

Chapter 2

Annual reports of non-statutory authorities and government companies

Defence portfolio

Defence Materiel Organisation

2.2 The annual report of the Defence Materiel Organisation (DMO) is contained in Defence's annual report. It was tabled in the House of Representatives and in the Senate on 13 November 2013.

2.3 The DMO is a prescribed agency under the *Financial Management and Accountability Act 1997*. This means that although the DMO remains inextricably linked to Defence, it is required to account directly to the Minister for Defence on its financial management. The annual report noted:

As a prescribed agency, the DMO uses a purchaser-provider model, underpinned by service agreements, to deliver commercial, engineering, logistics and project management services in an accountable, outcome-focused and business-like manner.¹

Review by the Chief Executive Officer

2.4 Mr Warren King, Chief Executive Officer, DMO, drew attention to the DMO's 2013–15 Strategic Framework released in February 2013. Mr King explained that, as part of the continued drive to reform all elements of the DMO's operations, the framework better positions the DMO to deliver customer requirements and become more accountable to the Government for its performance.²

2.5 In his review of the year, Mr King stated:

Given the size and complexity of the DMO's business, as well as its challenging responsibilities, a key priority throughout 2012–13 has been ensuring that DMO employees are empowered with the skills they need and supported by an organisational structure that enables them to deliver critical outcomes both now and into the future. Although it is still early days, and organisational changes are still being implemented, I am very proud of the progress that has been made so far.³

1 *Defence Annual Report 2011–2012: Part 4 Defence Materiel*, p. 177.

2 *Defence Annual Report 2011–2012: Part 4 Defence Materiel*, p. 175.

3 *Defence Annual Report 2011–2012: Part 4 Defence Materiel*, p. 175.

List of requirements

2.6 The committee notes that the *Requirements for annual reports for departments, executive agencies and FMA Act bodies* states:

The List of Requirements must be included as an appendix to the annual report. If an item specified in the checklist is not applicable to an agency, it should be reported as not applicable rather than omitted from the list. Agencies should include a column indicating the location of the information in the annual report.⁴

2.7 As the committee noted in last year's report on annual reports, prior to the 2011–12 annual report, the Defence and DMO annual reports have been produced as two separate volumes. The reports have now been combined in a single volume. This has meant that the list of requirements has also been combined. The committee notes that combining the Defence and DMO lists creates ambiguity as the entries for Defence and DMO have not been clearly distinguished.

External Scrutiny

2.8 The *Requirements for annual reports for departments, executive agencies and FMA Act bodies* also states:

The annual report must provide information on the most significant developments in external scrutiny of the department and the department's response, including particulars of:

- (a) judicial decisions and decisions of administrative tribunals that have had, or may have, a significant impact on the operations of the department; and
- (b) reports on the operations of the department by the Auditor General (other than the report on financial statements), a Parliamentary committee or the Commonwealth Ombudsman.⁵

2.9 As the committee noted in last year's report on annual reports, the DMO annual report does not appear to provide information on external scrutiny. As noted above, the Defence and DMO annual reports have now been combined in the same volume. DMO's completion of this mandatory reporting requirement is unclear. External scrutiny is only covered in the Department of Defence section of the annual report and it is unclear if this is intended to also cover external scrutiny of the DMO.⁶

4 *Requirements for annual reports for departments, executive agencies and FMA Act bodies*, Department of the Prime Minister and Cabinet, 24 June 2013, p. 32.
www.dpmc.gov.au/guidelines/index.cfm

5 *Requirements for annual reports for departments, executive agencies and FMA Act bodies*, Department of the Prime Minister and Cabinet, 24 June 2013, p. 9.
www.dpmc.gov.au/guidelines/index.cfm

6 *Defence Annual Report 2012–2013*, p. 118–122.

Summary

2.10 The committee finds that the DMO annual report adequately complies with the relevant requirements for the preparation of annual reports.

