Chapter 2

Individual 2011–2012 Annual Reports

Reports under the Industry, Innovation, Science, Research and Tertiary Education portfolio

Australian Institute of Aboriginal and Torres Strait Islander Studies – annual report 2011–12

Reporting requirements

1.2 The committee considers that AIATSIS has met its reporting requirements under the CAC Act.

1.3 Although the sections of the report referring to contracts and consultancies contain information on the value of contracts,[1] they should specify which consultancies were ongoing as opposed to which were new.

1.4 The committee acknowledges that AIATSIS has implemented the recommendation from the committee's report *Annual reports (No. 1) 2012* regarding the details required to be included in the letter of transmittal.

Operational matters

1.5 The report states that AIATSIS' utmost priority is the need to address its long term funding situation. Its research grants program was suspended this year, and there is uncertainty over the future financial capacity of the Institute to manage and preserve its collections. The Institute was confronted with a budgetary challenge when government funding for its archival digitalisation program ended in June 2011. This year AIATSIS recorded an operating loss of $3.2 million, agreed to by the Minister for Finance and Deregulation. The loss, together with a two-year government investment and the exemption from the efficiency dividend enabled the Institute to maintain employment for over 30 of its staff. A new enterprise agreement came into effect in May 2012.

Australian Institute of Marine Science – annual report 2011–12

Reporting requirements

1.6 The committee considers that AIMS has met its reporting requirements under the CAC Act.

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1 Australian Institute of Aboriginal and Torres Strait Islander Studies, *Annual Report 2011–12*, pp 113 and 166–167.

1.7 The report identifies the principles and reasons for engaging consultants, but does not show expenditure on consultancy services.[2]

Operational matters

1.8 The core capabilities of AIMS as a tropical marine research agency are climate change, biodiversity, water quality and marine microbiology, in which the Institute holds a strong publication record – in 2011 it published a record 177 journal articles.

1.9 The report states that a major risk currently facing AIMS is a serious shortfall in base funding, as outside costs are rising at a faster rate than the increase in revenue resulting from indexation.

1.10 As of November 2011, AIMS has a new CEO, Mr John Gunn.

Australian Nuclear Science and Technology Organisation – annual report 2011–12

Reporting requirements

1.11 The committee considers that ANSTO has met its reporting requirements under the Acts.

1.12 The annual report does not mention ANSTO's appearance at Senate estimates or the regular examination of its annual report by this committee in the section on reviews by outside bodies[3]. This information would be a useful addition to the report for the purpose of external scrutiny and accountability.

1.13 The report contains information on indemnities and insurance premiums for employees, but does not state the value of the premiums.[4]

Operational matters

1.14 ANSTO contributes to ongoing nuclear and national security, including counter-terrorism preparedness. It also contributes to national food security – this year it looked at the use of irradiation as a chemical-free alternative to pesticides.

1.15 ANSTO has taken initial steps towards delivering on the vision outlined in its 2055 Infrastructure Plan, with the view of transforming its Lucas Heights waste storage campus to make it more accessible to the public. It also opened a national imaging facility and a facility for the measurement of environmental radioactivity.

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2 Australian Institute of Marine Science, *Annual Report 2011–12*, p. 59.

3 Australian Nuclear Science and Technology Organisation, *Annual Report 2011–12*, p. 92.

4 Australian Nuclear Science and Technology Organisation, *Annual Report 2011–12*, p. 92.

1.16 ANSTO reported the strong financial performance of its commercial groups for this year.

Australian Research Council – annual report 2011–12

Reporting requirements

1.17 The committee considers that the ARC has met its reporting requirements under the Acts.

1.18 The committee notes that deliverables and key performance indicators (KPIs) for all three ARC programs were revised in 2011–12.[5] One KPI for the Linkage program was not met. The report does not contain a statement on whether the ARC has historically met each of its KPIs.

1.19 The report includes a correction of errors to the previous two annual reports.[6]

Operational matters

1.20 Amongst other activities, the ARC administers one grant program, the National Competitive Grants Program (NCGP). Two new funding initiatives were developed under NCGP this year: the Special Research Initiative in Synchrotron Science and the Special Research Initiative for an Aboriginal and Torres Strait Islander Researchers' Network. This year the ARC received 28 appeals in relation to NCGP proposals, of which five research misconduct allegations were upheld. The ARC identified the increasingly large number of proposals submitted for funding under the NCGP as a key challenge in this reporting year.

1.21 The ARC released a new strategic plan in 2011–12, and completed a review of their risk-management framework. It also finalised a new enterprise agreement.

1.22 There is a reference to two ANAO audit reports which found that:

> …in the period under consideration the ARC had more than 20 instances of grant program guidelines for which there was no evidence of the required approval (by the Expenditure Review Committee) being obtained prior to their release.

And that:

> …the ARC had not met the requirements of the Commonwealth Grant Guidelines with regard to posting of grants information on its website.[7]

1.23 In relation to the above, the ARC stated that it 'has subsequently implemented processes to ensure that it complies with both these requirements'.

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5 Australian Research Council, *Annual Report 2011–12*, pp 41, 60 and 76.

6 Australian Research Council, *Annual Report 2011–12*, p. 226.

7 Australian Research Council, *Annual Report 2011–12*, p. 93.

1.24 The ARC recorded an operating deficit of $0.386 million for this year 'due to the removal of depreciation funding as part of Operation Sunlight net cash appropriations framework.'[8]

1.25 As noted in Chapter 1, this annual report was subject to some comments made by Senator Bridget McKenzie in the Senate on 10 October 2012.

