

Chapter 2

Review of selected reports

2.1 The committee has selected the annual reports of the Senate Economics Legalisation Committee's (committee) two portfolio departments for closer examination:

- Department of the Treasury; and
- Department of Industry, Innovation and Science.

Department of the Treasury

2.2 The 2018–19 annual report of the Department of the Treasury (Treasury) was tabled in Parliament on 16 October 2019.¹

Secretary's review

2.3 Mr Phil Gaetjens was Secretary to the Treasury from August 2018 to August 2019.² From 2 September 2019, Dr Steven Kennedy PSM has served as the Treasury Secretary.³ The committee thanks Mr Gaetjens for his service and welcomes Dr Kennedy to the Treasury Portfolio.

2.4 The former Secretary, Mr Gaetjens, reported on Treasury's key areas of work for 2018–19, including:

- providing information papers and submissions to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and assisting the Government in preparing its response to the Royal Commission;
- preparation of the *Mid-Year Economic and Fiscal Outlook, Planning for Australia's Future Population* paper, and, in conjunction with the Department of Finance, the *Pre-election Economic and Fiscal Outlook* report;
- supporting the Government to progress legislation, including the *Treasury Laws Amendment (Consumer Data Right) Act 2019*, the *Treasury Laws Amendment (Protecting Your Superannuation Package) Act 2019*, and the *Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measure No. 1 Act 2019)*; and
- finalising Treasury's enterprise agreement for 2018 to 2021, and launching Treasury's reconciliation action plan and diversity strategy.⁴

1 *Journals of the Senate*, No. 22, 16 October 2019, p. 653; House of Representatives, *Votes and Proceedings*, No. 22, p. 342.

2 Department of the Treasury (Treasury), *Annual Report 2018–19*, pp. 3–4.

3 Treasury, *Our executive*, <https://treasury.gov.au/the-department/about-treasury/our-executive> (accessed 18 February 2020).

4 Treasury, *Annual Report 2018–19*, pp. 3–4.

Ministerial responsibilities

2.5 As at 30 June 2019, the ministers in the Treasury Portfolio were as follows:

- the Hon Josh Frydenberg MP—Treasurer;
- the Hon Alan Tudge MP—Minister for Population, Cities and Urban Infrastructure;
- the Hon Michael Sukkar MP—Assistant Treasury and Minister for Housing;
- Senator the Hon Jane Hume—Assistant Minister for Superannuation, Financial Services and Financial Technology; and
- Senator the Hon Zed Seselja—Assistant Minister for Finance, Charities and Electoral Matters.⁵

2.6 The committee notes that the above ministerial representation for the Treasury Portfolio remains current as of the ministry list update of 6 February 2020.⁶

Annual performance statements

2.7 Treasury's purpose is to '...support and implement informed decisions on policies for the good of the Australian people, consistent with achieving strong, sustainable economic growth and fiscal settings'.⁷ Treasury reported against 13 performance criteria relating to its purpose. The criteria were grouped under the following objectives: promoting fiscal sustainability; increasing productivity; securing the benefits of economic integration; efficient administration of portfolio functions; and policy advice to government. Treasury reported that it met each of its 13 performance criteria.⁸

2.8 In particular, the committee notes the following achievements reported in Treasury's performance statements:

- providing support for the Government's legislative agenda, including support for 32 Treasury Portfolio bills introduced during the 45th Parliament;⁹
- the delivery of two significant macro-economic models during 2018–19—the Overlapping Generations Model of Australia, which was developed to provide insights into the intergenerational effect of fiscal policy change, and the Treasury Industry Model, which was developed to analyse industry specific policy changes;¹⁰

5 Treasury, *Annual Report 2018–19*, p. 32.

6 Department of Prime Minister and Cabinet, *Ministry List*, <https://www.pmc.gov.au/resource-centre/government/ministry-list> (accessed 18 February 2020).