Australian War Memorial

2.11 The Australian War Memorial was established as a statutory authority under the *Australian War Memorial Act 1980*. The performance of the Memorial and the accountability of its council and management are subject to the *Commonwealth Authorities and Companies Act 1997*. The Memorial is also subject to other legislation that bears on its operation, and is accountable to the government through the Minister for Veterans' Affairs. The Council of the Australian War Memorial is responsible for the conduct and control of the activities of the Memorial. Its numerous functions and responsibilities include:

- establishing the Memorial's strategic direction and vision;
- approving the Memorial's goals and key objectives;
- approving the annual budget and monitoring expenditure and reporting; and
- ensuring that the Memorial has adequate financial resources to meet known and planned future resources.⁷

2.12 The Australian War Memorial's annual report 2012–2013 was presented out of sitting on 25 October 2013 and tabled in the Senate on 12 November 2013.

2.13 Rear Admiral Ken Doolan AO RAN (Ret'd), Chairman, commented that the redevelopment of the Memorial's First World War galleries has been a particular focus in the lead-up to the centenary of ANZAC. The Chairman also noted another centenary project, the ANZAC Centenary Touring Exhibition, with which the Memorial is involved in conjunction with the ANZAC Centenary Advisory Board. In particular, he noted that the Government recently announced an allocation of \$10 million in seed funding to the Memorial to allow work on this project to commence.⁸

2.14 On behalf of the Council, the Chairman commended the outstanding service rendered by the Director, the Honourable Dr Brendan Nelson, his distinguished predecessor, Major General Steve Gower AO AO(Mil) (Ret'd), and the Ms Nola Anderson, Acting Director for much of 2012. The Chairman also noted that:

We are deeply appreciative of all that has been and is being done by the many dedicated Australians whose efforts are directed at ensuring the Memorial remains the pre-eminent national commemorative icon.⁹

7 *Australian War Memorial Annual Report 2012–2013*, pp. 4–5.

8 *Australian War Memorial Annual Report 2012–2013*, pp. 2–3.

9 *Australian War Memorial Annual Report 2012–2013*, p. 2.

Index of annual report requirements

2.15 The committee notes that the *Commonwealth Authorities (Annual Reporting) Orders 2011* states:

To assist readers to locate the information required by the CAC Act (including these Orders) or other applicable legislation, the Annual Report of Operations must provide an index of annual report requirements, identifying where relevant information can be found in the annual report.¹⁰

2.16 The committee notes that while the Australian War Memorial has included a compliance index, it has been prepared in compliance with *Commonwealth Authorities and Companies (Reports of Operations) Orders 2008*, and not the current reporting orders. As such it is unclear whether new reporting requirements such as those in clause 15 relating to 'related entity transactions' have been met or if they are not applicable to the Australian War Memorial.

Summary

2.17 The committee finds that the Australian War Memorial's annual report to be 'apparently satisfactory' in complying with the relevant requirements for the preparation of annual reports.

Foreign Affairs and Trade portfolio*Australian Agency for International Development*

2.18 The annual report of the Australian Agency for International Development (AusAID) for the financial year 2012–2013 was presented out of sitting on 30 October 2013 and tabled in the Senate on 12 November 2013.

2.19 AusAID was the Australian government agency responsible for managing Australia's overseas aid program. AusAID was an executive agency within the Foreign Affairs and Trade portfolio, reporting to the Minister for Foreign Affairs. As noted in the preface of this report, on 18 September 2013 it was announced that AusAID will be integrated into the Department of Foreign Affairs and Trade. As such this will be AusAID's final annual report.

Director General's review

2.20 The Director General of AusAID, Mr Peter Baxter, noted that the first Annual Review of Aid Effectiveness was released in January 2013. The review found that Australia's aid program:

- made a major contribution towards the achievement of the Millennium Development Goals in our region and across the world;

10 *Commonwealth Authorities (Annual Reporting) Orders 2011*, clause 21.