Australian Skills Quality Authority – annual report 2011–12

Reporting requirements

1.26 The committee considers that ASQA has met its reporting requirements under the Acts.

1.27 ASQA noted that it would develop service standards once it completes its establishment phase and is able to accurately measure the timeframes for various regulatory tasks. The report also noted that ASQA is unable to provide reporting on ecologically sustainable development for this year, as not all of its offices were open for the 12 month reporting period.

Operational matters

1.28 ASQA commenced operations on 1 July 2011 as a body set up to provide national consistency in the regulation of vocational education and training. It has an audit and monitoring regime and the power to apply sanctions. This reporting year ASQA undertook 420 course accreditation activities, with 92 per cent completed within the reporting period. It received a total of 4873 applications in relation to registration, of which 611 were transferred from regulators in NSW, Victoria, Western Australia, the ACT and Northern Territory on its first day of operation. ASQA signed MoUs with state and territory government agencies for the purpose of their referral of powers to ASQA.

1.29 This year it suspended the registration of 22 providers, and communicated with providers to assist them with the transition. It assessed the registration and reregistration of courses on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) and established a regulator-provider forum with English Australia which considers issues relating to the regulation of providers delivering to overseas students. ASQA removed the requirement for applicants to submit a course concept proposal from 1 July 2012. It commenced planning for targeted regulatory activity focused on the aged care training sector in 2012–13.

1.30 ASQA had an operating surplus of $5.9 million (22 per cent of departmental revenue). It received an award for the functionality of its website.

8 Australian Research Council, *Annual Report 2011–12*, p. 117.

Commonwealth Scientific and Industrial Research Organisation [includes Science and Industry Endowment Fund] – annual report 2011–12

Reporting requirements

1.31 The committee considers that CSIRO has met its reporting requirements under the Acts.

1.32 The compliance index does not include a reference to page numbers to identify where relevant information can be found in the report. This should be rectified in future reports.

1.33 The report does not contain a reference to the organisation's ethics policy, which is a requirement under the CAC Act.

1.34 The annual report does not mention CSIRO's appearance at Senate estimates or the regular examination of its annual report 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.

Operational matters

1.35 In 2012 it was announced that the $2.5 billion SKA radio telescope would be deployed in Australia, New Zealand and South Africa, making it the world's largest radio telescope. Australia's SKA Pathfinder is on track to be operational next year, as is the Pawsey Supercomputer.

1.36 CSIRO released the State of the Climate 2012 report, which provides observations of Australia's climate and an analysis of contributing climactic factors.

1.37 CSIRO reported a surplus for 2011-12 of $200.5 million, largely attributable to the WLAN licensing agreements. The CSIRO wireless local area network (WLAN) team won the European Patent Office Non-European Inventor Award for 2012.

Department of Industry, Innovation, Science, Research and Tertiary Education [includes IP Australia] – annual report 2011–12

Reporting requirements

1.38 The committee considers that the Department and IP Australia have met their reporting requirements under the Acts.

1.39 For future annual reports, the committee proposes the introduction of a snapshot of key achievements and highlights in the reporting year.

1.40 The committee suggests that the Department make a reference to its annual report being scrutinised by this committee in future annual reports, to be incorporated in the section on external scrutiny.

1.41 The Department's report includes corrections to the previous annual report.[9]

Operational matters

1.42 The changes in the machinery of government announced on 12 December 2011 transferred the tertiary education and skills functions from the Department of Education, Employment and Workplace Relations to the former Department of Innovation, Industry, Science and Research (DIISR), which presented the Department with a series of adjustments in logistical and human resources areas.

1.43 The Department received an unqualified audit report on its financial statements. However, the ANAO report noted:

> Note 28 *Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund* discloses information on the Department of Industry, Innovation, Science, Research and Tertiary Education's review of its exposure to risks of not complying with statutory conditions on payments from special appropriations and special accounts. Non-compliance with statutory conditions may lead to a contravention of section 83 of the *Constitution*, which requires that no money shall be drawn from the Treasury of the Commonwealth except under an appropriation made by law.
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> As disclosed in Note 28, debts raised totalling $43,272,172 under the *Social Security (Administration) Act 1999* have been identified in 2011-12 as potential breaches of section 83 of the Constitution.[10]

Skills Australia– annual report 2011–12

Reporting requirements

1.44 The committee considers that Skills Australia has met its reporting requirements under the Act.

1.45 The letter of transmittal lacks a full date. The letter should be dated in full, on the day the signatory approves the final text of the report for printing.

1.46 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. This information could be added to future annual reports for the purpose of external scrutiny and accountability. The report does, however, refer to submissions made to parliamentary inquiries, including one conducted by this committee.

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9 Department of Industry, Innovation, Science, Research and Tertiary Education, *Annual Report 2011–12*, p. 109.

10 Department of Industry, Innovation, Science, Research and Tertiary Education, *Annual Report 2011–12*, p. 117.

Operational matters

1.47 Skills Australia transitioned to Australian Workforce and Productivity Agency (AWPA) on 1 July 2012, which makes this its last annual report presented under the former name, and the first one to include the work of AWPA. One of the key roles under its expanded array of functions is to administer a new National Workforce Development Fund to train current and prospective workers in cooperation with businesses.

Tertiary Education Quality and Standards Agency– annual report 2011–12

Reporting requirements

1.48 The committee considers that TEQSA has met its reporting requirements under the Acts.

1.49 The committee considers that allowances for some aspects of this year's reporting need to be made as the agency is new. In what is its first annual report, TEQSA noted that it will implement a client service charter, and do further work on the website in 2012–13. Likewise, actual performance against KPIs will become more evident as the work of the agency progresses. The agency was unable to provide numeric data on its environmental performance for this year due to its relocation and shared leasing arrangements with other agencies at its previous location.