7 Treasury, *Annual Report 2018–19*, p. 12.

8 Treasury, *Annual Report 2018–19*, pp. 13–31.

9 Treasury, *Annual Report 2018–19*, p. 15.

10 Treasury, *Annual Report 2018–19*, p. 19.

- support provided by the Foreign Investment Review Board for Treasury's consideration of over 900 foreign investment applications, including 40 applications with a proposed investment value of over \$1 billion;¹¹
- a \$407 million maintenance of value payment made in accordance with the *International Monetary Agreements Acts 1947*, and \$226 million of payments made to international financial institutions, on behalf of the Government, in support Australia's interests;¹² and
- support provided for the appointment of 99 officials across 22 entities in the Treasury Portfolio.¹³

2.9 The committee commends Treasury on meeting its performance targets. The committee recognises that Treasury has reported and analysed its 2018–19 performance in a detailed manner, and that Treasury has clearly stated whether its performance criteria were met.¹⁴ This committee notes this improves on the performance statement in Treasury's *Annual Report 2017–18*, which also provided detailed information regarding performance but did not include statements on whether its performance criteria were met.¹⁵

Financial performance

2.10 In 2018–19, Treasury managed administered expenses of \$140.3 billion, which is a 4.8 per cent increase from Treasury's administered expenses in 2017–18 (\$133.9 billion).¹⁶ Treasury also reported an operating deficit of \$2.1 million for 2018–19,¹⁷ which represents a decline on the Treasury's previous operating surplus of \$3.2 million in 2017–18.¹⁸ Treasury explained the deficit as being driven by:

...the increase of staff leave provision costs (\$5.7 million) due to the decline in the 10-year government bond rate. The deficit was a result of an uncontrollable market factor, rather than a reflection on the state of Treasury's finances or its functions, as this bond rate movement impacted the leave provision costs on all Commonwealth entities.¹⁹

Staffing and consultants

2.11 The committee notes the following developments in Treasury's staffing and consultancy arrangements for 2018–19:

11 Treasury, *Annual Report 2018–19*, p. 20.

12 Treasury, *Annual Report 2018–19*, p. 23.

13 Treasury, *Annual Report 2018–19*, p. 27.

14 Treasury, *Annual Report 2018–19*, pp. 14–16, 18–20, 23–24, 26–17, and 29–30.

15 Treasury, *Annual Report 2018–19*, pp. 16–37.

16 Treasury, *Annual Report 2018–19*, p. 32.

17 Treasury, *Annual Report 2018–19*, p. 32.

18 Treasury, *Annual Report 2017–18*, p. 8.

19 Treasury, *Annual Report 2018–19*, p. 32.

- the total staff employed at Treasury (as at 30 June 2019) increased by 81 to 993, compared to the 912 staff employed by Treasury at the equivalent time in the previous year;²⁰
- 95.9 per cent of Treasury's operating workforce was employed on an ongoing basis (as at 30 June 2019).²¹ This represents an increase to Treasury's ongoing employment rate of 3.1 per cent from the previous financial year (as at 30 June 2018);²²
- 50.3 per cent of Treasury's operating workforce were women, a decrease of two per cent from the previous financial year, and 40 per cent of Treasury's operative senior executive level staff were women;²³
- total remuneration expenses for Treasury's 12 key management personal was reduced by \$0.3 million, from \$3.9 million in 2017–18 to \$3.6 million in 2018–19;²⁴ and
- Treasury entered into 20 new consultancy contracts, requiring an additional actual expenditure of \$1.1 million. In 2017–18, Treasury spent a similar amount on consultancy when entering into 28 new consultancy contracts.²⁵

Conclusions

2.12 The committee thanks Treasury for providing a cogent and well-presented annual report for 2018–19. The committee considers Treasury's report to be apparently satisfactory.

Department of Industry, Innovation and Science

2.13 The 2018–19 annual review of the Department of Industry, Innovation and Science (Department) was tabled in the House of Representatives on 17 October 2019 and tabled in the Senate on 11 November 2019.²⁶ The Department's annual report also incorporates the annual reports of Geoscience Australia and IP Australia.²⁷

Ministerial responsibilities

2.14 As at 30 June 2019, the ministers in the Industry, Innovation and Science Portfolio were:

20 Treasury, *Annual Report 2018–19*, p. 45.

21 Treasury, *Annual Report 2018–19*, p. 45.

22 Treasury, *Annual Report 2017–18*, p. 50.

23 Treasury, *Annual Report 2018–19*, p. 45.

24 Treasury, *Annual Report 2018–19*, p. 52.

25 Treasury, *Annual Report 2017–18*, p. 56.

26 House of Representatives, *Votes and Proceedings*, No. 23, p. 356; *Journals of the Senate*, No. 24, 11 November 2019, p. 727.

