Chapter 1

Overview

Introduction

1.1 Annual reports of departments and agencies are referred to Senate Committees under Senate Standing Order 25(20). The Senate Economics Legislation Committee is responsible for the scrutiny of departments and agencies in the following portfolios:

- Industry, Innovation, Science, Research and Tertiary Education;
- Resources, Energy and Tourism; and
- Treasury.[1]

1.2 The structures and outcomes for each of these portfolios are summarised in Appendices 5, 6 and 7.

1.3 Standing order 25(20) requires the committee to:

- examine each annual report referred to it and report to the Senate whether the report is apparently satisfactory;
- consider in more detail, and report to the Senate on, each annual report which is not apparently satisfactory, and on the other annual reports which it selects for more detailed consideration;
- investigate and report to the Senate on any lateness in the presentation of annual reports;
- in considering an annual report, take into account any relevant remarks about the report made in debate in the Senate;
- if the committee so determines, consider annual reports of departments and budget-related agencies in conjunction with examination of estimates;
- report on annual reports tabled by 31 October each year by the tenth sitting day of the following year, and on annual reports tabled by 30 April each year by the tenth sitting day after 30 June of that year;
- draw to the attention of the Senate any significant matters relating to the operations and performance of the bodies furnishing the annual reports; and
- report to the Senate each year whether there are any bodies which do not present annual reports to the Senate and which should present such reports.[2]

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1 *Journals of the Senate*, No. 74, 8 February 2012, pp 2043–2044.

2 Standing Order 25(20), *Standing Orders and other orders of the Senate*, June 2009, p. 28.

Purpose and requirements of annual reports

1.4 Annual reports provide information on the success (or otherwise) of departments and agencies in meeting their goals and so assist in ensuring the public accountability of government departments and agencies. Their tabling in the Parliament, and scrutiny by Senate committees, allows Parliament to make informed judgments on the executive's performance in administering government programmes.

1.5 Departments of State and Executive Agencies present their annual reports pursuant to sections 63(2) and 70(2) of the *Public Service Act 1999*, respectively.[3] Commonwealth authorities and companies present their annual reports pursuant to their own enabling legislation and/or sections 9 and 36 of the *Commonwealth Authorities and Companies Act 1997* (CAC Act), respectively.[4] The Department of Finance and Deregulation publishes a chart on their website that shows which agencies are subject to various acts.[5] The legislation governing the annual reports of various agencies is shown in Appendices 2, 3 and 4.

1.6 The enabling legislation of some agencies may require that agency to report on matters other than those included in the guidelines, or impose different reporting requirements. The Committee's view is that such agencies, while bound by their enabling legislation, should also comply with the requirements imposed under the government's policy, to the extent that the requirements do not conflict.

1.7 This report also examines the new requirements approved by the Joint Committee of Public Accounts and Audit which include an analysis of Key Performance Indicators (KPIs) and statistics relating to occupational health and safety issues;[6] freedom of information requests (up to 30 April 2011);[7] ecologically

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3 They are required to comply with the Department of the Prime Minister and Cabinet's *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, approved by the Joint Committee of Public Accounts and Audit on 18 June 2008. See http://www.dpmc.gov.au/guidelines/docs/annual_report_requirements.pdf. Section 3(1) of the Requirements states that they also 'apply to prescribed agencies under section 5 of the *Financial Management and Accountability Act 1997'*. The financial statements must be produced in accordance with the Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 1 July 2007).

4 Reports of Commonwealth authorities subject to the *CAC Act* must be produced in accordance with the Commonwealth Authorities and Companies (Report of Operations) Orders 2008 and the Commonwealth Authorities and Companies Orders (Financial Statements for reporting periods ending on or after 1 July 2007). Annual reports of Commonwealth companies are required to be based on the reporting requirements under the Corporations Act 2001.

5 http://www.finance.gov.au/financial-framework/fma-legislation/fma-agencies.html; and http://www.finance.gov.au/financial-framework/cac-legislation/cac-bodies.html.

