

## **Chapter 2**

### **Individual 2012–13 Annual Reports**

1.1 On this occasion, the committee has decided to examine in more detail the annual reports of the following reports tabled by 31 October 2013 and some after that date, but before the tabling of this Report on Annual Report:

1.2 For the Industry portfolio:

- Australian Institute of Marine Science (AIMS);
- Australian Nuclear Science and Technology Organisation (ANSTO);
- Australian Skills Quality Authority (ASQA);
- Commonwealth Scientific and Industrial Research Organisation (CSIRO); and
- National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA).

1.3 For the Treasury portfolio:

- Australian Bureau of Statistics (ABS);
- Australian Competition and Consumer Commission (ACCC);
- Australian Office of Financial Management (AOFM);
- Australian Taxation Office (ATO); and
- Productivity Commission.

#### **Reports under the Industry portfolio**

##### ***Australian Institute of Marine Science—annual report 2012–13***

###### *Operational matters*

1.4 The Chair and CEO were pleased to report that with a modest increase in its base funding in the 2013 Australian government budget, the Australian Institute of Marine Science (AIMS) was able to renew its capability in its key work across northern Australia as well as in neighbouring states. The recent injection of infrastructure funding from the Commonwealth government has helped to expand AIM's research facilities in Townsville, Darwin and Perth.

1.5 As reported in the previous 2011–12 reporting period, in 2012–13 AIMS researchers continued to publish a record number of papers and reports—in 2012 it published a record 203 journal articles, an increase on the 177 journal articles.

###### *Reporting requirements*

1.6 The committee considers that Australian Institute of Marine Science (AIMS) has met its reporting requirements under the CAC Act and its annual report is 'apparently satisfactory'.

1.7 The annual report of AIMS is very accessible, with the information contained in the report relevant and concise. The use of headings, pictures, tables and graphs enhancing the presentation of the report.

1.8 As previously noted, the report identifies the principles and reasons for engaging consultants, but does not show expenditure on consultancy services.<sup>1</sup>

***Australian Nuclear Science and Technology Organisation—annual report 2012–13***  
*Operational matters*

1.9 For 2012–13, Australian Nuclear Science and Technology Organisation's (ANSTO) Chairman and CEO, Dr Paul Greenfield and Dr Adrian Paterson, reported a remarkable year for the organisation across several areas, including:

- on 1 January 2013, ANSTO took over the operation of the Melbourne-based Australian Synchrotron—this forms part of several landmark infrastructure modernisation and increased capabilities that will provide platforms for delivering cutting-edge instruments for local and international scientists, researchers and businesses to achieve ground breaking outcomes and benefits to the Australian and international community;
- key science investments in the Bragg Institute and new facilities for the Centre for Accelerator Science have made great progress and is near ready for operation;
- the ANSTO Nuclear Medicine project announced by the Commonwealth government in September 2012 will contribute significantly to the provision of nuclear medicine around the world; and
- Australia's status as the world's first large-scale manufacturer of Molybdenum-99 sourced from low enriched uranium fuel and targets—this is important for international nuclear non-proliferation and security goals.<sup>2</sup>

1.10 ANSTO also celebrated its 10<sup>th</sup> anniversary during the reporting period.

*Reporting requirements*

1.11 The committee considers that ANSTO has met its reporting requirements under the Acts and its annual report is 'apparently satisfactory'.

1.12 ANSTO's report is well presented, easy to reference with useful headings and a good mix of tables, graphs and pictures that are relevant and which enhances the information contained in the report. Its inclusion of a list of acronyms is helpful for non-experts. However, as already previously noted, the annual report could be further enhanced with the inclusion of ANSTO's appearance at Senate estimates or the regular

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1 Australian Institute of Marine Science, *Annual Report 2012–13*, p. 105.

2 Australian Nuclear Science and Technology Organisation, *Annual Report 2012–13*, pp 7–10. Refer also to page 37 of the *Annual Report 2012-13* on capital investment.

examination of its annual report by this committee in the section on reviews by outside bodies<sup>3</sup>. This information would be a useful addition to the report for the purpose of external scrutiny and accountability.