27 Department of Industry, Innovation and Science (Department), *Annual Report 2018–19*, pp. 151–229, 241–310.

- the Hon Karen Andrews MP—Minister of Industry Science and Technology; and
- Senator the Hon Matthew Canavan—Minister for Resources and Northern Australia.²⁸

2.15 The committee notes that the above ministerial representation for the Industry, Innovation and Science Portfolio remains current as of the most recent ministry list update of 6 February 2020.²⁹

Secretary's review

2.16 The Secretary's review of the key activities of the Department in 2018–19 was presented by Dr Heather Smith PSM.^{30 31}

2.17 The committee notes that Dr Smith has since ceased to be secretary of the Department, and that Mr David Fredericks PSM has been appointed as Secretary effective from 1 February 2020. Mr Fredericks was previously the secretary of the Department of Environment and Energy and, prior to that, held deputy secretary level positions at the Department of Finance and the Attorney-General's Department.³² The committee thanks Dr Smith for her service and welcomes Mr Fredericks to the Industry, Innovation and Science Portfolio.

2.18 Dr Smith highlighted the Department's key areas of work during 2018–19, including:

- *driving economic transformation across industries*—including the Government's investment of over \$469 million in the space industry since 1 July 2018 and the preparation of the *Australian Civil Space Strategy 2019–2028* which outlines a plan to 'triple the size of Australia's space industry to \$12 billion and create another 20,000 jobs by 2030';³³
- *helping to unlock Australia's potential*—including the Department's continued focus on unlocking the economic potential of northern Australia, and that the Northern Australia Infrastructure Facility (NAIF) has made six further investment decisions and two further conditional approvals which has added \$663.5 million to NAIF's investment portfolio. The Secretary also highlighted the importance of Australia's energy and resources sector to the Australian

28 Department, *Annual Report 2018–19*, p. 8.

29 Department of Prime Minister and Cabinet, *Ministry List*, <https://www.pmc.gov.au/resource-centre/government/ministry-list> (accessed 18 February 2020).

30 As noted in Chapter 1 of the report, from 1 February 2020 the Department has been renamed to the Department of Industry, Science, Energy and Resources.

31 Department, *Annual Report 2018–19*, pp. 3–8.

32 Department of Industry, Science, Energy and Resources, *Our executive team*, <https://www.industry.gov.au/about-us/our-structure/our-executive-team> (accessed 18 February 2020).

33 Department, *Annual Report 2018–19*, p. 8.

economy, and reported that in 2018–19: the resources sector reached a record export value of \$279 billion; the mining sector accounted for 7.9 per cent of Australia's total gross domestic product (and 21 percent of GDP growth); nearly a quarter of a million Australian's were employed in the mining sector; and that resources and energy exports represented 75 per cent of Australia's total goods exports.³⁴

- *preparing Australian's for jobs and skills of the future*—including the Department's work in ensuring Australian communities can successfully 'navigate the interaction between technology, jobs and the future of work.' The Secretary highlighted the importance of science, technology and engineering and mathematics for jobs of the future and that the 2019–20 Budget includes \$15.1 million in funding for Questacon to 'expand its world leading education and outreach programs across the country';³⁵ and
- *being an inclusive and high-performing organisation*—including the development of the Australian Public Service (APS) as highly adaptable and able capitalise on future opportunities. The Secretary reported the Department continued to improve its work capabilities and work conditions through efforts such as: releasing its *Data Strategy 2018–20* for promoting the use of data in policy making across the APS; launching and APS wide review of mental health capability; and development of the Department's *Innovate Reconciliation Action Plan 2019–2021*.³⁶

Annual performance statements

2.19 In 2018–19, the Department worked towards meeting its three purposes, as follows:

- *supporting science and commercialisation*—'facilitating the development and uptake of new ideas and technology and translating them into commercial activity';
- *growing business investment and improving business capability*—'building a diversified, flexible, resilient and dynamic economic base that can identify and adapt to new markets and emerging opportunities'; and
- *simplifying doing business*—'facilitating competitiveness and innovation by making it easier for business to interact with government and reducing the cost of doing business in Australia.'³⁷

2.20 In support of its purposes, the Department reported against its performance criteria using a three-tiered hierarchy. The Department's level 1 criterion measures and assesses how well Australia is performing against the Department's outcomes, level 2

34 Department, *Annual Report 2018–19*, p. 5.

35 Department, *Annual Report 2018–19*, p. 6.

36 Department, *Annual Report 2018–19*, p. 7.

37 Department, *Annual Report 2018–19*, p. 14.

criteria measures and assesses the impacts of the Department's programs and level 3 criteria measures and assesses the efficacy of the Departments sub-programs.³⁸ The Department's report on its performance included 101 individual performance criterions.³⁹