1.50 The annual report does not mention TEQSA's appearance at Senate estimates. This information would be a useful addition to the report for the purpose of external scrutiny and accountability.

Operational matters

1.51 This was TEQSA's first year of operations as Australia's first national regulator of the higher education sector. It commenced in a quality assurance capacity on 29 July 2011 before assuming full regulatory functions on 29 January 2012.

1.52 Among other achievements, TEQSA released the National Register of Higher Education Providers; and its Regulatory Risk Framework; and negotiated the transition of business from state and territory governments.

Reports under the Resources, Energy and Tourism portfolio

Australian Solar Institute – annual report 2011–12

Reporting requirements

1.53 The committee considers that the ASI has met its reporting requirements under the Acts.

1.54 The section of the report relating to external scrutiny and the reports issued on the operations of the ASI does not mention the ASI's appearance at Senate estimates or its annual report being reviewed by this committee.[11]

1.55 This was the last annual report of the ASI.

Operational matters

1.56 This was the second full financial year of operations for the company, during which it invested in innovative solar research and development, skills and capacity building across the solar industry.

1.57 In June 2011, the government announced that the ASI would be merged into a new and larger government-owned organisation, the Australian Renewable Energy Agency (ARENA). The transition of ASI to ARENA was to be completed by 1 January 2013, and the ASI would be deregistered by 30 June 2013. The ASI programs would be preserved under the larger umbrella of the new agency. The ASI's activities in this year focused on implementing a smooth transition of its operations into ARENA.

1.58 The ASI recorded an operating surplus of over $23 million for this year.

Department of Resources, Energy and Tourism [includes Geoscience Australia] – annual report 2011–12

Reporting requirements

1.59 The committee considers that DRET and Geoscience Australia have met their reporting requirements under the Acts.

1.60 The two glossaries in the report are actually only lists of abbreviations and should therefore either be renamed or expanded to include definitions of any specific terminology used.[12]

1.61 The committee suggests that the Department and Geoscience Australia add a reference to their annual reports being scrutinised by this committee in future annual reports, to be incorporated in the section on external scrutiny.

1.62 The section of the report referring to the Department's service charter does not include complaints data.[13]

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11 Australian Solar Institute, *Annual Report 2011–12*, p. 48.

12 Department of Resources, Energy and Tourism, *Annual Report 2011–12*, pp 304–305 and 497.

13 Department of Resources, Energy and Tourism, *Annual Report 2011–12*, p. 104.

Operational matters

1.63 Two new units within the Department were established and commenced operations on 1 July 2011: the Office of Spatial Policy (OSP) and the Bureau of Resources and Energy Economics (BREE). The committee also notes a changed program structure for the Department.[14]

1.64 The government released its report of the Strategic review of Geoscience Australia in May 2011, in which it made 11 recommendations that Geoscience Australia worked to address during the year. This included undertaking a review of the current policy and legislative arrangements for the release of offshore acreage, preparing a funding submission and a new strategic plan, reviewing the KPI framework, and establishing the Office of Spatial Policy.

National Offshore Petroleum Safety and Environmental Management Authority – annual report 2011–12

Reporting requirements

1.65 The committee considers that NOPSEMA has met its reporting requirements under the Acts.

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

Operational matters

1.67 NOPSEMA is an independent national regulator of health and safety, well integrity and environmental management in Commonwealth waters and designated coastal waters where a state/territory has conferred its regulatory functions.

1.68 The agency went through substantive legislative regime changes during the reporting period and transitioned from NOPSA to NOPSEMA on 1 January 2012. The restructure incorporated the regulatory and business functions of the former NOPSA, in addition to new functions and responsibilities for environmental management regulation. There was a transfer of responsibility for regulatory oversight of environment plans and oil spill contingency plans from the previous state and territory designated authorities to NOPSEMA.

1.69 NOPSEMA delivered its target of 31 topic-based safety inspections across a range of facilities this year. There were 79 environmental management incidents reported to NOPSEMA during the reporting period. Well levies were collected for the first time, and an environment plan levy was introduced from 1 January 2012 to enable NOPSEMA to fund its new function of environmental management through

14 Department of Resources, Energy and Tourism, *Annual Report 2011–12*, p. 124.

cost recovery. NOPSEMA also commenced work on a comprehensive stakeholder relations framework.

1.70 NOPSEMA reported one serious OHS incident, and one worker's compensation claim for this financial year, but noted that there was a downward trend in injury frequency, with no work-related fatalities reported.

Tourism Australia – annual report 2011–12

Reporting requirements

1.71 The committee considers that Tourism Australia has partially met its reporting requirements under the Acts.

1.72 The report contains a PM&C list of requirements, but not a CAC Act compliance index, which differs from the PM&C index.

1.73 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.

1.74 The report does not contain a reference to any ministerial directions, which is a requirement under the Commonwealth Authorities (Annual Reporting) Orders.

1.75 The section on contracts and consultancies refers to ongoing contracts and their value, but does not specify whether there were any new contracts.[15]

1.76 The report should contain information on staffing and remuneration levels.

1.77 The report should contain a reference to the agency's ethics policy.

Operational matters

1.78 This year Tourism Australia focused on improving information and standards by promoting the T-QUAL accreditation program. It launched a *There's nothing like Australia for Business Events* global marketing campaign and website. Tourism Australia also unveiled its India 2020 strategic plan to secure a greater share of this growing market.