### ***Australian Skills Quality Authority—annual report 2012–13***

#### *Operational matters*

1.13 This is the second annual report for Australian Skills Quality Authority (ASQA), which was established on 1 July 2011 as a national regulator of vocational education and training (VET). It also regulates providers delivering VET and English language education to international students in Australia. During the reporting period ASQA continued to evolve in its role as the national regulator for Australia's vocational education and training (VET) sector and the regulator of providers of English language courses for overseas students. A major highlight of the year has been the launch of ASQA's Strategic Reviews, which forms a more strategic approach to regulation that targets 'hot spots' in the training sector.

1.14 ASQA reported an operating loss for 2012–13 of \$1.1 million (three per cent of departmental revenue). The operating loss was due primarily to the effect of unfunded depreciation and amortisation expenses (\$2.3 million).

1.15 During the reporting period, ASQA received 8,611 applications, which was almost an 80 per cent increase on the number of applications submitted in the organisation's first year of operations. ASQA completed 8,084 applications, or some 93.9 per cent of the applications received, of which 7,507 (92.9 per cent) of applications were approved. The authority rejected 256 applications (3.2 per cent) because they were assessed as non-compliant with the standards while 321 applications (4.0 per cent) were withdrawn by the applicants. Approximately 80 per cent of all applications received by ASQA were completed within two months.

1.16 A key focus for ASQA's corporate area for 2012–13 was the development of a revised schedule of fees and charges. Following comment and feedback on its *Cost Recovery Impact Statement (CRIS)—Exposure Draft*, a final CRIS was developed incorporating feedback and the revised schedule of fees and charges will be implemented in the 2013–14 financial year.<sup>4</sup>

1.17 ASQA obtained approval from the Finance Minister to carry an operational loss in the current and forward years primarily due to unfunded depreciation and amortisation expenses. The approved operating loss for 2012–13 was \$4.3 million.<sup>5</sup>

#### *Reporting requirements*

1.18 The committee commends ASQA on the high quality of its annual report: the font and spacing of the text; the presentation of information using a mix of relevant graphs and tables, the annual report's attractive presentation and the general

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3 Australian Nuclear Science and Technology Organisation, *Annual Report 2012–13*, p. 90.

4 Australian Skills Quality Authority, *Annual Report 2012–13*, pp 1-2.

5 Australian Skills Quality Authority, *Annual Report 2012–13*, p. 75.

accessibility of information. The annual report could be further improved with the inclusion of ASQA's appearance at Senate estimates or the regular examination of its annual report by this committee in the section on reviews by outside bodies. The committee considers that ASQA has met its reporting requirements under the Acts and its annual report is 'apparently satisfactory'.

***Commonwealth Scientific and Industrial Research Organisation [includes Science and Industry Endowment Fund]—annual report 2012–13***

*Operational matters*

1.19 The Commonwealth Scientific and Industrial Research Organisation (CSIRO) reported record partnerships with over 2,000 industry partners, some of which include the Rural Development Corporations and Cooperative Research Centres, the Bureau of Meteorology and the Gates Foundation.

1.20 For the 2012–13 reporting period, the CSIRO delivered on its budget with \$734 million appropriation from the Commonwealth government. This is an increase of \$9 million on the previous year. The organisation reported \$507 million in external revenue including \$38 million in licence revenue and a record \$425 million revenue from external partners. It also recorded 254 licences for its innovations.

1.21 In 2012–13, the CSIRO reported a strong performance in its delivery of capital projects: the iVEC Pawsey Centre Supercomputer was completed with a groundwater cooling system; and the new Marine Research Vessel the *Investigator* reported over 95 per cent complete. The Square Kilometre Array (SKA) Pathfinder project installed 36 dishes with 6 phased array feed receivers and, in a world first, the team was able to image radio sources beyond the galaxy. The CSIRO was also able to secure funding for 30 of the antennae to be fitted with the phased array feed receivers that will complete the scope of the SKA project.<sup>6</sup>

1.22 In 2012, the CSIRO Chairman's medal, which honours the most exceptional research in CSIRO, was awarded to the Ngara Backhaul Project Team for developing the world's fastest ten gigabit per second microwave link. This innovation has the potential to bridge the city-country divide and significantly improve broadband services in rural and regional Australia.<sup>7</sup>

1.23 The annual report also provided an update on the two-staged CSIRO-initiated independent review into bullying, harassment and unreasonable behaviour. Although the report on Stage 1 of the investigation found there was no widespread issue of bullying, the report flagged areas for concern and provided recommendations, which the CSIRO is following up.

