Chapter 2
Individual 2008-09 Annual Reports

Reports under the Innovation, Industry, Science and Research portfolio

Anglo-Australian Observatory (AAO) – Annual Report 2008-09

2.2 The AAO operates two telescopes at Siding Spring, near Coonabarabran, and a laboratory at Eastwood. It also supports Australia's involvement with the Magellan and Gemini telescopes in Chile and Hawaii. A high-resolution spectrograph, 'HERMES', is currently under construction.

2.3 The annual report takes pride in the AAO being among the top five optical telescopes based on papers and citations in the astronomical literature. Recent research has involved searching for evidence of 'dark energy' and discovering planets using Doppler measurements.

2.4 The United Kingdom Government has withdrawn from the AAO and it became a fully Australian owned entity as of July 2010. It is now a unit within DIISR known as the Australian Astronomical Observatory.

Innovation Australia – Annual Report 2008-09

2.5 Innovation Australia administers a range of programmes aimed at stimulating innovation and commercialisation by Australian industry, as well as offering policy advice to government and promoting innovation in the broader community. The Annual Report highlights that $910 million was disbursed during 2008-09 through its programmes, supporting over $14.5 billion in R&D and commercialisation activities.

2.6 Key programmes include the R&D Tax Concession, which achieved a record number of registrations in 2008-09, the Venture Capital Limited Partnerships and Early Stage Venture Capital Limited Partnerships programmes, and the Climate Ready and Re-tooling for Climate Change programmes aimed at promoting clean business practices and supporting innovation projects addressing the effects of climate change.

2.7 The committee considers that Innovation Australia has largely met its reporting requirements under the Act. However, the committee notes that the report was sent to the Minister on 29 January 2010 – well after the six month deadline specified in subsection 34C(2) of the *Acts Interpretation Act 1901* which applies where 'an Act requires a person to furnish a periodic report to a Minister but does not specify a period within which the report is to be so furnished'.[1]

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1 See also comments in paragraph 1.14 of the committee's report, *Annual reports (No. 1 of 2010)*, February 2010.

Innovation Investment Fund (IIF) Companies – Annual Report 2008-09

2.8 A single volume is published with an overview and the annual reports for IIF Investments Pty Ltd, IIF (CM) Investments Pty Ltd, IIF BioVentures Pty Ltd, IIF Foundation Pty Ltd and IIF Neo Pty Ltd. Each of these companies, wholly-owned by the Australian government, was established to deliver capital into the Innovation Investment Fund, Pre-Seed Fund and Renewable Energy Equity Fund to provide venture capital to early stage technology based companies.

2.9 At June 2009 the Innovation Investment Fund had active investments in 38 companies, mostly information technology, telecommunications and bioscience companies. The Pre-Seed Fund had active investments in 53 companies, the majority in bioscience, pharmaceutical and medical sector companies. The Renewable Energy Equity Fund had active investments in four companies.

Report under the Resources, Energy and Tourism portfolio

Tourism Australia – Annual Report 2008-09

2.10 Tourism Australia reported a difficult year for global and Australian tourism due to 'the most significant decline in economic conditions since the Great Depression and the outbreak of the H1N1 influenza epidemic' but suggested Australia 'continued to outperform its rivals'. Tourism Australia claimed some of the credit for this with their campaign based on the film *Australia*. It also tried to stimulate domestic tourism with the 'No Leave, No Life' campaign.

2.11 The annual report includes an extensive assessment against its own performance indicators but little discussion of accountability. In particular there is no compliance index and no reference to appearances at Senate estimates.

Reports under the Treasury portfolio

The Treasury – Annual Report 2008-09

2.12 The Treasury highlights developing and implementing policy responses to the global financial crisis and recession in its review of the year. These responses include the fiscal stimulus packages and funding guarantees for financial intermediaries, both of which have been the subject of inquiries by the Senate Economics References Committee. Treasury also refer to its international engagement through G-20, advancing of domestic reforms through the Council of Australian Governments and its provision of the secretariat for the Australia's Future Tax System Review Panel, chaired by the Treasury Secretary. The annual report also refers to a number of matters examined by the committee in 2008 and 2009, such as support for private health insurance, the tax deductibility of non-commercial losses, employee share schemes, temporary residents' unclaimed superannuation and taxation of financial arrangements.