15 Tourism Australia, *Annual Report 2011–12*, p. 61.

Reports under the Treasury portfolio

Auditing and Assurance Standards Board – annual report 2011–12

Reporting requirements

1.79 The committee considers that the AUASB has broadly met its reporting requirements under the Acts. Although the annual report is clearly ordered, some improvement is needed as to the quality of content. Recommendations set out in the paragraphs below should be implemented in the production of future annual reports.

1.80 As prescribed by the ASIC Act, the report also covers the operations of the Office of the Auditing and Assurance Standards Board, which provides technical and administrative support and advice to the AUASB.

1.81 The Human Resources management section[16] should include staff classification levels and salary ranges for each level, as per PM&C requirements which AUASB is to follow as an agency under the FMA Act.

1.82 It would be desirable for the part of the report referring to external scrutiny[17] to note that AUASB annual reports are scrutinised by the Senate Economics Legislation Committee and the Parliamentary Joint Committee on Corporations and Financial Services.

1.83 The section on disability reporting should include a full statement covering information on the new National Disability Strategy, as per PM&C guidelines.[18]

1.84 The section on environmental performance[19] should include more information, for example how the agency's activities accorded with principles of ecologically sustainable development, and what measures were taken or are being taken to minimise impact on the environment.

1.85 A glossary explaining specific terms, such as 'comfort letter engagements',[20] which may not be familiar to readers, would be a useful addition to the report.

Operational matters

1.86 As a member of the International Auditing and Assurance Standards Board (IAASB), this financial year the AUASB participated in IAASB task forces with the aim of forming a single set of global auditing standards; worked with its New Zealand

16 Auditing and Assurance Standards Board, *Annual Report 2011–12*, p. 40.

17 Auditing and Assurance Standards Board, *Annual Report 2011–12*, p. 39.

18 Auditing and Assurance Standards Board, *Annual Report 2011–12*, p. 41.

19 Auditing and Assurance Standards Board, *Annual Report 2011–12*, p. 91.

20 Auditing and Assurance Standards Board, *Annual Report 2011–12*, pp 4, 8 and 10.

counterpart to better harmonise Australian and New Zealand auditing standards; and issued new standards and guidance to address specific local industry and regulatory requirements.

1.87 This annual report is also subject to review by the Parliamentary Joint Committee on Corporations and Financial Services (PJC) in its report on *Annual reports*.

Australian Accounting Standards Board – annual report 2011–12

Reporting requirements

1.88 The committee considers that the AASB has broadly met its reporting requirements under the Acts. The report is very similar to that of AUASB in layout and the structure of content and requires similar amendments.

1.89 As prescribed by the ASIC Act, the report also covers the operations of the Office of the Australian Accounting Standards Board, which provides technical and administrative services and advice to the AASB.

1.90 Although the report states that 'salaries and other entitlements of the technical and administrative employees are linked to relevant industry salary scales and entitlements',[21] the ranges of salaries and entitlements should be included in the report.

1.91 The Chairman's review states that 'the funding base of the AASB remains a concern', but does not offer any further insight or explanations.

1.92 The report lists one exempt contract and the reason for its exemption, however, it does not state the value of the contract,[22] which is a PM&C requirement.

1.93 The part of the report referring to external scrutiny[23] could in future note that AASB annual reports are scrutinised by the Senate Economics Legislation Committee and the Parliamentary Joint Committee on Corporations and Financial Services.

1.94 The section on disability reporting should include a full statement covering information on the new National Disability Strategy, as per PM&C guidelines.

1.95 The section on environmental performance[24] should include more information, for example how the agency's activities accorded with principles of ecologically sustainable development, and what measures were taken or are being taken to minimise impact on the environment.

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21 Australian Accounting Standards Board, *Annual Report 2011–12*, p. 44.

22 Australian Accounting Standards Board, *Annual Report 2011–12*, p. 44.

23 Australian Accounting Standards Board, *Annual Report 2011–12*, p. 42.

24 Australian Accounting Standards Board, *Annual Report 2011–12*, p. 94.

Operational matters

1.96 In 2011 the AASB Chairman became the Chair of the Asian-Oceanian Standard Setters Group. The report details the help provided to the AOSSG in its establishment as a body set to improve the input of the region to international accounting standard setting.

1.97 This annual report is also subject to review by the Parliamentary Joint Committee on Corporations and Financial Services (PJC) in its report on *Annual reports*.

Australian Bureau of Statistics – annual report 2011–12

Reporting requirements

1.98 The committee considers that the ABS has met its reporting requirements under the Acts.

1.99 The report does not contain a statement on whether the ABS has historically met each of its KPIs. This should be included in future reports.

1.100 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.[25] This information could be added to future annual reports for the purpose of external scrutiny and accountability. Other than this, the committee is satisfied with the range and quality of information presented in the report.

Operational matters

1.101 The ABS recorded notable success in the five-yearly Census of Population and Housing for 2011, with the participation rate of over 98%.

1.102 The ABS is engaging in the transformation of statistical information management and has undertaken an organisational restructure to refine the ways of data acquisition, to modernise the communication of statistical information and to better assist other agencies to manage their own information with statistical potential. The ABS developed a framework to identify the essential statistical assets regardless of which organisations produce them. Data integration continues to be a priority for the ABS.

25 Australian Bureau of Statistics, *Annual Report 2011–12*, p. 140.

Australian Competition and Consumer Commission and the Australian Energy Regulator – annual report 2011–12

Reporting requirements

1.103 The committee considers that the ACCC and AER have met their reporting requirements under the Acts and compliments them on a well-structured report.