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6 Commonwealth Scientific and Industrial Research Organisation, *Annual Report 2012–13*, p. xi.

7 Commonwealth Scientific and Industrial Research Organisation, *Annual Report 2012–13*, p. 106.

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*Reporting requirements*

1.24 The committee is pleased to note that the 2012–13 annual report's compliance index has separate headings relating to different reporting requirements under the CAC Act, Part 2 of the Commonwealth Authorities (Annual Reporting) Orders 2011 and *Science and Industry Research Act 1949*. It included a reference to the organisation's ethics policy, which is a requirement under the Finance Minister's Reporting Orders.<sup>8</sup>

1.25 The CSIRO 2012–13 annual report is comprehensive, user friendly with clear headings, an accessible and structured format, with information separated into distinct parts for easy location and reference.

1.26 The annual report does not mention CSIRO's appearance at Senate estimates or the regular examination of its annual reports by this committee in the section on reviews by outside bodies. This information would be a useful addition to the report for the purpose of external scrutiny and accountability.

1.27 The committee considers that CSIRO has met its reporting requirements under the Acts and its annual report is 'apparently satisfactory'.

***National Offshore Petroleum Safety and Environmental Management Authority—annual report 2012–13****Operational matters*

1.28 The National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) is an independent Commonwealth statutory agency. It is an independent national regulator of health and safety, well integrity and environmental management of offshore petroleum industry activities in Commonwealth waters and designated coastal waters where state and Northern Territory have conferred their regulatory functions.

1.29 The agency went through a period of consolidation of the transition from the National Offshore Petroleum Safety Authority (NOPSA) to NOPSEMA. Under the transitional arrangements provided in legislation, the authority reviewed environmental plans, including oil spill contingency plans, approved by previous state and Northern Territory regulators. In doing this, NOPSEMA identified the need for improvements in the plans so that they meet regulatory requirements and issued formal requests for revision to those affected.

1.30 NOPSEMA conducted 44 topic-based inspections from a total of 163 inspections carried out across a range of facility types and operators. During the reporting period, the authority refined its environmental compliance inspection systems and processes. In relation to its environmental management responsibilities, NOPSEMA reported 199 environmental management incidents during the reporting period and 43 enforcement activities it carried out, including 10 written warnings and

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8 Commonwealth Scientific and Industrial Research Organisation, *Annual Report 2012–13*, p. 210.

33 requests to revise an environmental plan.<sup>9</sup> The authority received 404 notifications relating to reportable occupational health and safety (OHS) matters and conducted 14 new investigations. The most significant investigation was into the accident that claimed the lives of two workers on the *Stena Clyde* MODU facility. It also continued its investigation into the accident involving subsea high pressure water jetting equipment which resulted in serious injuries to a diver in 2011.<sup>10</sup>

#### *Reporting requirements*

1.31 The committee considers that NOPSEMA has met its reporting requirements under the Acts and NOPSEMA's annual report is 'apparently satisfactory'.

1.32 However, in NOPSEMA's report on environmental management, it is not clear how it has increased the number of inspections it has conducted to 16 when its annual target is 18.<sup>11</sup>

1.33 NOPSEMA's report also comprises the annual report of the NOPSEMA Advisory Board.

### **Reports under the Treasury portfolio**

#### *Australian Bureau of Statistics—annual report 2012–13*

##### *Operational matters*

1.34 The Australian Bureau of Statistics (ABS) reported its successful release of the second and third stages of the 2011 Census of Population and Housing data. It also published the first release of data from the 2011–13 Australian Health Survey—the largest and most complex health survey ever conducted in Australia. The ABS attributed the success of these milestones to the high level of trust and cooperation it enjoys from Australian governments, businesses, non-government organisations and households.<sup>12</sup>

1.35 The ABS identified some issues of concern which it is seeking to address including: the wide range of ageing and fragile business processes and supporting infrastructure used by the ABS; its difficult capital position, which Mr Brian Pink, the ABS Statistician, described as "barely adequate to 'keep the lights on'"; and the need to reduce the cost of responding to the ABS's collections in the context of increasing demand for statistics.<sup>13</sup> The ABS report noted that this situation was exacerbated by additional government-wide efficiency dividends over the past year, which resulted in the cancellation of the Work, Life and Family Survey (WoLFS) and the decision to

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9 National Offshore Petroleum Safety and Environmental Management Authority, *Annual Report 2012–13*, p. 32.