- achieved strong results against each of its five strategic goals: saving lives, promoting opportunities for all, sustainable economic development, effective governance, and humanitarian and disaster preparedness and response; and
- is effective, efficiently delivered and in good repair.¹¹

Program highlights during the year

2.21 The Director General outlined some of the highlights of the reporting period:

- Announcing the Pacific Women Shaping Pacific Development initiative on 30 August 2012;
- Responding to multiple disasters across the Pacific, providing life-saving assistance to more than 50 000 affected people. These disasters included Cyclone Evan in Fiji and Samoa in December, an earthquake and tsunami in the Solomon Islands in February and a subsequent dengue fever outbreak, and severe drought in the Marshall Islands in April;
- Australia also continued to help alleviate the suffering arising from the humanitarian crisis in Syria;
- Growing development engagement in Myanmar as the Myanmar Government continued important political and economic reforms;
- Moving our relationship with China to a new phase by signing a development cooperation partnership memorandum of understanding in Beijing on 9 April.
- Hosting the second Mining for Development Conference in May 2013, alongside the Extractive Industries Transparency Initiative Global Conference.
- Confirming Australia's leadership role internationally, and in the Pacific, in promoting and supporting disability-inclusive development through the 2012 mid-term review of AusAID's strategy *Development for all: towards a disability-inclusive Australian aid program 2009–2014*.¹²

Australian National Audit Office audit

2.22 The Australian National Audit Office (ANAO) report for AusAID stated that matters giving rise to the legislative breach relating to section 83 of the Constitution, which had been noted in the committee's previous report, have been resolved. The audit report stated:

The notes to AusAID's 2011–12 financial statements referred to 13 breaches of section 83 of the Constitution totalling \$29 000 in relation to various payments made by ComSuper on behalf of AusAID under the Papua New Guinea (Staffing Assistance) Act 1973 (PNG Super Act).

11 *AusAID Annual Report 2012–2013*, p. 2.

12 *AusAID Annual Report 2012–2013*, p. 6.

In 2012–13 the Financial Framework Legislation Amendment Act (No.1) 2013 was passed. The amendment took effect from 14 March 2013 and was enacted to reduce the risk of non-compliance in relation the PNG Super Act. The amendment allows Comsuper to continue making payments under the PNG Super Act until ComSuper is notified of a benefit recipient's death, without resulting in a section 83 breach.

During 2012–13, AusAID reported six breaches of section 83 of the Constitution totalling \$6 000. As at 30 June 2013, \$4 000 of the overpaid amounts had been recovered. All breaches occurred prior to the effective date of the amendment referred to above.¹³

Summary

2.23 The committee finds that the AusAID annual report adequately complies with all reporting requirements for an executive agency.

Tourism Australia

2.24 Tourism Australia's annual report for 2012–2013 was presented out of sitting on 31 October 2013 and tabled in the Senate on 12 November 2013.

2.25 As noted in the preface of this report, following the Prime Minister's announcement on 18 September 2013, tourism is now part of the Trade portfolio. As such, this is the first time Tourism Australia's report has been examined by this committee. Tourism Australia is a Commonwealth authority established under the *Tourism Australia Act 2004* and is subject to the *Commonwealth Authorities and Companies Act 1997*. Tourism Australia is Australia's national tourism organisation. It aims to increase international and domestic leisure tourism, international business events, and promote Australia as a compelling visitor destination.¹⁴

Operational matters

2.26 In the Chairman's report, Mr Geoff Dixon observed that during the reporting period there were 6.3 million international arrivals, an increase of nearly 5 per cent, spending \$28 billion, an increase of almost 6 per cent from the previous financial year.¹⁵

2.27 In his report, the Managing Director, Mr Andrew McEvoy highlighted Tourism Australia's role in encouraging the tourism industry to harness the potential of social media. The Managing director also remarked on the importance of

13 *Australian National Audit Office, ANAO Audit Report No.13 2013–14: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2013*, p. 195.