2.13 The committee commends Treasury for listing the appearances of its officers before parliamentary committees.[2] The committee notes that 25 of these appearances were before the Senate Economics Committees and expresses its appreciation to Treasury for this valuable contribution. It also commends Treasury for including a comprehensive compliance index and references to Australian National Audit Office reports relating to its operations in its annual report.

Australian Prudential Regulation Authority (APRA) – Annual Report 2008-09

2.14 APRA remarks in its annual report that, as a result of the global financial crisis, its 'supervisory intensity was dialled to its highest level' in 2008-09, but note 'the fundamentally sound condition of APRA-regulated institutions, notwithstanding two years in dangerous seas'. Also during the year APRA joined the Basel Committee on Banking Supervision, giving it a seat at the table when international rules are developed. APRA refer in their report to three global reform initiatives: raising bank capital, improving management of liquidity risk and aligning banks' remuneration policies with good stewardship.

2.15 The committee commends APRA for noting its appearances before, and submissions to, parliamentary committees but suggests it add a compliance index to its annual report.

Australian Reinsurance Pool Corporation (ARPC) – Annual Report 2008-09

2.16 The ARPC is a statutory authority, established by the *Terrorism Insurance Act 2003* in response to a marked reduction in the commercial terrorism insurance market following the events of 11 September 2001. It administers a scheme for providing coverage for commercial property and business interruption.

2.17 During 2008-09 Treasury conducted its second review of the need for the scheme and concluded that it needed to be continued for at least another three years.

2.18 The committee suggests that the ARPC's report could be made clearer by explaining earlier in the report its goals and the meaning of its 'retrocession program'. The report could also be improved by including a specific compliance index.

Australian Securities and Investments Commission (ASIC) – Annual Report 2008-09

2.19 ASIC aims to improve confidence in financial market integrity and protect investors and consumers. ASIC's 2007-08 annual report was titled 'a year of change'. For this report ASIC suggested that 2008-09 was a 'a year of consolidation'. This occurred against the background of a large fall in share prices: from peak (in October 2007) to trough (in March 2009) Australia's stock market valuation fell by over $770 billion – equivalent to around two-thirds of annual GDP. For a period ASIC banned short selling until markets stabilised. ASIC added resources to its work on insider trading, market manipulation and continuous disclosure during 2008-09.

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2 The committee had suggested this in its corresponding report last year.

2.20 The committee commends ASIC for providing details of its appearances before parliamentary committees. As ASIC reports under a number of Acts, and the requirements in the *Australian Securities and Investments Commission Act 2001* are quite detailed, the committee suggests that a specific compliance index should be included in future reports.

Financial Reporting Council (FRC) – Annual Report 2008-09

2.21 The FRC is the peak body responsible for the broad oversight of the accounting and auditing standards setting processes (including appointing members, other than chairs, to the AUASB and the AASB). It is assisted by a secretariat located at Treasury.

2.22 Their annual report highlights issues arising from the global financial crisis, such as the need for updated guidance on the going concern assumption.

Financial Reporting Panel (FRP) – Annual Report 2008-09

2.23 The FRP is the primary adjudicator between ASIC and lodging entities in relation to the application of accounting standards. No matters were referred to the FRP during 2008-09.

Auditing and Assurance Standards Board (AUASB) – Annual Report 2008-09

2.24 Under changes effective from 1 July 2008, the AUASB is responsible for setting standards while support activities are provided by a new entity, the Office of the AUASB. However the annual report covers both entities. The major part of AUASB's programme in 2008-09 was work on redrafting auditing standards in 'clarity' format. The economic crisis also led to new projects, such as a joint publication with the Institute of Company Directors addressing the responsibilities of directors during periods of economic uncertainty.