1.104 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.[26]

1.105 It would be preferable to include data on energy performance or any other numerical data under the section on environmental performance in the report.[27]

1.106 The annual report includes two corrections to the 2010–11 report.

Operational matters

1.107 This year the ACCC undertook a strategic review of its enforcement and compliance priorities. It also undertook proceedings against large corporations such as Apple, Google and Harvey Norman, and worked to ensure competitive conduct in the supermarket sector. It held inquiries into the retail fuel market, including what is known as 'shopper docket' discounting for petrol. It pursued a number of international airlines for cartel conduct relating to the carriage of air freight.

1.108 AER is part of the ACCC and regulates the national energy market.

Australian Office of Financial Management – annual report 2011–12

Reporting requirements

1.109 The committee considers that the AOFM has met its reporting requirements under the Acts.

1.110 The section of the report on ecologically sustainable development (ESD) states that environmental impact is published in the Treasury's annual report. It would be desirable, however, to include in the AOFM report some information on how its activities accorded with principles of ESD and what measures were taken to minimise impact on the environment.[28]

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26 Australian Competition and Consumer Commission, *Annual Report 2011–12*, p. 133.

27 Australian Competition and Consumer Commission, *Annual Report 2011–12*, pp 189 and 271–272.

28 Australian Office of Financial Management, *Annual Report 2011–12*, p. 156.

1.111 The report does not contain a statement on whether the AOFM has historically met each of its KPIs.

1.112 The report contains no reference to the agency's appearance at Senate estimates or this committee's reviews of AOFM's annual reports. This information could be added to future annual reports for the purpose of external scrutiny and accountability.

Operational matters

1.113 The AOFM is responsible for the management of Australian government debt, cash balances and investment in financial assets. This financial year a strong demand for Commonwealth Government Securities (CGS) continued, with CGS outperforming other Australian dollar denominated debt securities.

1.114 The AOFM recorded an operating surplus on agency activities of $3.14 million, largely due to lower than expected costs of undertaking additional issuance activity in response to the GFC.

1.115 A review of the operation of the AOFM's risk and internal control environment was conducted, and an internal audit plan approved.

Australian Reinsurance Pool Corporation – annual report 2011–12

Reporting requirements

1.116 The committee considers that the ARPC has met its reporting requirements under the CAC Act.

1.117 The report doesn't contain a glossary, which would be useful to provide definitions of specific terminology used, such as 'retrocession' and 'cedant reviews'.

1.118 As an observation, the reference page for the compliance index in the index itself is erroneous.[29]

Operational matters

1.119 During the year the Minister issued a new direction to ARPC in respect of payments to be made by ARPC to the Commonwealth over the next four years.[30].

1.120 The ARPC's aim is to insulate both the economy and the Commonwealth from the financial effect of a terrorist event. In 2012 the ARPC provided the Commonwealth with a buffer of $2.76 billion before it would be called upon to meet a claim.

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29 Australian Reinsurance Pool Corporation, *Annual Report 2011–12*, p. 115.

30 Australian Reinsurance Pool Corporation, *Annual Report 2011–12*, pp 33 and 45.

Australian Securities and Investments Commission– annual report 2011–12

Reporting requirements

1.121 The committee considers that ASIC has met its reporting requirements under the Acts.

1.122 The report refers to ANAO recommendations, but does not specify what the recommendations were.

Operational matters

1.123 This year, amongst its other regulatory activities, ASIC aligned its corporate structure into three clusters to better reflect their priorities: Investors and Financial Consumers; Markets; and Registry and Licensing. ASIC has also established an Emerging Risk Committee to analyse and mitigate potential risks for markets and consumers. It launched the national Business Names Register in May 2012 to replace the eight previous state and territory services.

Australian Statistics Advisory Council – annual report 2011–12

Reporting requirements

1.124 The committee considers that ASAC has met its reporting requirements under the ABS Act.

1.125 The report should include an explicit statement noting what advice was provided to the Minister in the reporting year.

1.126 The section on FOI procedures should include a statement on the new National Disability Strategy,[31] as per PM&C guidelines.

Operational matters

1.127 ASAC provides advice to the Minister and the Australian Statistician in relation to the collection and dissemination of official statistics provided for public purposes. It supports the activities of the Australian Bureau of Statistics from which it receives secretariat services. Its operational costs are met from within the ABS budget.

Australian Taxation Office – annual report 2011–12

Reporting requirements

1.128 The committee considers that the ATO has met its reporting requirements under the Acts. The report is comprehensive and informative, and also includes information on the operations of the Australian Valuation Office, ATO's only

31 Australian Statistics Advisory Council, *Annual Report 2011–12*, p. 16.

commercial business line providing independent valuation services to government organisations.

1.129 The report includes corrections to annual reports from the previous year.[32] The corrections are considerable and relate to a number of matters, including whistleblowing reports, the research and development tax offset, first home saver accounts, lost and unclaimed superannuation money, and consultancy services.

Operational matters

1.130 The report relates to the administration of the wide range of laws entrusted to the ATO, including revenue laws, the Australian Business Register, and aspects of superannuation. There has been a 10.3% increase in the net tax collections from the previous year, largely from pay as you go withholding and company tax. There was a $4.2 billion increase in tax refunds. The ATO noted in the annual report that the complexity of the income taxation law remains a concern.

1.131 The ATO undertook a broad range of activities to support the Stronger Super reform agenda. This year there was a decrease in the number and value of lost and unclaimed accounts for the first time. Other highlights include the implementation of a new *Progress of return* enquiry tool enabling taxpayers to check on the progress of their tax return online; an enhancement of the *SuperSeeker* tool allowing people to see information on their superannuation accounts and lost superannuation; the implementation of the *Compliance program 2011–12*; the publishing of *Your Case Matters 2012*, showing data and analysis about tax and superannuation litigation; the launch of a *Tax Practitioner Action Plan 2011–15*; the publication of small business benchmarks in Reporting Correctly; and additional guidelines issued for taxpayers and their advisers.