10 National Offshore Petroleum Safety and Environmental Management Authority, *Annual Report 2012–13*, p. 31.

11 National Offshore Petroleum Safety and Environmental Management Authority, *Annual Report 2012–13*, p. 31.

12 Australian Bureau of Statistics, *Annual Report 2012–13*, p. 2.

13 Australian Bureau of Statistics, *Annual Report 2012–13*, p. 2.

change the Tourist Accommodation Survey from a quarterly to an annual collection. These external constraints have placed pressures on the ABS' workload and its ability to deliver key official statistics on time and to the quality expected by its users, thus 'compromising its long-term sustainability.'<sup>14</sup>

### *Reporting requirements*

1.36 The committee considers that the ABS has met its reporting requirements under the Acts and its annual report is 'apparently satisfactory'.

1.37 As previously commented, the committee notes that the section on external scrutiny in the annual report contains no reference to the agency's appearance at Senate estimates or this committee's reviews of the agency's annual reports.<sup>15</sup> This information could be included in future annual reports for the purpose of external scrutiny and accountability. Nonetheless, despite this oversight, the report is readily accessible, and user-friendly with the inclusion of tables and graphs, a glossary, a page index and a compliance index for easy reference and location.

### ***Australian Competition and Consumer Commission and the Australian Energy Regulator—annual report 2012–13***

#### *Operational matters*

1.38 For the 2012–13 reporting period, the Australian Competition and Consumer Commission (ACCC) had five high level objectives:

- maximise its use of changes in the Australian Consumer Law (ACL), including increased collaboration with state fair trading agencies;
- act against widespread consumer detriment, particular those who are vulnerable;
- maintain and enhance competition in concentrated markets;
- invigorate the debate on the effective regulation of monopolies; and
- increase the ACCC's engagement internationally, particularly in Australia's region.<sup>16</sup>

1.39 Among some of the outcomes delivered by the ACCC reported in relation to the above objectives included:

- two court enforceable undertakings from Retail Food Group Limited, owner of Brumby's Bakeries Pty Ltd, and Equipserve Solutions Pty Ltd, for false or misleading representations made about the impact of the carbon price;
- the awareness campaign *Knock! Knock! Knock! Who's there?* to address unscrupulous door-to-door sales;

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14 Australian Bureau of Statistics, *Annual Report 2012–13*, p. 2.

15 Australian Bureau of Statistics, *Annual Report 2012–13*, pp 37 and 112.

16 Australian Competition and Consumer Commission, *Annual Report 2012–13*, p. 3.

- EDirect Pty Ltd was ordered by the Federal Court to pay \$2.5 million for selling mobile phone contracts in regional and remote communities that did not have phone coverage; and
- 13 airlines have paid a total of \$98.5 million in penalties to date for cartel conduct.<sup>17</sup>

1.40 The ACCC received an unqualified audit report from the ANAO for the 2012–13 financial reporting period.

1.41 As the ACCC is a knowledge-based organisation most of its expenditure is employee costs. The ACCC reported an operating loss of \$25.98 million, mainly attributed to higher staffing and legal costs associated with the investigation and enforcement of significant matters that the commission was pursuing. Other costs included settlement costs, and unfunded depreciation and amortisation costs of \$5.1 million. In addition, income received from government decreased by \$1.0 million during the reporting period.<sup>18</sup>

1.42 The Australian Energy Regulator (AER) is part of the ACCC and regulates the national energy market.

#### *Reporting requirements*

1.43 The committee considers that the ACCC and AER have met their reporting requirements under the Acts and compliments them on a well-structured report. The inclusion of case studies to highlight the range of work activities and its relevance to the community is very useful.<sup>19</sup>