Australian Accounting Standards Board (AASB) – Annual Report 2008-09

2.25 The AASB develops Australian accounting standards and contributes to the development of international standards. The AASB comment that the global financial crisis probably 'slowed the process of achieving global convergence of accounting standards at the same time as it has underscored the need for that convergence'.

2.26 Of particular interest to the committee given its December 2008 report on disclosure regimes for charities is the AASB's emphasis in its annual report on ensuring that 'like-transactions and events are dealt with in a like manner between the for-profit sector and the not-for-profit sector, unless there is sound reason to differ in particular circumstances'.

Companies Auditors and Liquidators Disciplinary Board (CALDB) – Annual Report 2008-09

2.27 The CALDB determines whether a registered auditor or liquidator should be disqualified. In 2008-09 six registrations were cancelled and two suspended.

Corporations and Markets Advisory Committee (CAMAC) – Annual Report 2008-09

2.28 CAMAC is a body corporate of part-time members who advise the minister about corporate, financial product and financial market matters.

2.29 In its 2008-09 annual report CAMAC describes its reports on issues in external administration, shareholder claims against insolvent companies, implications of the Sons of Gwalia decision, diversity on boards of directors and aspects of market integrity.

2.30 The committee suggests that in its annual report CAMAC should have referred to its appearance at a Senate estimates hearing in October 2008.

2.31 The committee also suggests that a specific compliance index, including the reporting requirements under both the FMA Act and ASIC Act, should be included in future reports.

Productivity Commission (PC) – Annual Report 2008-09

2.32 The Productivity Commission is an independent research and advisory body on a range of economic, social and environmental issues.

2.33 In its annual report the PC attributes the global economic crisis to the prior underestimation of risk. The PC notes the coordinated global action to ease monetary and fiscal policy, but warns against protectionist responses. It notes with concern that 'recent contractions in world trade have been more severe and more rapid than those that occurred in the early stages of the Great Depression'. It also cites its *Trade and Assistance Review* which concluded there is scope to reduce and rationalise some of the $17 billion in industry assistance.

2.34 In reviewing the year, the PC highlights the reports it published on paid parental leave, government drought support, restrictions on the parallel importation of books and indigenous disadvantage. Its focus for 2009-10 includes reports on gambling industries, director and executive remuneration, the not-for-profit sector, anti-dumping systems, private and public hospitals, water recovery in the Murray Darling basin and wheat export marketing.

2.35 The PC monitors parliamentary usage of its work, noting that in 2008-09 there were 198 mentions in parliamentary debates and questions and 188 mentions by parliamentary committees. The committee notes that the PC's annual report refers to the committee's report *Annual reports (No. 1 of 2009)*. The annual report also includes a table of parliamentary committee reports drawing on work by the PC.

2.36 The committee commends the PC for having responded to suggestions from the committee to include a compliance index and references to its appearance at Senate estimates hearings.

Royal Australian Mint – Annual Report 2008-09

2.37 The Royal Australian Mint referred in its annual report to a scheduled production shutdown for refurbishment for a period in 2008-09. This did not prevent it meeting an unexpected increase in demand for circulating coin. The global recession was associated with reduced numismatic demand.

2.38 The committee commends the Mint for including a compliance index in its annual report.

Superannuation Complaints Tribunal (SCT) – Annual Report 2008-09

2.39 In 2008-09 the number of complaints received by the SCT remained at the higher level experienced in 2007-08 and tended to be more complex. The proportion of complaints proceeding to review dropped as there were significant numbers of complaints that were essentially about disappointing, often negative, returns on superannuation assets (due to global market conditions) rather than any unfair or unreasonable behaviour by the fund.

2.40 The committee commends the SCT for including a compliance index in its annual report.

Takeovers Panel – Annual Report 2008-09

2.41 The Takeovers Panel's objective is to resolve disputes about takeovers. In 2008-09 the Panel received 30 applications, a similar number to recent years but tending to be more complex cases.

2.42 The committee commends the Panel for including a compliance index in its annual report.

Senator Annette Hurley
Chair