

# Chapter 1

## Introduction

1.1 The Senate Community Affairs Legislation Committee (committee) is responsible for examining the annual reports of departments and agencies of the Health Portfolio, Social Services Portfolio and Human Services Portfolio.<sup>1</sup>

1.2 The committee's first report on annual reports for 2018 presents an overview of the examination of annual reports presented to the Parliament between 1 May 2017 and 31 October 2017.

1.3 Commonwealth entities (corporate and non-corporate) and Commonwealth companies are obligated to report to the Parliament, and through the Parliament to the Australian public, on their obligations and performance in support of executive government.<sup>2</sup> The committee views the annual reporting process as an important administrative function to support the transparency and accountability of executive governments' operations.

### Terms of reference

1.4 Under Senate Standing Order 25(20) the annual reports of certain departments and agencies stand referred to committees for examination and assessment. Each committee is required to:

- (a) examine each annual report referred to it and report to the Senate whether the report is apparently satisfactory;
- (b) consider in more detail, and report to the Senate on each annual report which is not apparently satisfactory, and on the other reports which it selects for more detailed consideration;
- (c) investigate and report to the Senate on any lateness in the presentation of annual reports;
- (d) in considering an annual report, take into account any relevant remarks about the report made in debate in the Senate;
- (e) if the committee so determines, consider annual reports of departments and budget-related agencies in conjunction with examination of estimates;
- (f) 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;

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1 *Journals of the Senate*, No. 84—12 February 2018, p. 2668.

2 Department of Finance (DOF), *Resource management guide no. 130: Overview of the enhanced Commonwealth performance framework*, July 2016, p. 3.

- (g) draw to the attention of the Senate any significant matters relating to the operations and performance of the bodies furnishing the annual reports;
- (h) 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.<sup>3</sup>

### **Allocated portfolios and functions**

1.5 Pursuant to resolution of the Senate, the committee is allocated portfolio oversight of the Health Portfolio, Social Services Portfolio and Human Services Portfolio.<sup>4</sup>

1.6 The Commonwealth departments within those portfolios are the Department of Health (DOH), Department of Social Services (DSS) and Department of Human Services (DHS). The Schedule of the Administrative Arrangements Order (AAO) details the policy functions of those departments.<sup>5</sup>

1.7 On 20 December 2017, the AAO was amended in accordance with machinery of government changes. This amendment included the transfer of matters regarding multicultural affairs from DSS to the newly formed Department of Home Affairs.<sup>6</sup>

1.8 Information on the range of Commonwealth entities and companies within the committee's portfolio allocation is available on the Department of Finance's (DOF) website.<sup>7</sup>

### **Requirements and purpose of annual reports**

1.9 Annual reports are key documents under the enhanced Commonwealth performance framework established in accordance with paragraph 5(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).<sup>8</sup> The presentation of information regarding the performance of Commonwealth entities and companies, through annual reports prepared in accordance with the PGPA Act, makes a significant contribution to Australia's system of accountability for public resources.

#### *Requirements*

1.10 The *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) specifies the annual reporting requirements of Commonwealth entities and

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3 The Senate, *Standing Order and other orders of the Senate*, August 2015, SO 25(20).

4 *Journals of the Senate*, No. 2—31 August 2016, p. 75–76; *Journals of the Senate*, No. 84—12 February 2018, p. 2668.

5 The Administrative Arrangement Order is available online via the following web address: <https://www.legislation.gov.au/Details/C2018Q00002>.

6 Commonwealth of Australia, *Schedule: Amendments to the Administrative Arrangements Order*, 20 December 2017, pp. 4, 6.

7 Accessible via the following web address: <https://www.finance.gov.au/resource-management/governance/agor/>.

8 Department of Finance, *Resource Management Guide No. 130: Overview of the enhanced Commonwealth performance framework*, July 2016, pp. 3–5.

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companies. Resource management guides produced by DOF provide context to the annual reporting requirements for each of the reporting entity types: non-corporate Commonwealth entities;<sup>9</sup> corporate Commonwealth entities;<sup>10</sup> and Commonwealth companies.<sup>11</sup>

1.11 Commonwealth entities and companies were first required to present annual reports in accordance with the provisions of the PGPA Act for the 2015–16 period. Prior to the PGPA Act, annual reporting provisions were specified in the: *Financial Management and Accountability Act 1997*; *Commonwealth Authorities and Companies Act 1997*; *Commonwealth Authorities and Companies Regulations 1997*; and the *Corporations Act 2001*.

1.12 The committee's first report on annual reports for 2017 provided a detailed overview of the annual reporting requirements of the PGPA Act, the PGPA Rule and other key legislative requirements for annual reporting of Commonwealth bodies.<sup>12</sup> Since the committee tabled its previous report on annual reports, on 6 September 2017, there have been two minor administrative updates to the PGPA Rule.<sup>13</sup>

1.13 In summary, annual reports of Commonwealth entities and companies should:

- meet the requirements of the PGPA Act and the PGPA Rules;
- be in accordance with the reporting requirements of primary legislation;<sup>14</sup> and
- be compliant with guidelines relevant to the production of annual reports.

1.14 Annual reports stand referred to the committee for examination with respect to an 'apparently satisfactory' standard.<sup>15</sup> Whilst Senate standing orders do not define

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9 DOF, *Resource Management Guide No. 135: Annual reports for non-corporate Commonwealth entities*, May 2017.