1.44 As noted previously, the committee suggests that the ACCC add a reference to its annual report being scrutinised by this committee, to be incorporated in the section on external scrutiny.<sup>20</sup>

#### ***Australian Office of Financial Management—annual report 2012–13***

##### *Operational matters*

1.45 The Australian Office of Financial Management (AOFM) is responsible for the management of Australian government debt, cash balances and investment in financial assets. This financial year a strong interest in Commonwealth Government Securities (CGS) continued. Yields rose over the latter half of the year, with the increase most pronounced during May, when announcements by the US Federal Reserve signalled an intention to adjust its accommodative monetary policy stance.<sup>21</sup>

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17 Australian Competition and Consumer Commission, *Annual Report 2012–13*, pp 4–5.

18 Australian Competition and Consumer Commission, *Annual Report 2012–13*, pp 10–11.

19 See for example the case study on product safety ban on high powered magnets, Australian Competition and Consumer Commission, *Annual Report 2012–13*, p. 95.

20 Australian Competition and Consumer Commission, *Annual Report 2012–13*, p. 209.

21 Australian Office of Financial Management, *Annual Report 2012–13*, p. xiii.



1.46 The AOFM notes the strength of the Australian dollar compared to the Japanese yen in early 2013 resulted in some profit taking divestment of CGS by Japanese investors and making new investment by Japanese investors more expensive. This activity slowed by the end of the year.<sup>22</sup>

1.47 According to AOFM's assessment, Australia is well placed to benefit from an expected underlying medium to longer term-growth trend in Asia since outlook for trade links between Australia and the high-growth region of Asia continues to be positive for CGS investors. This is despite its exposure to volatility in the performance of its largest trading partners in the short-term.<sup>23</sup>

#### *Reporting requirements*

1.48 The committee considers that the AOFM has met its reporting requirements under the Acts and its annual report is 'apparently satisfactory'.

1.49 Several issues identified by the committee in its previous *Report on Annual Reports (No. 1 of 2013)* remained unresolved, including:

- the report not containing a statement on whether the AOFM has historically met each of its KPIs; and
- the report containing no reference to the agency's appearance at Senate estimates or this committee's reviews of AOFM's annual reports.

#### *Australian Taxation Office—annual report 2012–13*

##### *Operational matters*

1.50 During the reporting period, the Australian Taxation Office (ATO) began with an operating budget for 2012-13 of \$3.45 billion. During the year, the ATO's funding changed as a result of government decisions, which included an additional \$34.1 million from the measures announced as part of mid-year economic and fiscal outlook (MYEFO) and \$5.6 million to commence implementing reforms in superannuation associated with the transfer of lost member accounts to the ATO. There was a reduction of \$14.8 million related to the government's targeted public sector efficiency savings. From this, the ATO reported an operating surplus of \$10.0 million, which represented 0.3 per cent of the budget. The surplus comprised \$9.2 million from the ATO and \$0.8 million from the Australian Valuation Office (AVO).<sup>24</sup>

1.51 For 2012–13, the ATO received a decrease of 30.5 per cent in the number of formal complaints compared to the preceding period in 2011–12. It reported resolving complaints in a more timely manner. The main types of complaints comprised: timeliness of processing ABN applications, TFN applications and income tax returns; failed escalation of issues; and people disagreeing with the ATO's decisions.<sup>25</sup>

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22 Australian Office of Financial Management, *Annual Report 2012–13*, p. xiii.

23 Australian Office of Financial Management, *Annual Report 2012–13*, p. xiv.

24 Australian Taxation Office, *Annual Report 2012–13*, p. 88.

25 Australian Taxation Office, *Annual Report 2012–13*, p. 76.

1.52 In his review, the Commissioner of Taxation, Mr Chris Jordan AO, announced that the ATO would soon release its vision mission values statement that would take the ATO through to 2020, 'to refresh and modernise the organisation, its operations and services'. He stated:

Armed with information and feedback from the community and the independent Australian Public Service Commission (APSC) capability review, we are re-inventing the ATO with a new attitude, new products and services, a drive for productivity improvements and an openness and willingness to change.<sup>26</sup>

