the opportunity to express views on the need for consultancies, and to provide names of consultants.
- **Provide the States with opportunities to provide input to Commission work.** The Commission will consult with States on all aspects of the work program and development of assessments through submissions, conferences and meetings. To prevent State views being mis-interpreted, staff from both the Commission and the States should proactively discuss and clarify State comments provided in submissions.
- Commission staff will ensure the issues States raise are brought to the Commission's attention, considered and documented, through the preparation of relevant agenda papers.
- To enable the States to provide more focused information to the Commission, Commission staff will provide guidance to the States on what material the Commission seeks in State submissions and meetings. Commission staff will provide information sessions to State treasuries on assessments, if required.
- **Design a reliable and efficient calculation system.** Commission staff will use an appropriate calculation system (the assessment system) to calculate the relativities.
- The design of the system will aim to minimise human error. Commission staff will build the calculations using a clear, consistent format, with methods and data sources clearly documented and with automated error checks. Commission staff will continuously review and improve the system. Any major changes to the system will be subject to an audit.
- **Provide training to Commission staff.** Commission staff will receive appropriate training in their assessment work and follow a detailed work program showing tasks, responsibilities and deadlines.

- **Audit calculations.** The Commission will implement internal and external audits of calculations to identify and correct errors, if any, in the calculation of relativities. Reviews and updates will be subject to different levels of audits.
 - In an update, audits will check the implementation of Commission decisions on new issues, accuracy of calculations, data to their sources and outcomes are plausible.
 - In a review, audits will also check the implementation of Commission decisions on all assessments.

Internal audits. Processes include:

- staff present and explain the results of their assessments to the Executive
- self and cross-Section checks of all calculations, focussing on the accuracy of calculations and verification of data to their sources
- in a review, also check methods and implementation of Commission decisions on all assessments.

External audits. The Commission will engage external auditors:

- in a review, to audit all calculations
- in each update, to audit assessment calculations where methods have changed, or calculations have been rebuilt.
- **Audit of staff compliance with QA processes.** The Commission will engage external auditors to audit staff compliance with QA processes approximately every five years or following major changes to business processes.

Objective 2: Transparent and appropriate reporting of methods, decisions and results

13 The Commission will apply the following strategies to ensure the transparent and appropriate reporting of methods, decisions and results.

- **Inform the States on assessment developments and decisions.** The Commission will inform the States on the progress of assessment developments and ask for their comments. This is done through the following mechanisms:
 - provide written papers on assessment issues to the States and ask for comments
 - hold bilateral and multi-lateral meetings between Commissioners and senior officials in State treasuries to discuss principles and other high-level issues
 - hold meetings between Commission and State staff to discuss problematic or difficult assessments and progress of developing assessments
 - provide a draft report to the States on the Commission's preliminary decisions on assessments²

² This only applies to review reports and only as directed by the terms of reference. The terms of reference in updates do not provide such direction.

- provide advice to the States on major method changes in assessments between the draft report and the final report.³
- **Provide adequate documentation in Commission papers, reports, assessment system and website.** The Commission will provide clear explanations of the development and justification of assessment methods in its papers, reports, the assessment system and website material. To do this, it will:
 - explain the chosen method, including adequate coverage and responses to State comments, in its papers
 - provide in its papers an evaluation of the consistency of the application of assessment guidelines, especially on the consistency of application of discounts, to its assessments
 - provide clear explanations of the calculation process in the assessment system.
- **Implement appropriate information management practices.** Commission staff will implement appropriate information management practices to ensure all data and supporting materials are properly recorded and stored, and readily retrievable. The minutes of Commission meetings will record Commission decisions and the reasons for them.

Commission staff will include a confidentiality statement in the data requests and papers to identify the confidential information in these materials to prevent the publication of confidential data.

- **Publish Commission papers and State submissions on the Commission's website.** The Commission will publish its discussion and information papers and State submissions on the Commission's website.

The Commission will provide information on its website for other audiences, to promote better understanding of how equalisation is operationalised and the work of the Commission.
- **Provide Commission calculations to State treasuries.** The Commission will provide all its calculations including the raw data (except confidential data) to the States after the review/update has finished.

Objective 3: Monitor and report on effectiveness of QA processes

- 14 The Commission has designated staff to perform quality assurance work. These staff develop QA strategic and action plans, provide guidance on QA processes, and monitor and evaluate compliance with the quality assurance processes. Specific activities include:
- maintaining the QA strategic plan to reflect developments in the Commission's work program, IT systems and business practices
 - preparing a QA action plan for staff to follow in each of the review and subsequent updates (QA action plan for the 2020 Review is in Attachment A)

³ This only applies to review reports and only as directed by the terms of reference.

