

## Chapter 2

### Review of selected reports

2.1 The committee provides the following comments on the annual reports of the two former departments from the portfolios referred to it, as well as reports from two agencies within each portfolio as follows:

- Department of Communications and the Arts;
- Australian Communications and Media Authority;
- National Portrait Gallery of Australia;
- Department of the Environment and Energy;
- Snowy Hydro Limited; and
- Sydney Harbour Federation Trust.

#### Communications and the Arts portfolio

##### *Department of Communications and the Arts*

2.2 The 2018-19 Annual Report of the former Department of Communications and the Arts was presented to the President of the Senate on 18 October 2019 and tabled in the Senate on 11 November 2019. The Secretary's review provided an overview of some of the department's activities in 2018-19, including:

- increased efforts to improve cyber-safety through the Keeping our Children Safe Online package and the department's co-chairing of the Taskforce to Combat Terrorist and Extreme Violent Material Online;
- the release of the *Regional Telecommunications Independent Review Committee* report and the summary report on the development of the Universal Service Guarantee;
- the commencement of the process to renew the National Arts and Disability Strategy; and
- the department's support for the Inquiry into the Competitive Neutrality of the National Broadcasters.<sup>15</sup>

##### *Performance reporting*

2.3 During the reporting period, the department published a revised corporate plan which updated the department's activity-based performance criteria to better align with the Commonwealth performance framework.<sup>16</sup>

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15 Department of Communications and the Arts, *Annual Report 2018-19*, pp. 2–9.

16 Department of Communications and the Arts, *Annual Report 2018-19*, p. 20.

2.4 The changes to the corporate plan were reflected in the performance statements which discussed the results achieved against the new measures and targets. The relationships between the revised performance measures and the criteria and targets contained in the Portfolio Budget Statements (PBS) have also been mapped to information presented in the annual performance statements. The annual report measured the department's performance against its purposes—connectivity, creativity and culture—identified in the revised corporate plan. The department reported meeting the majority of the 26 performance measures which it used to assess its performance in achieving these purposes. The annual report noted that one new target for the achievement of minimum fixed broadband download speeds was not applicable for 2018-19, while the results for the creative and cultural sectors contribution to GDP was not available at the time of reporting.<sup>17</sup> One target in relation to the efficient delivery of administered items under program 1.1 was reported as not being met with only 14 of 17 items on time and on budget.<sup>18</sup>

2.5 The performance statements were supported by appropriate analysis of the results achieved, including relevant comparative data and case studies. The committee notes that the annual report also included a summary of the methodologies used for the calculation of the results against corporate plan measures.<sup>19</sup> This was a useful addition to the performance statements and the committee looks forward to this information being included in future annual reports.

2.6 The committee considers that the department has met its reporting obligations and its 2018-19 annual report is 'apparently satisfactory'.

### *Financial reporting*

2.7 The department reported an operating deficit of \$5.2 million for the financial year 2018-19. This compared to an operating surplus of \$5.6 million for the previous reporting period. The department noted:

The department's net cost of services for 2018-19 was \$113.0 million, with revenue from government of \$107.8 million, resulting in an operating deficit of \$5.2 million. The operating result excluding depreciation was a small surplus of \$16,000.<sup>20</sup>

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17 Department of Communications and the Arts, *Annual Report 2018-19*, pp. 21–24.

18 Department of Communications and the Arts, *Annual Report 2018-19*, pp. 50–54.

19 Department of Communications and the Arts, *Annual Report 2018-19*, pp. 93–96.

20 Department of Communications and the Arts, *Annual Report 2018-19*, p. 6.

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### *Australian Communications and Media Authority*

2.8 The Australian Communications and Media Authority (ACMA) Annual Report 2018-19 was tabled in the Senate on 15 October 2019.