1.53 During the reporting period, the Australian National Audit Office undertook an assessment of the ATO's complaints and other feedback management systems in supporting service delivery in its report *Management of Complaints and Other Feedback (No. 19 of 2013–14)*. The following is an extract of the report's overall conclusion:

The ATO's complaints handling framework is well-designed and its management arrangements are generally sound. [...] [O]pportunities remain to more fully address the principles of fairness, accessibility, responsiveness, integration and efficiency outlined in the Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling*. There are also opportunities to improve complaints handling practices, including better understanding of issues which were the subject of complaints and the needs of complainants. In addition, there is scope for the ATO to:

- improve reporting against complaints handling timeliness measures, and to develop other performance measures;
- implement a more coherent agency-wide quality assurance framework for complaints and other feedback; and
- limit sensitive information about named officer complaints from being included in records on the ATO's client relationship management computer system, and implement measures to periodically check that ATO officers have not accessed these records inappropriately.

In addition, while there have been instances where the ATO has used complaints intelligence to address systemic issues that give rise to complaints, there is scope for it to better use intelligence from client feedback to more actively inform service delivery and improve efficiency. This includes developing strategies to minimise complaints occurring in the first place and better managing taxpayer's expectations by keeping them informed throughout their dealings with the ATO.<sup>27</sup>

1.54 The ANAO made three recommendations to address the issues identified, all of which the ATO agreed to adopt.

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26 Australian Taxation Office, *Annual Report 2012–13*, p. v.

27 Australian National Audit Office, *Management of Complaints and Other Feedback—Australian Taxation Office (No. 19) 2013–13*, p. 14.

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*Reporting requirements*

1.55 The committee commends the ATO for the continued high quality of its annual report. The report is comprehensive and informative, and also includes information on the operations of the AVO, the ATO's only commercial business line providing independent valuation services to government organisations.

1.56 The report includes corrections to annual reports from the previous year.<sup>28</sup> The corrections are considerable and relate to a number of matters, including a PBS key performance indicator, a corrected table relating to use of pre-filing service, collecting debt, compliance collections and AVO operating profit.

1.57 The committee considers the ATO has met its reporting requirements under the Acts and its report is 'apparently satisfactory'.

***Productivity Commission—annual report 2012–13****Operational matters*

1.58 The Productivity Commission is Australia's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians and its remit covers all sectors of the economy. This annual report is the first report with Mr Peter Harris as Chair of the Productivity Commission. In 2012–13 the Productivity Commission undertook a number of internal reforms to ensure they continued to provide high quality advice within the context of a reduced resource base.

1.59 This report opens with an overview of the importance of using administrative data to achieve better policy outcomes. The assessment found, however, that Australia, unlike many other countries, does not utilise its public data resources effectively despite the initial costs of making data available being relatively low compared to the future flow of benefits. The exception has been Western Australia at the state level, where it has been an early adopter of making available its state-based administrative data, and has provided Western Australia with a significant data linkage and access to Commonwealth data.

1.60 The report contains references to the Commission's inquiry, research, advisory and other associated activities. Some of the topics that the Commission looked at included mineral and energy resource exploration, the national access regime, access to civil justice, processed fruit import safeguards and processed tomato import safeguards.<sup>29</sup>

1.61 The Australian Government Competitive Neutrality Complaints Office (AGCNCO), which is an autonomous office within the Commission, received one formal written complaint in 2012–13 in relation to Australia Post's Rockhampton Mail Centre. The complaint was not formally investigated.<sup>30</sup>

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28 Australian Taxation Office, *Annual Report 2012–13*, pp 136–137.

29 Productivity Commission, *Annual Report 2012–13*, p. 87.

30 Productivity Commission, *Annual Report 2012–13*, pp 111 and 121.

*Reporting requirements*

1.62 Information contained in the annual report of the Productivity Commissions is concise and presented in easily accessible language. The inclusion of case studies in the annual report is both informative and useful as they provide a very helpful insight into the practical relevance of the commission's work to everyday life.<sup>31</sup>

1.63 The committee considers that the Productivity Commission has met its reporting requirements under the Acts and its annual report is 'apparently satisfactory'.

**Senator David Bushby**

**Chair**

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31 For an example, see its case studies on the power of data linkage. Productivity Commission, *Annual Report 2012–13*, p. 9.