1.132 The ATO received 41% more objections and reviews this year, and completed almost 600,000 audits and reviews resulting in adjustments. Most taxpayer objections related to income tax assessments. The ATO completed 271 criminal investigations for serious tax fraud related offences. 24% of 295 allegations of fraud or serious misconduct by ATO employees were substantiated after investigation, of which 68% related to unauthorised access to taxpayer records, a 45% increase from last year.

1.133 The Australian National Audit Office noted the following in their report on the ATO's legal and regulatory requirements:

> Note 24F *Compliance with statutory conditions for payments from the Consolidated Revenue Fund* discloses information on the Australian Taxation Office's review of its exposure to risks of not complying with statutory conditions on payments from special appropriation and special accounts. Non-compliance with statutory conditions may lead to a contravention of section 83 of *The Constitution*, which requires that no

32 Australian Taxation Office, *Annual Report 2011–12*, pp 194–196.

> money shall be drawn from the Treasury of the Commonwealth except under an appropriation made by law.
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> As also disclosed in Note 24F, payments totalling $4.9 million were made in 2011–12 which were not fully supported by section 16 of the *Taxation Administration Act 1953*, and thus were in breach of section 83 of the Constitution.[33]

Companies Auditors and Liquidators Disciplinary Board – annual report 2011–12

Reporting requirements

1.134 The committee considers that CALDB has met its reporting requirements under the ASIC Act, but suggests that more content be added to future annual reports.

1.135 The report does not have a table of contents. It contains no reference to work health and safety, or environmental matters. In addition, under the Freedom of Information section of the report, it should indicate where FOI requests can be submitted.

1.136 Although the report states that 'Members of the Board are remunerated in accordance with rates determined by the Commonwealth Remuneration Tribunal',[34] the information on salary ranges and benefits should be included in the report for the purpose of transparency and accountability.

Operational matters

1.137 The role of the Board is to consider applications for the cancellation or suspension of the registration of registered auditors or liquidators under the provisions of the Corporations Act. At the beginning of the financial year, there were three extant applications before the Board, two of which were conduct matters that were later withdrawn. The Board gazetted its decision in the case of one application, an administrative matter. Only one new application, an administrative matter, was received in the reporting year.

1.138 The annual report notes the government's discussion paper from December 2011 which suggests that disciplinary matters involving registered liquidators would be removed from the Board's jurisdiction.[35]

1.139 This annual report may also be subject to review by the Parliamentary Joint Committee on Corporations and Financial Services (PJC) in its report on *Annual reports*.

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33 Australian Taxation Office, *Annual Report 2011–12*, p. 199.

34 Companies Auditors and Liquidators Disciplinary Board, *Annual Report 2011–12*, p. 11.

35 Companies Auditors and Liquidators Disciplinary Board, *Annual Report 2011–12*, p. 1.

Commonwealth Grants Commission – annual report 2011–12

Reporting requirements

1.140 The committee considers that the agency has partially met its reporting requirements under the Acts.

1.141 The committee notes that the annual report does not contain a compliance index, which is a mandatory requirement for this reporting year for agencies under the FMA Act. Attention should be paid that this is corrected in future annual reports.

1.142 The report does not include a reference to disability reporting mechanisms, or a statement noting where agency level information can be found.

1.143 The report does not include a table showing expenditure on consultancy contracts over the three most recent financial years, which was suggested in the PM&C requirements. It does, however, include mandatory information for 2011–12.

1.144 The report contains a brief description of the Commission's assets, but not an assessment of their effectiveness, as suggested in the PM&C guidelines.

1.145 It is noted that in addition to a number of lump sum bonus payments to employees, one retention bonus payment of $3000 was made. For the purpose of transparency, it would be useful to provide more information on the circumstances, including any reasons for such a payment to be made.

Operational matters

1.146 The Commission's main activity this year was the presentation of the *Report on GST Revenue Sharing Relativities 2012 Update*, with recommendations on how the GST should be shared among the states and territories adopted by the Treasurer.

Corporations and Markets Advisory Committee – annual report 2011–12

Reporting requirements

1.147 The committee considers that CAMAC has met its reporting requirements under the Acts.

1.148 Staff classification levels and salary range could be presented in the body of the report under the Human Resources Management section, rather than only in the financial statements.

1.149 It would be advisable for the part of the report referring to external scrutiny to note that CAMAC annual reports are scrutinised by the Senate Economics Legislation Committee and the Parliamentary Joint Committee on Corporations and Financial Services.

Operational matters

1.150 CAMAC undertakes reviews and reports on matters relating to corporations regulation and financial products, services and markets; and responds to ministerial requests for advice..

1.151 CAMAC noted that in financial year 2012–13 it would consider proposals for improving the operation of managed investment provisions in Chapter 5C of the *Corporations Act 2001* in a subsequent review, as these were not examined in this year's report.

1.152 This annual report is also subject to review by the Parliamentary Joint Committee on Corporations and Financial Services (PJC) in its report on *Annual reports*.

Department of the Treasury – annual report 2011–12

Reporting requirements

1.153 The committee considers that the Treasury has met its reporting requirements under the Acts and commends it for a well-structured report.

1.154 The committee suggests that Treasury add a reference to its annual report being scrutinised by this committee in future annual reports, to be incorporated in the section on external scrutiny.