2.9 In the Chair's foreword, Ms Nerida O'Loughlin highlighted some of the key activities that were undertaken by the ACMA during the reporting period. This included:

- the introduction of new rules to address consumer concerns in relation to the migration of phone and internet services under the National Broadband Network;
- the announcement of the Scam Technology Project to explore solutions to disrupt scam activities across telecommunications networks;
- the release of the draft *Five-year spectrum outlook 2019–23* in April 2019;
- an investigation into coverage by Australian television broadcasters of the terrorist attack in Christchurch, New Zealand; and
- ACMA's contribution to the Australian Competition and Consumer Commission's Digital Platforms Inquiry.<sup>21</sup>

### *Performance reporting*

2.10 The 2018-19 annual report provided a comprehensive assessment of the ACMA's non-financial results against the performance measures and targets set out in the PBS and corporate plan. These results were discussed under three broad strategic priorities aligned to the ACMA's outcome and programs. This included:

- public confidence in communications and media services through the provision of safeguards, information and advice;
- spectrum arrangements that benefit all Australians through efficient and effective spectrum management; and
- a regulatory framework that anticipates change through monitoring the environment and influencing regulatory responses.<sup>22</sup>

2.11 Consistent with previous annual reports, the ACMA's individual performance measures have been recorded as either 'met', 'mostly met' or 'not met' during the reporting period. The annual report noted that the ACMA met or mostly met all of its performance measures for the two programs associated with the delivery of its outcome.

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21 Australian Communications and Media Authority, *Annual Report 2018-19*, pp. 8–9.

22 Australian Communications and Media Authority, *Annual Report 2018-19*, pp. 21–26.

2.12 As an independent statutory authority within the ACMA, the Office of the eSafety Commissioner (OeSC) reported its performance against key criteria under the same outcome as ACMA, as well as performance measures related solely to the work of the OeSC. The annual report noted that the OeSC met all of the performance targets as outlined in the 2018-19 PBS. The OeSC also provided informative statistics on the operation of its cyberbullying complaints scheme and image-based abuse portal.

2.13 The committee considers that both the ACMA and the OeSC have met their respective reporting obligations and their annual reports are 'apparently satisfactory'.

### *Financial reporting*

2.14 The ACMA reported a technical operating deficit of \$12.331 million for the year ended 30 June 2019. The ACMA clarified this figure stating:

After adjusting for unfunded depreciation and amortisation expenses and charges to the asset revaluation surplus, the ACMA recorded an operating deficit of \$0.407 million. This was driven by the pre-sale revaluation of the ACMA's property at Capalaba in Queensland.<sup>23</sup>

### *National Portrait Gallery of Australia*

2.15 The National Portrait Gallery of Australia (the Portrait Gallery) Annual Report 2018-19 was tabled in the House of Representatives on 22 October 2019 and subsequently tabled in the Senate on 11 November 2019.

2.16 The Portrait Gallery is a corporate Commonwealth entity established by the *National Portrait Gallery of Australia Act 2012* as an independent statutory authority. The purpose of the Portrait Gallery is to present the faces of Australia and to use portraiture to tell their stories and to increase the understanding and appreciation of the Australian people—their identity, history, culture, creativity and diversity.<sup>24</sup>

2.17 The committee notes that this is the first annual report to be presented by the new Director, Ms Karen Quinlan, following the retirement of Mr Angus Trumble in December 2018. In the Chairman's report, Dr Helen Nugent provided an overview of some of the important activities undertaken by the Portrait Gallery during the reporting period. This included:

- celebrations to mark the 20th anniversary of the establishment of the Portrait Gallery;
- the launch of the exhibition *20/20: celebrating twenty years with twenty new portrait commissions*;
- the reopening of the Portrait Gallery on 14 September 2019 following the temporary closure of the building in April 2019; and

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23 Australian Communications and Media Authority, *Annual Report 2018-19*, p. 72.