- providing guidance to staff in preparing data requests, building calculations and writing papers on assessment issues
- monitoring and evaluating whether staff comply with the requirements listed in the QA action plan
- reporting on QA performance measures in the Commission's update and review reports.

Implementation of QA strategies

QA Action Plan

- 15 Commission staff have prepared a QA action plan (Attachment A) to implement the strategies identified in this strategic plan for the 2020 Review. Commission staff will implement the QA action plan through annual operational work plans in this review and in subsequent updates.

Attachment A– Quality assurance action plan 2020 review

Strategy	Responsibility	Target date
Commission received 2020 Review terms of reference in November 2016. ToRs require a draft report in 2019 and final report by 28 February 2020.		
OBJECTIVE 1: Conceptual validity, reliability and accuracy of Commission relativities		
Provide clear terms of reference, including advice on how to interpret specific clauses.	Australian Treasury	Early in the review and when any supplementary terms of reference are received
Develop the 2020 Review work program.	Commission and States	Early in the review
Seek input from the States on development of equalisation principles.	Staff	Early in the review
Provide rigorous evidence-based advice to Commission on equalisation principles.	States	Early in the review
Develop equalisation principles consistent with the terms of reference.	Commission	Early in the review
Develop assessment guidelines based on 2015 Review version.	Commission	Early in the review
Establish an Officer Working Party (OWP) with States to examine specific assessment and data issues.	Staff	Early in the review
Seek input from the States on development of assessments through submissions, conferences and meetings (provide guidance to the States on what material the Commission seeks).	Staff	Majority before draft report
Provide rigorous evidence-based advice to Commission on assessments.	States	Majority before draft report
Develop a system to ensure the Commission considers all issues raised by States.	Staff	Majority before draft report
Proactively discuss and clarify State comments provided in submissions.	Commission and State staff	Majority before draft report
Provide quality data to the Commission.	States	Ongoing
Develop system to evaluate data quality, including whether they are fit for purpose.	Staff	Before draft report
Develop assessment methods consistent with terms of reference and assessment guidelines, and States' comments considered.	Commission and staff	Before draft report

Strategy	Responsibility	Target date
Use internal expertise to review assessments — evaluate methods and calculations against assessment guidelines and Commission decisions.	Staff	Before draft report
Engage external consultants to validate proposed methods for complex assessments and to provide additional research in problematic or major assessments. Consult with States on the need to engage consultants, and to request the names of possible consultants.	Staff and external consultants	Before draft report
Engage external consultants to ensure assessment guidelines, especially the application of discount, have been followed consistently in decision making.	Staff and external consultants	Before draft report
Build calculations in the assessment system using a consistent format, methods clearly documented and with automated error checks.	Staff	Before draft report
Double code all assessment calculations to ensure they are built correctly	Staff	Majority before draft report
Continuously review and improve the assessment system (and audit any major changes to the system).	Staff	On-going
Provide training and clear guidance to Commission staff on their assessment work and QA requirements, through clearly defined work programs, tasks and responsibilities guidelines and templates on preparing data requests, writing papers and reports training on assessments, internal calculation system and quality checks on assessments.	Staff	On-going
Conduct annual internal audits, through explaining results of assessments to the Executive checking own and colleagues' calculations.	Staff	Annual
Engage external consultants to audit calculations (audit all calculations in a review and proportion of all calculations in an update focusing on assessments where methods have changed, or calculations have been rebuilt).	Staff and external consultants	Annual
Engage external consultants to audit staff compliance with QA processes.	Staff and external consultants	Once in every 5 years

Strategy	Responsibility	Target date
OBJECTIVE 2: Transparent and appropriate reporting of methods, decisions and results		
Inform the States on progress of assessment developments and ask for their input, through Commission and staff papers, meetings and draft report.	Commission and staff	As needed through review period
Advise the States of major method changes between draft and final reports that result in material differences to assessments.	Commission and staff	Between draft and final reports
Provide clear explanation and verification of assessment methods and results in Commission report and supporting information.	Staff	Draft and final reports
Provide Commission calculations to State treasuries through a secured internet connection.	Staff	Final report
Offer on-going training to Treasury officers in assessment methods and calculations, if required.	Staff	On-going
Implement appropriate information management practices to track all data and supporting material held by the Commission.	Staff	On-going
Review and improve all guidelines and processes, including the style manual, based on Commission and staff feedbacks, and auditor recommendations.	Staff	On-going
Provide user-friendly material on the Commission website, including simple explanations of equalisation and State fiscal positions.	Staff	On-going
OBJECTIVE 3: Monitor and report on effectiveness of QA processes		
Monitor whether staff comply with the requirements listed in the QA action plan and review/update work programs.	QA staff	On-going
Report on QA performance measures in the Commission's update and review reports.	QA staff	Annual