Operational matters

1.155 The Treasury received an unqualified audit report on its financial statements. However, the ANAO noted:

> Note 29 *Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund* discloses information on the Department of Treasury's review of its exposure to risks of not complying with statutory conditions on payments from special appropriations and special accounts. Non-compliance with statutory conditions may lead to a contravention of section 83 of the *Constitution*, which requires that no money shall be drawn from the Treasury of the Commonwealth except under an appropriation made by law.
>
> As disclosed in Note 29, three groups of payments were made in 2011-12 potentially in breach of section 83 of the Constitution, totalling $4,320,123, in respect of which the Department of the Treasury is seeking legal advice as at the date of this report.[36]

36 Department of the Treasury, *Annual Report 2011–12*, p. 152.

1.156 The committee would like to express its appreciation to the Treasury for regularly appearing at estimates and contributing to three committee inquiries in 2011–12, as well as to other parliamentary inquiries.

Financial Reporting Council – annual report 2011–12

Reporting requirements

1.157 The committee considers that the Council has met its reporting requirements under the ASIC Act.

1.158 Although the annual report states that FRC expenditures are reported in Treasury's annual financial statements,[37] it would be advisable that the report contain an assessment of success and financial performance against FRC objectives. For the purpose of transparency and accountability, it would also be desirable to include the range of the members' remuneration.

Operational matters

1.159 The FRC oversees the effectiveness of the financial reporting framework in Australia, and most notably the accounting and auditing standards setting processes. This was Ms Lynn Wood's first year in the role of FRC Chairperson.

Financial Reporting Panel – annual report 2011–12

Reporting requirements

1.160 The committee considers that the Panel has met its reporting requirements under the Acts.

1.161 The report contains a compliance index and generally follows the PM&C requirements. The report gives a very basic overview, explaining that most information relating to management and financial performance of the Panel is incorporated in Treasury's annual report.

1.162 The FOI section should contain an Information Publication Scheme statement. The section notes that one FOI request was received in this operating year, but does not state whether it was granted.[38]

1.163 Information on external scrutiny[39] could contain a reference to this committee's examination of the Panel's annual report.

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37 Financial Reporting Council, *Annual Report 2011–12*, p. 36.

38 Financial Reporting Panel, *Annual Report 2011–12*, pp 14–16.

39 Financial Reporting Panel, *Annual Report 2011–12*, p. 12.

Operational matters

1.164 The Panel's function is to resolve disputes between ASIC and a company, disclosing entity or a registered scheme over the application of accounting standards in its financial reports. The government confirmed the closure of the FRP due to lower than expected referral rates. Since commencing operation in 2006, the Panel had been referred only five matters. No matters were received in 2011–12. On 21 June 2012 legislation to effect the closure was introduced into Parliament. On 23 August 2012, the Corporations Legislation Amendment (Financial Reporting Panel) Bill 2012 was passed in the Senate. The legislation disbanded the Financial Reporting Panel by repealing its functions and powers effective as of 1 October 2012.

Inspector-General of Taxation – annual report 2011–12

Reporting requirements

1.165 The committee considers that the IGT has broadly met its reporting requirements under the Acts.

1.166 The report contains a statement on ongoing consultancies, but does not refer to any new consultancies. If there were no new consultancies in this year, the report should note this. The section also lacks a statement on consultancy contracts over the three most recent years.

1.167 The report should note whether the IGT gives performance pay to its employees, and if so, the number of employees at each level who receive it, the aggregated amount at each level, and the average bonus payment at each level.

1.168 The section on disability reporting lacks the NDIS statement recommended for inclusion by the PM&C guidelines.

1.169 The report should note that the IGT appears at estimates and that its annual report is scrutinised by this committee.

Operational matters

1.170 The IGT's key role is to review systemic tax administration issues and report to the government. In this reporting year, the IGT conducted a review into the ATO's approach to alternative dispute resolution, and small and medium enterprise (SME) active compliance activities. It also conducted a review into the ATO's large business risk review and audit policies, procedures and practices.

National Competition Council – annual report 2011–12

Reporting requirements

1.171 The committee considers that the NCC has met its reporting requirements under the Acts.

1.172 In the section on external scrutiny, it would be advisable to note that the NCC annual report is scrutinised by this committee.

Operational matters

1.173 The role of the NCC is to make recommendations concerning access to infrastructure services under the National Access Regime and recommendations and decisions under the National Gas Law.

Productivity Commission – annual report 2011–12

Reporting requirements

1.174 The committee considers that the Productivity Commission has met its reporting requirements under the Acts.

1.175 The committee would suggest that, rather than readers being advised to refer to the Commission's online Enterprise Agreement to view salary ranges by classification, these details should be included in the body of the report.

Operational matters

1.176 The report opens with an overview of the changes in the economic structure and its adaptability, with the main factors being the mining boom, the labour market and a structural change in the services sector.

1.177 The report contains references to the Commission's inquiry, research, advisory and other associated activities. Some of the topics that the Commission looked at include disability care and support, urban water, the retail industry, the economic regulation of airport services, the impacts and benefits of COAG reforms, climate change adaptation, electricity network regulation, default superannuation, and the compulsory licensing of patents.

1.178 The Australian Government Competitive Neutrality Complaints Office (AGCNCO) as an autonomous office within the Commission received four formal complaints in 2011–12, one of which was formally investigated.

Reserve Bank of Australia – annual report 2011–12

Reporting requirements

1.179 The committee considers that the RBA has met its reporting requirements under the CAC Act.

1.180 The FOI section of the report does not include a reference to the Information Publication Scheme. This should be included in future annual reports.[40]

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40 Reserve Bank of Australia, *Annual Report 2011–12*, p. 66.