10 DOF, *Resource Management Guide No. 136: Annual reports for corporate Commonwealth entities*, May 2017.

11 DOF, *Resource Management Guide No. 137: Annual reports for Commonwealth companies*, May 2017.

12 Senate Community Affairs Legislation Committee, *Annual reports (No. 1 of 2017)*, March 2017, pp. 2–7.

13 Note: on 12 September 2017, the PGPA Rule was amended in accordance with the Public Governance, Performance and Accountability Amendment (Government Business Enterprise) Rules 2017, to add WSA Co Limited to the list of Commonwealth companies defined as government business enterprises for the purpose of Section 8 of the PGPA Act. On 1 January 2018, the PGPA Rule was amended in accordance with Public Governance, Performance and Accountability Amendment (Procurement by Corporate Commonwealth Entities) Rules 2017, to add the National Digital Health Agency and the National Portrait Gallery of Australia to the list of Corporate Commonwealth entities for which the Finance Minister can make a written instruments about procurement under section 105B of the PGPA Act.

14 See, for example: section 311A of the *Commonwealth Electoral Act 1918*; section 516A of the *Environmental Protection and Biodiversity Conservation Act 1999*; and schedule 2, part 4 of the *Work Health and Safety Act 2011*.

15 The Senate, *Standing Order and other orders of the Senate*, August 2015, SO 25(20)(a).

apparently satisfactory, the committee generally considers this to mean being substantively in accordance with relevant legislation and guidelines.

### *Timeliness*

1.15 Commonwealth entities and companies are required to present annual reports to the relevant minister, in accordance with the timeframes provided in applicable legislation. The minister is then required to table the annual report in Parliament.<sup>16</sup>

1.16 The committee supports DOF's guidance to Commonwealth entities that it is best practice for ministers to table annual reports in Parliament no later than 31 October 2017.<sup>17</sup>

1.17 In considering the timeliness of presenting annual reports to Parliament, the committee notes the first date that an annual report was tabled in either house. If the Senate is out-of-session, the committee notes the date that a report was presented to the President, as the effect of this is considered equivalent to tabling the report.<sup>18</sup>

### *Purpose*

1.18 Annual reports include significant information regarding the operation and performance of Commonwealth entities and companies. The publication of annual reports is a principal opportunity for Commonwealth entities, companies, and executive governments to present information to Parliament and the broader public. Through the publication of information, the probity of the operations of executive governments is enhanced, and the management of the Commonwealth's extensive public resources is made more transparent.

1.19 Senate committees have systematically examined annual reports since 1989, following a report of the Senate Standing Committee on Finance and Public Administration which envisaged that committees' examination of annual reports would include consideration of substantive performance matters and not an exercise limited to legislative compliance.<sup>19</sup>

1.20 Annual reports are important documents that should be informative for members of Parliament and other interested persons, of a rigorous standard, and be presented in accordance with relevant legislation.

### **Reports examined**

1.21 This report considers 28 annual reports of Commonwealth entities and companies within the committee's portfolio oversight that were presented to Parliament between 1 May 2017 to 31 October 2017.

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16 Senate Community Affairs Legislation Committee, *Annual reports (No. 1 of 2017)*, pp. 4–5.

17 DOF, *Resource Management Guide No. 130: Overview of the enhance Commonwealth performance framework*, July 2016, p. 7.

18 Harry Evans and Rosemary Laing, eds, *Oggers' Australian Senate Practice*, 14<sup>th</sup> edition, Department of the Senate, 2015, p. 539.

19 Senate Standing Committee on Finance and Public Administration, *The Timeliness and Quality of Annual Reports*, June 1989, p. 41.

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1.22 The 2016–17 annual report of the Australian Digital Health Agency (ADHA) was first presented to Parliament in the Senate on 13 November 2017.<sup>20</sup> In accordance with Senate standing orders, ADHA's report will be examined in the committee's second report on annual report for 2018.<sup>21</sup>

1.23 A list of the annual reports of Commonwealth entities and companies referred to the committee for examination can be found at Appendix 1.

*Comments made in the Senate*

1.24 Pursuant to Senate Standing Order 25(20)(d), the committee is obliged to consider any relevant comments made about annual reports in the Senate.

1.25 The committee notes comments made by Senator Rachel Siewert, by leave of the Senate in the consideration of documents on 18 October 2017, in relation to the tabling of the 2016–17 annual report for Australian Hearing. Senator Siewert stated the importance of Australian Hearing's work, particularly in relation to addressing hearing conditions affecting Indigenous communities.<sup>22</sup>

**Report structure**

1.26 This report is structured in three chapters, as follows:

- Chapter 1—provides background information regarding the committee's examination of annual reports;
- Chapter 2—presents an overview of the committee's examination of annual reports of DOH, DSS and DHS; and
- Chapter 3—presents an overview of the committee's examination of certain annual reports of Commonwealth entities and companies.

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20 *Journals of the Senate*, No. 68—13 November 2017, p. 2166.

21 The Senate, *Standing Order and other orders of the Senate*, August 2015, SO 25(20)(f).

22 Senator Rachel Siewert, *Senate Hansard*, 18 October 2017, pp. 7936–7937.