24 National Portrait Gallery of Australia, *Annual Report 2018-19*, p. 23.

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- a focus on travelling exhibitions and outreach programs, including the Virtual (school) Excursion program *Visual Thinking Strategies*.<sup>25</sup>

2.18 The Portrait Gallery was temporarily closed to the public from 23 April to 14 September 2019 to undertake rectification works to maintain the integrity of the building and its collection of artworks. The annual report stated:

The need to undertake repairs reflects issues that emerged with the building over a long period of time, some stemming from the original construction and others that were progressively identified since the Gallery has been operational.<sup>26</sup>

### *Performance reporting*

2.19 The Portrait Gallery has reported its performance against four strategic priorities as defined in its 2018-19 corporate plan and PBS. They are to enliven the collection; to engage audiences; to enlarge support; and to enhance resources.<sup>27</sup> The achievement of these priorities was measured against 23 key performance criteria outlined in its corporate plan. The Portrait Gallery reported achieving or exceeding the majority of these targets in 2018-19. The annual report noted, however, that some targets were impacted by the temporary closure of the building to the public in 2019. For example, the Portrait Gallery reported reaching 946 488 people through onsite exhibitions, educational programs and online programming, compared to its target of 1 million people.<sup>28</sup> Similarly, the annual report stated that the building closure resulted in reduced own-sourced revenue during the closure period.<sup>29</sup>

2.20 The annual report also included general analysis of the results achieved against the key performance criteria for each of the four objectives. However, the committee suggests that the inclusion of additional supporting statements against each criterion to explain any significant trends and developments that may have affected the results, would provide greater context to the results reported and would enhance the Portrait Gallery's reporting of its performance.

2.21 The committee considers that the Portrait Gallery has met its reporting obligations and its annual report is 'apparently satisfactory'.

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25 National Portrait Gallery of Australia, *Annual Report 2018-19*, pp. 2–3.

26 National Portrait Gallery of Australia, *Annual Report 2018-19*, p. 19.

27 National Portrait Gallery of Australia, *Annual Report 2018-19*, p. 23.

28 National Portrait Gallery of Australia, *Annual Report 2018-19*, p. 31.

29 National Portrait Gallery of Australia, *Annual Report 2018-19*, p. 58

### *Financial reporting*

2.22 The Portrait Gallery reported core operations income of \$13.9 million compared to total expenses of \$15.7 million for the financial year 2018-19. This resulted in a \$1.8 million deficit.<sup>30</sup> The annual report noted:

After adjusting for the \$1.7 million impact of non-appropriated depreciation and amortisation expense, core operations achieved a deficit of \$0.1 million. This deficit includes an adverse non-cash adjustment of \$0.1 million due to the decrease in the government bond rate used to value employee provisions to present value.<sup>31</sup>

## **Environment and Energy portfolio**

### *Department of the Environment and Energy*

2.23 The 2018-19 Annual Report of the former Department of the Environment and Energy was presented to the President of the Senate on 18 October 2019 and tabled in the Senate on 11 November 2019.

2.24 The former Secretary, Mr Finn Pratt, presented an overview of the department's non-financial performance for the 2018-19 reporting period. Some of the achievements highlighted included:

- the delivery of the second phase of the National Land Care Program—Regional Land Partnerships—using a reformed regional delivery model;
- the protection and restoration of water-dependant ecosystems in the Murray-Darling Basin by securing 400 gegalitres (GL) of water for the environment from the Murray River valley;
- an agreed National Waste Policy to help guide action on waste management, recycling and resource recovery until 2030;
- helping to establish the Hydrogen Strategy Taskforce; and
- developing the Electricity Retail Code which sets a cap on standing offer electricity prices and specifies how prices and discounts must be advertised, published or offered.<sup>32</sup>

### *Performance reporting*

2.25 The annual performance statements in the 2018-19 Annual Report were complete and reflected the relationship between the purposes and activities contained in the department's corporate plan with the programs and outcomes outlined in the PBS. Each of the performance measures were presented with the summary of the

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30 National Portrait Gallery of Australia, *Annual Report 2018-19*, p. 49.