2.21 The Department exceeded its targets for some of its performance criteria. For example, the 2018–19 target number of program opportunities to be on-boarded through the Business Grants Hub was 33, and the Department launched 121 grant opportunities.⁴⁰

2.22 The committee also notes, it appears the Department did not meet some of its 2018–19 performance targets. For example, the Department's 2018–19 target for the proportion of participating agencies procuring a solution under the Business and Research Innovation Initiative was 50 per cent, and the rate reported was 20 per cent.⁴¹ Similarly, the 2018–19 target for small businesses which received grants through the Cyber Security Small Business program was 1700 and the Department reported that 17 grants were made.⁴²

2.23 The committee considers that when the Department has not met a performance criterion, there is an opportunity for the Department to report information relating to how the Department will respond to meet those performance targets in future. The committee also suggests that, where possible, the Department should clearly state whether a performance measure has been met. This would more readily indicate to readers whether or not the Department is meeting its performance criteria. The committee recognises that this approach may not be feasible for all of the Department's performance criteria, particularly for criteria which are correlated with the Department's support of Australia's macro-economic conditions.

Financial performance

2.24 For the 2018–19 financial year, the Department achieved a surplus of \$4.6 million, excluding depreciation, amortisation and other adjustments. The Department explained:

This surplus is largely due to funding received late in the financial year for Mid-Year Economic and Fiscal Outlook (MYEFO) measures which could not be spent and staff vacancies across the Department.⁴³

2.25 If depreciation and amortisation (totalling \$32.0 million) and the change in the asset revaluation reserve (of \$0.7 million) are taken into consideration, the Department recorded a loss of \$24.9 million for 2018–19.⁴⁴ The committee notes this

38 Department, *Annual Report 2018–19*, p. 16.

39 Department, *Annual Report 2018–19*, pp. 15–54.

40 Department, *Annual Report 2018–19*, p. 49.

41 Department, *Annual Report 2018–19*, p. 25.

42 Department, *Annual Report 2018–19*, p. 39.

43 Department, *Annual Report 2018–19*, p. 53.

44 Department, *Annual Report 2018–19*, p. 53.

loss is \$48.5 million less than the loss the Department incurred in 2017–18.⁴⁵ The Department noted:

This reflects the introduction of the net cash appropriation arrangements where appropriation for depreciation and amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations.⁴⁶

2.26 Most of the Department's administered revenue is generated from royalty revenue which totalled \$1404.4 million for 2018–19.⁴⁷ The committee notes this is a 30.9 per cent increase on the Department's royalty revenue in 2017–18 (\$1072.7 million).⁴⁸ Income for the Department in 2018–19 also gained from 'levy receipt generated by the National Offshore Petroleum Safety and Environmental Management Authority (\$31.5 million) and registration fees generated by the National Offshore Petroleum Titles Administrator.⁴⁹

Staffing and consultants

2.27 The committee notes the following developments in Department's staffing and consultancy arrangements for 2018–19:

- the total ongoing staff employed by the Department was 2264, which was a 2.6 per cent increase on the 2207 ongoing staff employed by the Department during 2017–18;⁵⁰
- the total non-ongoing staff employed by the Department is 188, which was a 37.2 per cent increase on the 137 non-ongoing staff employed by the Department during 2017–18;⁵¹
- 54.4 per cent of the Department's ongoing staff were women, including 37 women working in senior executive level positions (compared to 31 males working in senior executive level positions);⁵²
- total remuneration expenses for the Department's five key management personnel were \$2.42 million;⁵³ and
- the Department entered into 151 new consultancy contracts, involving total actual payments of \$6.71 million. Comparatively, in 2017–18 the Department

45 Department, *Annual Report 2017–18*, p. 47.

46 Department, *Annual Report 2018–19*, p. 53.

47 Department, *Annual Report 2018–19*, p. 54.

48 Department, *Annual Report 2017–18*, p. 47.

49 Department, *Annual Report 2017–18*, p. 54.

50 Department, *Annual Report 2018–19*, p. 60–61.

51 Department, *Annual Report 2018–19*, pp. 60–61.

52 Department, *Annual Report 2018–19*, pp. 60–62.

53 Department, *Annual Report 2018–19*, p. 68.

entered into 174 new contracts with a total actual expenditure of \$2.62 million.⁵⁴

Conclusions

2.28 The committee thanks the Department for providing its 2018–19 annual report. The committee considers the report to be apparently satisfactory.

Senator Slade Brockman

Chair

54 Department, *Annual Report 2018–19*, p. 77; Department, *Annual Report 2017–18*, p. 54.