14 *Tourism Australia Annual Report 2012–13*, p. 2.

15 *Tourism Australia Annual Report 2012–13*, p. 10.

partnership marketing, noting Tourism Australia works best when commercial and state territory partners help leverage its message *There's nothing like Australia*.¹⁶

Reporting requirements

2.28 Previous annual reports from Tourism Australia have been examined by the Senate Economics Legislation Committee.¹⁷ The committee notes that a number concerns raised by the Economics Committee have not been resolved in the 2012–13 annual report. The committees notes that:

- The report provides list of requirements contained in the *Requirements for annual reports for departments, executive agencies and FMA Act bodies*, but not a *Commonwealth Authorities (Annual Reporting) Orders 2011* compliance index. The reporting requirements for Commonwealth authorities differ from the requirements for FMA Act bodies.
- The letter of transmittal should include details of when and how the report was adopted, and state that directors are responsible for the preparation of contents of the report, as prescribed by the *Commonwealth Authorities (Annual Reporting) Orders 2011*.
- The report does not contain a reference to any ministerial directions, which is a requirement under the *Commonwealth Authorities (Annual Reporting) Orders*.

2.29 The committee notes that as Tourism Australia has not included an index of annual report requirements relating to the *Commonwealth Authorities (Annual Reporting) Orders 2011*, it is unclear whether new reporting requirements such as those in clause 15 relating to 'related entity transactions' have been met or if they are not applicable to the Tourism Australia.

Summary

2.30 The committee finds that Tourism Australia's annual report to be 'apparently satisfactory' in complying with the relevant requirements for the preparation of annual reports.

Other reports

2.31 The committee noted that Commonwealth authorities and companies reporting under the CAC Act are required to comply with the *Commonwealth Authorities (Annual Reporting) Orders 2011* and the *Commonwealth Companies (Annual Reporting) Orders 2011*, respectively. The committee draws these reporting orders to the attention of the following agencies:

16 *Tourism Australia Annual Report 2012–13*, p. 12.

17 Senate Economics Legislation Committee, *Annual Reports (No 1 of 2013)*, 14 March 2013.

Defence portfolio

- AAF Company (tabled 2 December 2013, received out of session 22 November 2013);
- ASC Pty Ltd (tabled 13 November 2013);
- Australian Strategic Policy Institute (tabled 12 November 2013, received out of session 6 November 2013);
- Royal Australian Air Force Welfare Recreational Company (tabled 2 December 2013);
- Royal Australian Air Force Veterans' Residences Trust Fund (tabled 12 November 2013, received out of session 7 November 2013);
- Royal Australian Navy Central Canteens Board (tabled 12 December 2013); and
- Services Trust Funds (tabled 12 November 2013, received out of session 6 November 2013).

2.32 Other portfolio authorities, agencies and/or companies which had their annual reports examined by the committee, but were not otherwise commented upon in this report, include:

Defence portfolio

- Army and Air Force Canteen Service (AAFCANS) (tabled 12 November 2013, received out of session 28 October 2013); and
- Defence Housing Australia (tabled 12 November 2013, received out of session 6 November 2013).

Foreign Affairs portfolio

- Australian Safeguards and Non-Proliferation Office (tabled 12 November 2013, received out of session 18 October 2013); and
- Australian Centre for International Agriculture Research (tabled 23 October 2013, erratum received 21 January 2014).

Trade portfolio

- Australian Trade Commission (tabled 12 November 2013, received out of session 28 October 2013); and
- Export Finance and Insurance Corporation (tabled 12 November 2013, received out of session 28 October 2013).

Veterans' Affairs

- Repatriation Medical Authority (tabled 12 November 2013, received out of session 31 October 2013); and

- Veterans' Review Board (tabled 12 November 2013, received out of session 29 October 2013).

2.33 The committee considers that all the annual reports of the above-mentioned organisations adequately met their respective reporting requirements.

Senator Alan Eggleston
Chair