31 National Portrait Gallery of Australia, *Annual Report 2018-19*, p. 49.

32 Department of the Environment and Energy, *Annual Report 2018-19*, pp. 2–5.

results achieved against the criteria and targets. The department reported achieving 62 per cent and partly achieving 35 per cent of its performance measures. The department reported not achieving two measures in relation to meeting statutory timeframes for *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) project decisions and decisions on international wildlife trade permits. The department noted that this was due to 'the need to seek additional information from proponents; and significant workloads'.<sup>33</sup>

2.26 The annual report noted that the department will implement a revised governance structure in 2019-20 following findings and recommendations from a report undertaken by the Australian Institute of Company Directors. The department noted that the new structure 'will involve a move to a streamlined, adaptive governance model to more effectively manage the department's evolving needs and priorities'.<sup>34</sup>

2.27 The department reported two corrections to material errors included in its 2017-18 Annual Report as required by paragraph 17AH(1)(e) of the PGPA Rule. The corrections related to the incorrect reporting of salary rates for job classifications and the conflation of the reported number of ongoing employees based in the Australian Capital Territory and those based overseas.<sup>35</sup>

2.28 The committee notes that the compliance index included in the department's annual report does not include page references. The committee draws the department's attention to the Department of Finance's guidance in relation to paragraph 17AJ(d) of the PGPA Rule that non-corporate Commonwealth entities 'must also provide details of the location of the information in the annual report that addresses each of the mandatory requirements specified by the PGPA Rule'.<sup>36</sup>

2.29 The committee expects this information to be included in the compliance indexes of future annual reports.

2.30 Overall, the committee considers the 2018-19 annual report of the department is 'apparently satisfactory'.

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33 Department of the Environment and Energy, *Annual Report 2018-19*, p. 23.

34 Department of the Environment and Energy, *Annual Report 2018-19*, p. 110.

35 Department of the Environment and Energy, *Annual Report 2018-19*, p. 297.

36 Department of Finance, *Resource Management Guide No. 135 – Annual report for non-corporate Commonwealth entities*, May 2019, p. 43.

### *Financial reporting*

2.31 The department reported that it operated within its approved budget for the 2018-19 financial year.<sup>37</sup> The annual report stated:

Departmental revenue was \$459.61 million in 2018-19. Revenue from Government reduced by \$50.46 million, mainly due to the appropriation provided to the Director of National Parks changing to an administered appropriation.

Departmental expenses were \$598.55 million in 2018-19. This was \$28.26 million lower than in 2017-18, also mainly due to the cessation of payments to the Director of National Parks and lower supplier costs, which was offset by higher salaries expenditure and non-cash adjustments relating to Antarctic restoration provisions.<sup>38</sup>

### ***Snowy Hydro Limited***

2.32 The Snowy Hydro Limited (Snowy Hydro) Annual Report 2018-19 was presented to the President of the Senate on 18 October 2019 and tabled in the Senate on 11 November 2019.

2.33 The committee notes that this is the first time it has had the opportunity to review Snowy Hydro's annual report since it became a wholly-owned Commonwealth company on 29 June 2018. This followed the Commonwealth's purchase of 100 per cent of the shares in the company held by the governments of New South Wales and Victoria.

2.34 Under a stringent water licence, Snowy Hydro captures, stores, diverts water and releases it for the use of irrigators, town water supplies and the environment. Snowy Hydro's business includes energy generation activities to supply the National Electricity Market, and it operates as a retail energy provider through the Red Energy and Lumo Energy brands.<sup>39</sup>

2.35 The Chairman and Chief Executive Officer's message provided an overview of some the entity's activities during the reporting period, including:

- commencement on the Snowy 2.0 project following planning approval for exploratory works;
- the signing of 888MW of long-term contracts with eight wind and solar projects under its Renewable Energy Procurement Program;
- achieving 1.09 million retail customers, supported by strong consumer growth in New South Wales; and

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37 Department of the Environment and Energy, *Annual Report 2018-19*, p. 5.