6 Section 74 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991*.

7 Section 8 of the *Freedom of Information Act 1982*.

sustainable development and environmental performance reporting;[8] and advertising and market research.[9]

Reports referred to the committee

1.8 Under Standing Order 25(20)(f), the committee is required to report on the annual reports of departments and agencies tabled in the Senate between 1 May and 31 October each year by the tenth sitting day of the following year. This year that date is 15 March 2012.

1.9 This report examines the following annual reports for 2010–11, which were tabled in the Senate by 31 October 2011, within their required timeframe:

- Auditing and Assurance Standards Board (AAUSB);
- Australian Accounting Standards Board (AASB);
- Australian Bureau of Statistics (ABS);
- Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS);
- Australian Institute of Marine Science (AIMS);
- Australian Nuclear Science and Technology Organisation (ANSTO);
- Australian Research Council (ARC);
- Australian Reinsurance Pool Corporation (ARPC);
- Australian Securities and Investments Commission (ASIC);
- Australian Solar Institute (ASI);
- Commonwealth Grants Commission (CGC);
- Commonwealth Scientific and Industrial Research Organisation (CSIRO);
- Companies Auditors and Liquidators Disciplinary Board (CALDB);
- Department of Innovation, Industry, Science and Research (DIISR);
- Department of Resources, Energy and Tourism (DRET: includes Geoscience Australia);
- Financial Reporting Council (FRC);
- Financial Reporting Panel (FRP);
- Inspector-General of Taxation (IGT);
- National Competition Council (NCC);

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8 Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*.

9 *Requirements for Annual Reports*, published by the Department of Prime Minister and Cabinet and approved by the Joint Parliamentary Committee on Public Accounts and Audit in July 2011.

- National Offshore Petroleum Safety Authority (NOPSA);
- Productivity Commission (PC);
- Reserve Bank of Australia (RBA);
- Superannuation Complaints Tribunal; and
- Takeovers Panel.

1.10 Comments on these individual reports are contained in Chapter 2.

1.11 The committee notes that due to changes in the machinery of government in December 2011, the committee's subsequent *Report on Annual Reports* will also contain analysis of annual reports tabled under the Tertiary Education and Skills portfolio, now the third outcome for the Department of Industry, Innovation, Science, Research and Tertiary Education (formerly the Department of Innovation, Industry, Science and Research).

1.12 The committee calls attention to the *Report on Annual Reports* prepared by the Parliamentary Joint Committee on Corporations and Financial Services (PJC). The PJC is established by Part 14 of the *Australian Securities and Investments Commission Act 2001* (the ASIC Act). Section 243 specifies the committee's duties, which include:

> (b) to examine each annual report that is prepared by a body established by this Act and of which a copy has been laid before a House, and to report to both Houses on matters that appear in, or arise out of, that annual report and to which, in the Parliamentary Committee's opinion, the Parliament's attention should be directed...

1.13 Therefore, in fulfilment of the committee's duties under subsection 243(b), the PJC may report on the following 10 bodies established under the ASIC Act, namely:

- Auditing and Assurance Standards Board (AUASB);
- Australian Accounting Standards Board (AASB);
- Australian Securities and Investments Commission (ASIC);
- Companies Auditors and Liquidators Disciplinary Board (CALDB);
- Corporations and Markets Advisory Committee (CAMAC);
- Financial Reporting Council (FRC);
- Financial Reporting Panel (FRP);
- Office of the Australian Accounting Standards Board (Office of the AASB);
- Office of the Auditing and Assurance Standards Board (Office of the AUASB); and
- Takeovers Panel.

Timeliness

1.14 Standing Order 25(20)(c) requires the committee to report to the Senate on the late presentation of annual reports.

1.15 The legislative requirements for the tabling of annual reports vary between different types of agencies.[10] However, the Government's policy is 'that all annual reports should be tabled by 31 October'.[11]

1.16 This report details the annual reports which were tabled by 31 October in the Senate. The committee commends the departments and agencies discussed in this report for their timeliness.

