

# Chapter 1

## Introduction

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

1.2 This report on annual reports (No. 1 of 2020) provides an overview of the committee's examination of annual reports presented to the Parliament between 1 May 2019 and 31 October 2019.

### Terms of reference

1.3 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;
- (g) draw to the attention of the Senate any significant matters relating to the operations and performance of the bodies furnishing the annual reports; and

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1 *Journals of the Senate*, No. 3, 4 July 2019, pp. 83–84; The Department of Human Services was renamed Services Australia as part of the Administrative Arrangement Order of 29 May 2019. See: Department of Prime Minister and Cabinet, Administrative Arrangements Order—29 May 2019, <https://www.pmc.gov.au/resource-centre/government/aao-29-may-2019> (accessed 4 February 2020).

- (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>2</sup>

### **Annual reporting requirements and purpose**

1.4 Annual reports are key documents under the Australian Government's performance framework for Commonwealth departments and agencies. Together with Portfolio Budget Statements (PBS), Portfolio Additional Estimates Statements (PAES) and the Estimates process, annual reports are the primary mechanisms for scrutiny of the operations of government. In reporting on their operations to the Parliament, Commonwealth entities are also reporting to the Australian public.<sup>3</sup>

#### ***Requirements***

1.5 The *Public Governance, Performance and Accountability Act 2013* (PGPA Act), which commenced on 1 July 2014, establishes a performance reporting framework for all Commonwealth entities and companies.

1.6 Annual reporting requirements of Commonwealth entities and companies are specified in the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule).

1.7 Guidelines for the production of annual reports are produced by the Department of Finance. These *Resource Management Guides* provide detailed information on the reporting obligations for the different types of Commonwealth entities: non-corporate Commonwealth entities; corporate Commonwealth entities; and Commonwealth companies.<sup>4</sup>

- 1.8 In summary, annual reports of Commonwealth entities and companies should:
- meet the requirements of the PGPA Act and the PGPA Rule;
  - be in accordance with the reporting requirements of primary legislation; and
  - be compliant with guidelines relevant to the production and presentation of annual reports.

1.9 The Senate refers annual reports to the committee for examination and report with respect to an 'apparently satisfactory' standard. The committee generally considers an annual report to be apparently satisfactory when the report is presented in accordance with relevant legislation and Australian Government guidelines, and presents information in a logical way that allows for a clear read between the entity's PBS, corporate plan and its annual report.

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2 The Senate, *Standing Orders and other orders of the Senate*, August 2018, SO 25(20).

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

4 Department of Finance, *List of Resource Management Guides (RMGs) —A-Z*, <https://www.finance.gov.au/publications/resource-management-guides> (accessed 4 February 2020).

## ***Purpose***

1.10 Information on the performance of Commonwealth entities provided in annual reports supports the accountability of Australia's executive government and the transparency of the allocation of public resources. 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.

1.11 Senate committees have systematically examined annual reports since 1989, following a report by the Senate Standing Committee on Finance and Public Administration.<sup>5</sup> The committee considers its examination of annual reports is important to ensure that annual reports include the relevant information for public accountability.

## **Allocated portfolios and functions**

1.12 As noted above, the committee is allocated portfolio oversight of the Health portfolio and Social Services portfolio, including Services Australia.

1.13 The lead agencies within the portfolios are the Department of Health, Department of Social Services and Services Australia.<sup>6</sup> Information on the range of Commonwealth entities and companies within the committee's portfolio allocation is available on the Department of Finance website.<sup>7</sup>

## **Reports referred to the committee**

1.14 Under Standing Order 25(20)(f), the committee is required to report on the annual reports of departments and agencies tabled by 31 October each year by the tenth sitting day of the following year. This year that date is 26 February 2020.

## ***Reports examined***

1.15 This report considers the annual reports of each portfolio department as well as selected other Commonwealth entities within the committee's portfolio oversight that were presented to Parliament between 1 May 2019 and 31 October 2019. This report also considers other documents referred to the committee up to 1 February 2020.

1.16 A list of the annual reports of Commonwealth entities and companies referred to the committee for examination, including the relevant tabling dates, can be found at Appendix 1. A list of other documents referred to the committee is at Appendix 2.

1.17 The committee notes that 2018–19 is the first annual reporting period for two entities under the committee's allocated portfolios: the Aged Care Quality and Safety

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

6 Note, the Administrative Arrangements Order details the policy functions of those departments and is available online at <https://www.legislation.gov.au/Details/C2019Q00007> (accessed 17 January 2020).

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

Commission, established on 1 January 2019; and the NDIS Quality and Safeguards Commission, which commenced operations on 1 July 2018.

1.18 The committee also notes that the Administrative Arrangement Order of 29 May 2019 saw the transfer of responsibility for whole of government service delivery from the Prime Minister and Cabinet portfolio to Services Australia; effectively transferring the Digital Transformation Agency into the committee's portfolio responsibilities.<sup>8</sup>

### ***Timeliness***

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

1.20 Commonwealth entities and companies are required to present annual reports to the responsible minister, in accordance with the timeframes set out in relevant legislation. The minister is then required to table the annual report in Parliament. The committee considers that where Senate Supplementary Budget Estimates hearings are scheduled to occur prior to 31 October, it is best practice for annual reports to be tabled prior to those hearings.<sup>9</sup>

1.21 The committee notes that all annual reports for 2018–19 were presented in Parliament in a timely manner, by 31 October 2019, and commends the departments and agencies discussed in this report for their timeliness.

1.22 The committee also notes that some annual reports, although tabled on time, were not available prior to the 2019–20 Supplementary Budget Estimates hearings on 23 and 24 October 2019. The committee commends those entities whose annual reports were presented to the Parliament prior to the hearings.

### **Senate Debate**

1.23 In accordance with Standing Order 25(20)(d) the committee is required to take into account any relevant remarks about the reports made during debate in the Senate. The committee notes that none of the annual reports examined in this report have been the subject of comment or debate in the Senate.

### **Non-reporting bodies**

1.24 Standing order 25(20)(h) requires that the committee inquire into, and report on any bodies which do not present annual reports to the Senate but should present such reports.

1.25 The committee makes no recommendations for any bodies not presenting an annual report to do so.

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8 Department of Prime Minister and Cabinet, Administrative Arrangements Order—29 May 2019, <https://www.pmc.gov.au/resource-centre/government/aao-29-may-2019> (accessed 4 February 2020).

9 Department of the Prime Minister and Cabinet, Requirements for Annual Reports, 25 June 2015, p. 2.

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**Apparently satisfactory**

1.26 Standing Order 25(20)(a) requires that the committee report to the Senate on whether the annual reports of departments and agencies in its portfolios are 'apparently satisfactory'. In making this assessment, the committee considers such aspects as timeliness of presentation and compliance with relevant reporting requirements.

1.27 The committee has examined all annual reports referred under the Health portfolio and Social Services portfolio, including Services Australia, during the reporting period and considers that they are apparently satisfactory.

**Report structure**

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

- Chapter 1—introduction;
- Chapter 2—examination of annual reports of lead portfolio departments; and
- Chapter 3—examination of annual reports of certain Commonwealth entities.

1.29 Annual reports and other documents tabled in the Senate after 1 February 2020 will be discussed in the committee's next report on annual reports.