38 Department of the Environment and Energy, *Annual Report 2018-19*, pp. 5–6.

39 Snowy Hydro Limited, *Annual Report 2018-19*, p. 8.

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- celebrating 70 years since the start of construction of the Snowy Mountains Hydro-electric scheme.<sup>40</sup>

### *Performance reporting*

2.36 Snowy Hydro's annual report contains useful information on its general performance over the reporting period, including detailed discussion of its corporate governance and remuneration frameworks.<sup>41</sup> The annual report also contains relevant information on Snowy Hydro's water and energy operations and future developments. Some further details would have assisted the committee to more fully assess Snowy Hydro's non-financial performance. For example, it would have been helpful if some activities highlighted in the Chairman and CEO's message, such as the Renewable Energy Procurement Program (rated an outstanding success), and the strategic partnership with Qantas (rated as exceeded all expectations), were further described in the body of the report.<sup>42</sup> Similarly, it wasn't clear whether all of the key non-financial measures and goals outlined in Snowy Hydro's Statement of Corporate Intent, were reported against in the annual report.

2.37 While Snowy Hydro as a Commonwealth company is not required to prepare annual performance statements, it is required to report on the actual performance results achieved against the performance information outlined in its corporate plan under section 27A of the PGPA Rule.<sup>43</sup> The committee suggests that future annual reports should more clearly indicate whether performance measures and goals were achieved or not achieved during the relevant reporting period.

2.38 The committee also suggests that Snowy Hydro provide a more detailed breakdown of the number of ongoing and non-ongoing employees as required by paragraph 28E(ga) of the PGPA Rule. This includes the number of employees at the end of the previous reporting period and should be calculated and reported on a head count basis (number of employees).<sup>44</sup>

2.39 Overall, the committee considers that Snowy Hydro's 2018-19 annual report is 'apparently satisfactory'.

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40 Snowy Hydro Limited, *Annual Report 2018-19*, pp. 4–5.

41 Snowy Hydro Statement of Corporate Intent FY 2019

42 Snowy Hydro Limited, *Annual Report 2018-19*, p. 4.

43 Department of Finance, *Resource Management Guide No. 134 – Annual performance statements for entities*, July 2017, p. 6.

44 Department of Finance, *Resource Management Guide No. 137 – Annual reports for Commonwealth companies*, May 2019, p. 6.

### *Financial reporting*

2.40 Snowy Hydro's annual report provided a detailed summary of the key financial results for 2018-19. This included discussion on movements contributing to the company's overall performance. The annual report noted:

The consolidated Statutory Profit after tax attributable to the owners of Snowy Hydro was \$332.2 million (FY2018: \$267.5 million restated). The underlying profit after tax was \$321.2 million (FY2018: \$428.4 million restated).<sup>45</sup>

2.41 There were no significant or moderate audit findings identified by the Australian National Audit Office (ANAO) as a result of its audit of the 2018-19 financial statements.

### ***Sydney Harbour Federation Trust***

2.42 The Sydney Harbour Federation Trust (the Harbour Trust) Annual Report 2018-19 was tabled in the House of Representatives on 17 October 2019 and tabled in the Senate on 11 November 2019.

2.43 The Harbour Trust is a corporate Commonwealth entity established by the *Sydney Harbour Federation Trust Act 2001* (SHFT Act). Under the SHFT Act, the Harbour Trust is responsible for the management and rehabilitation of prominent former Defence sites on Sydney Harbour. This includes Cockatoo Island in Sydney Harbour, Woolwich Dock and Parklands in Woolwich, HMAS Platypus in Neutral Bay, Georges Heights, Middle Head and Chowder Bay in Mosman, North Head Sanctuary in Manly, the Marine Biological Station in Watsons Bay and the Macquarie Lightstation in Vaucluse.<sup>46</sup>