1.17 The Committee notes that there are a significant number of organisations whose annual reports, while prepared and sent to the minister by October, were not tabled in the Senate until November. These are listed in Table 1.

Table 1: Reports tabled in the Senate after 31 October

Agency	Transmitted	Received by Minister	Tabled in Senate
Australian Centre for Renewable Energy (ACRE) Board	Dec	19 Jan	9 Feb
Australian Competition and Consumer Commission (incl. AER)	25 Aug	9 Sept	1 Nov
Australian Office of Financial Management	13 Sept	30 Aug	1 Nov
Australian Prudential Regulation Authority	12 Oct	27 Oct	4 Nov
Australian Statistics Advisory Council	11 Oct	19 Dec	7 Feb
Australian Taxation Office	30 Sept	12 Oct	1 Nov
Corporations and Markets Advisory Committee (CAMAC)	15 Sept	4 Oct	1 Nov
The Treasury	13 Oct	27 Sept	1 Nov
IIF Investments Pty Ltd	28 Oct		7 Feb

10 The various requirements are set out in the Committee's report *Annual reports (No. 1 of 2009)*, March 2009, p. 4.

11 Department of the Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, 23 June 2010, p. 2; Department of the Prime Minister and Cabinet, *Guidelines for the Presentation of Government Documents to the Parliament (Including Government Responses to Committee Reports, Ministerial Statements, Annual Reports and Other Instruments)*, June 2010, paragraph 4.10.

Agency	Transmitted	Received by Minister	Tabled in Senate
Innovation Australia	Not Given		28 Feb
Royal Australian Mint	16 Sept		1 Nov
Snowy Hydro Limited	24 Aug	16 Jan	7 Feb
Tax Practitioners Board		7 Oct	
Tourism Australia	14 Oct	14 Oct	1 Nov

Remarks made in the Senate

1.18 Senate Standing Order 25(20)(d) directs the committee to take into account remarks made in the Senate when considering annual reports.

1.19 None of the annual reports considered in this report have been the subject of debate in the Senate.

Bodies not presenting annual reports to the Senate

1.20 The committee is required to report to the Senate each year under Standing Order 25 (20)(h) on whether there are any bodies not presenting annual reports to the Senate which should. The committee is satisfied that there are no bodies within the Innovation, Industry, Science, Research and Tertiary Education; Resources, Energy and Tourism; or Treasury portfolios that are avoiding their obligation.

Other comments on reports

1.21 Taking into account the reporting guidelines specified by the legislation under which departments and agencies present their annual reports, the committee considers that the reports it has examined are generally 'apparently satisfactory'.

Compliance indices

1.22 While no longer mandatory under the reporting requirements, the Committee recommends the inclusion of a compliance index in the annual reports of the larger and more complex agencies. The index preferably should include a nil return entry where the agency has nothing to report under an item. A compliance index is a useful feature of reports and considerably assists the Committee's task of assessing reports. It also assists agencies by clearly showing that their compliance obligations have been met. It can be particularly useful for agencies with reporting requirements under various Acts.

1.23 The Committee commends most departments and agencies for their inclusion of compliance indices in their 2010-11 annual reports.

External scrutiny and accountability

1.24 It is required that annual reports:

> … 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
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> (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.[12]

1.25 Annual reports should be a primary reference document for parliamentarians and others looking for information about external scrutiny of government agencies. As noted above, the primary purpose of annual reports is accountability to the Parliament – it is therefore important that details about external scrutiny are included in a clear manner in annual reports. It is particularly important that details about parliamentary scrutiny are included in annual reports, including appearances at Senate estimates hearings (which are the subject of bi-annual reports to the Senate).

12 *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*. Clause 11 of Schedule 1 of the *Commonwealth Authorities and Companies (Report of Operations) Orders 2008* states that the same requirements apply to Commonwealth authorities that present their annual reports in accordance with the provisions of section 9 of the *CAC Act*.