Operational matters

1.181 The RBA sponsors Australian and international economic research. One of its responsibilities is to ensure that there are sufficient high-quality banknotes in circulation to meet public demand. Demand for banknotes has been growing strongly in recent years, and the level of counterfeiting declined substantially from the previous year. A subsidiary of the RBA, Note Printing Australia, and Securency International Pty Ltd were charged in 2011 with conspiring to bribe public officials in a number of countries between 1999 and 2004. The Bank noted that it continues to explore divestment of its interest in Securency.

1.182 In March 2012, the RBA signed a bilateral local currency swap agreement with the people's Bank of China. As part of this, it opened an office in Beijing.

1.183 As noted in Chapter 1, this annual report was subject to some comments made by Senator Mitch Fifield in the Senate on 27 February 2013.

Royal Australian Mint – annual report 2011–12

Reporting requirements

1.184 The committee considers that the Mint has broadly met its reporting requirements under the Acts.

1.185 References to the realisation of key performance indicators for financial year 2011–12 are made throughout the report, except for one KPI where the success in meeting the targets for timeliness of numismatic orders produced and delivered is not elaborated on or quantified. In addition, although performance information includes sufficient references for the current financial year, there is no statement noting if the agency has historically met each KPI. PM&C requirements for annual reports suggest that performance against KPIs over three years be provided.

1.186 The Mint is an agency which has a service charter in place. While the report contains a general reference to the agency's services, complaints and responses, it does not contain complaints data.

1.187 The report does not include a table showing expenditure on consultancy contracts over the three most recent financial years, which was suggested in the PM&C guidelines. It does, however, include mandatory information for the financial year being examined.

1.188 The report lists the contracts exempt from AusTender, but does not state their value, which is a PM&C requirement.

1.189 Information on work health and safety, as well as environmental reporting is well-presented in this annual report.

Operational matters

1.190 The Mint documented two significant outcomes this year: the successful implementation of a new circulating coin supply chain model developed with commercial banks; and "better than expected" revenue from commercial activities despite the global financial downturn. It achieved an operating surplus of $6.113 million. Global interest in the Mint's products has seen international partnerships being developed which enables new target markets being reached.

1.191 In 2011–12 the Mint supplied four Pacific Island countries with new circulating coins and had three coin reform programs underway.

1.192 The Mint was a finalist in the Comcare Work Health and Safety Awards, and received two awards at the 2011 Canberra and Capital Region Tourism Awards.

1.193 The Mint has made efforts to improve efficiency in manufacturing and capacity with the purchase of new equipment and software. The annual report states that consolidating the growth achieved in this financial year is a strategic focus in 2012–13, together with addressing system and process issues that lead to waste and inefficiency; and developing new products.

Superannuation Complaints Tribunal – annual report 2011–12

Reporting requirements

1.194 The committee considers that the Tribunal has met its reporting requirements under the *Superannuation (Resolution of Complaints) Act 1993*, and commends it for including a PM&C compliance index even though it is not bound to observe PM&C requirements.

1.195 The part referring to external scrutiny could state that this committee examines and reports on the Tribunal's annual report.

1.196 Employees' salary and performance pay scales could be included in the report for the purpose of greater transparency.

1.197 The part on the FOI requests mentions that 12 were received in the financial year, but not how many were granted or refused.

1.198 The report offers an interesting insight into the history of superannuation.[41]

Operational matters

1.199 This operating year the Tribunal undertook a major project to re-engineer its complaints resolution process. The number of superannuation-related complaints

41 Superannuation Complaints Tribunal, *Annual Report 2011–12*, pp xii–xv.

received increased by 6.5% during the year to 2,619, the majority of which related to administration of superannuation. Two matters were referred to ASIC.

Takeovers Panel – annual report 2011–12

Reporting requirements

1.200 The committee considers that the Panel has met its reporting requirements under the Acts, and commends it for including a compliance index in its report.

1.201 The report notes that the Panel 'has adopted Treasury's policies and procedures in relation to the Commonwealth disability strategies',[42] however, it would be useful to include a statement in the Panel's report as to what those policies entail.

Operational matters

1.202 The primary objective of the Panel is 'to improve certainty, efficiency and fairness of Australia's takeovers market.'[43] Its principal work is around deciding applications for declarations of unacceptable circumstances, and making orders to remedy them. The annual report states that this reporting year the Panel received the least number of applications since 2000 – 16 compared to an average of 30.

1.203 The Panel was subject to two judicial reviews during the reporting period: in the case of CMI Limited, and Bentley Capital Limited. Both have been resolved.

Tax Practitioners Board – annual report 2011–12

Reporting requirements

1.204 The committee considers that the Tax Practitioners Board has met its requirements under the *Tax Agent Services Act 2009* (TASA) and commends it for a well-structured report, and in particular for including a compliance index even though the TPB is not covered by the FMA or CAC Acts.

1.205 The report states that the TPB is implementing improvements to their complaint management processes, as identified with the Ombudsman.

1.206 The Board's resources are provided by the ATO and its financial operations reported as part of the ATO's financial statements. Although the report states that information on remuneration, performance pay and health and safety[44] is covered in the ATO's annual report, it would be helpful to include some aspects of this information in the Board's annual report.

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42 Takeovers Panel, *Annual Report 2011–12*, p. 31.

43 Takeovers Panel, *Annual Report 2011–12*, p. 21.

44 Tax Practitioners Board, *Annual Report 2011–12*, p. 64.

Operational matters

1.207 This was the Board's second operating year. It received 22,366 agent applications for registration, of which it finalised 18,786. It received and resolved almost 1,300 complaints about tax practitioners and unregistered agents, terminated the registration of seven agents, and commenced its first civil penalties actions under the TASA, of which one culminated in the Federal Court's imposing a $30,000 penalty on an unregistered agent for preparing tax returns for a fee.

Senator Mark Bishop
Chair