2.44 The Executive Director's Summary outlined the Harbour Trust's achievements and activities for 2018-19, which included:

- commencing work on the Sub Base Platypus Renewal Project;
- implementation of the Harbour Trust's Reconciliation Action Plan;
- the sound exhibition held at Headland Park's Camouflage Fuel Tanks to coincide with the 2019 *Sydney Festival*; and
- achieving nearly 1.9 million visitors across the Harbour Trust's sites.<sup>47</sup>

### *Performance reporting*

2.45 The annual performance statements were informative and clearly aligned with the Harbour Trust's 2018-19 corporate plan and PBS. The Harbour Trust has identified

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45 Snowy Hydro Limited, *Annual Report 2018-19*, p. 38.

46 Sydney Harbour Federation Trust, *Annual Report 2018-19*, pp. 18–23.

47 Sydney Harbour Federation Trust, *Annual Report 2018-19*, pp. 8–9.

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five performance areas and reported the results against key priority measures and actions under each of these criteria. The annual report also provided appropriate explanations as to whether these priority actions or performance measures were met or exceeded during the reporting period. The Harbour Trust achieved or partly achieved the majority of its priority actions and met or exceeded nine of the 14 key performance measures identified in the corporate plan and PBS.

2.46 The annual report noted that the performance measure targets were reassessed and revised between the compilation of the PBS and corporate plan. It noted:

As 2018-2019 was the first period for reporting on a number of the key performance measures put forth, the original targets set in the PBS reflected an immature data set. The latter publication of the Corporate Plan enabled it to draw upon a more complete data set, resulting in revisions to the original targets set. No changes were made to the performance criterion or the measures themselves.<sup>48</sup>

2.47 The Harbour Trust was the subject of an ANAO audit to assess the effectiveness of the governance board in the Harbour Trust. The ANAO made three recommendations, including that the board review its audit committee arrangements to ensure it obtains the external advice and assurance it requires from its audit committee and to ensure its annual report and corporate plan meet the requirements of the PGPA Rule.<sup>49</sup> The Harbour Trust agreed to implement all three recommendations.

2.48 The committee notes that the Commonwealth is currently conducting an independent review of the Harbour Trust, including its legislative, financial and governance arrangements.<sup>50</sup> A final report is due to be delivered to the Federal Minister for the Environment by the end of March 2020.

2.49 The committee considers that the Harbour Trust has met its reporting obligations and its annual report is 'apparently satisfactory'.

### *Financial reporting*

2.50 The Harbour Trust is solely reliant on its own income generation and does not receive operational funding from the Commonwealth. However, the Harbour Trust received a commitment of \$21.4 million in capital funding from the Commonwealth for further works at Sub Base Platypus and Headland Park in the 2019-20 Budget.

2.51 The annual report provides a summary of the Harbour Trust's financial performance in 2018-19. The committee notes that the Harbour Trust recorded a

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48 Sydney Harbour Federation Trust, *Annual Report 2018-19*, p. 64.

49 Australian National Audit Office, *Effectiveness of Board Governance at the Sydney Harbour Federation Trust*, Audit Report No. 37, 2018-19, p. 10.

50 Sydney Harbour Federation Trust, *Annual Report 2018-19*, p. 73.

deficit on continuing operations of \$1.208 million for the year ended 30 June 2019.<sup>51</sup> The annual report explains that the Harbour Trust sought approval for the operating loss:

The Original Budget figures were reported in the 2018-19 Portfolio Budget Statements published in May 2018. This was subsequently updated during the financial year with the Minister of Finance's approval. This allowed for an approved operating loss.<sup>52</sup>

**Senator the Hon David Fawcett**  
**Chair**

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51 Sydney Harbour Federation Trust, *Annual Report 2018-19*, p. 86.

52 Sydney Harbour Federation Trust, *Annual Report 2018-19*, p. 92.