

The Senate

Economics
Legislation Committee

Annual reports (No. 1 of 2020)

February 2020

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TABLE OF CONTENTS

| | |
|---|------------|
| Committee members | iii |
| Chapter 1 | 1 |
| Terms of reference..... | 1 |
| Allocated portfolios | 1 |
| Role of annual reports | 2 |
| Annual reporting requirements..... | 3 |
| Reports referred to and examined by the committee..... | 3 |
| Treasury Portfolio..... | 4 |
| Industry, Innovation and Science Portfolio | 5 |
| Additional reports referred to the committee | 6 |
| Timeliness..... | 6 |
| Senate debate | 8 |
| Non-reporting bodies..... | 9 |
| Apparently satisfactory..... | 9 |
| Chapter 2 | 11 |
| Review of selected reports | 11 |
| Department of the Treasury | 11 |
| Department of Industry, Innovation and Science | 14 |
| Appendix 1 | 21 |
| Dates relating to the presentation of annual reports between 1 May and 31 October 2019 | 21 |

Chapter 1

1.1 The Senate Economics Legislation Committee (committee) is responsible for examining the annual reports of the departments and agencies of the Treasury Portfolio and the Industry, Innovation and Science Portfolio.

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

Terms of reference

1.2 Under Senate Standing Order 25(20) the annual reports of certain departments and agencies are referred to committees for examination. 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 annual 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
- (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.¹

Allocated portfolios

1.3 The Senate allocated departments and agencies to committees on 13 February 2020.² In accordance with that resolution, the committee has

1 *The Senate, Standing Orders and other orders of the Senate*, January 2020, SO 25(20).

2 *Journals of the Senate*, No. 42, 13 February 2020, pp. 1268–1269.

responsibility for the oversight of the Treasury Portfolio and the Industry, Innovation and Science Portfolio (excluding matters relating to energy and small business).

Updated Administrative Arrangements Order

1.4 On 5 December 2019, the Governor-General of the Commonwealth of Australia issued an Administrative Arrangements Order (AAO) which revoked all previously ordered administrative arrangements and ordered new arrangements to commence from 1 February 2020.³ The provisions of the AAO resulted in significant machinery of government changes, including the allocation of matters relating to energy and small business to the (renamed) Department of Industry, Science, Energy and Resources.⁴ The AAO also incorporated several Commonwealth entities into the Industry, Innovation and Science Portfolio, for which the committee has portfolio oversight.^{5 6}

1.5 Following the AAO, the Senate updated its allocation of departments and agencies and included provisions which, in effect, retained matters relating to energy and small business with the committees to which those matters were allocated prior to the AAO changes. Energy matters were reallocated to the Senate Standing Committees on Environment and Communications and small business matters were reallocated to the Senate Standing Committees on Education and Employment.⁷

Role of annual reports

1.6 Annual reports place a significant amount of information about the performance of government departments and agencies on the public record. Accordingly, the tabling of annual reports is an important element of executive accountability to the Parliament and, through the Parliament, accountability to the Australian public. The information included in annual reports provides transparent information necessary for the examination of the performance of Commonwealth entities and, by extension, examination of the performance of executive governments.

1.7 Together with Portfolio Budget Statements, Portfolio Additional Estimates Statements and the estimates process, annual reports are a primary mechanism by which the Senate is able scrutinise the operations of executive government.

3 Commonwealth of Australia, *Administrative Arrangements Order*, 5 December 2019.

4 Prior to the Administrative Arrangements Order (AAO), the Department was named the Department of Industry, Innovation and Science.

5 Agencies incorporated into the Industry, Innovation and Science Portfolio by the AAO were the: Australian Renewable Energy Agency; Australian Small Business and Family Enterprise Ombudsman; Clean Energy Finance Corporation; Clean Energy Regulator; Climate Change Authority; and the Snowy Hydro Corporation.

6 The Department of Finance's *Flipchart of Commonwealth entities and companies* (as at 1 February 2020), provides an overview of the allocation of entities within government portfolios and is accessible via the following web address:
<https://www.finance.gov.au/government/managing-commonwealth-resources/structure-australian-government-public-sector/pgpa-act-flipchart-list> (accessed 2 February 2020).

7 *Journals of the Senate*, No. 42, 13 February 2020, pp. 1268–1269.

Annual reporting requirements

1.8 The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) establishes the performance reporting framework for all Commonwealth entities and companies and establishes the annual reporting requirements for Commonwealth entities.

1.9 The committee has previously reported on the PGPA Act's annual reporting requirements.⁸ In summary, annual reports should:

- meet the requirements of section 46 of the PGPA Act, if the entity is non-corporate or corporate Commonwealth body,⁹ or section 97 of the PGPA Act if the entity is a Commonwealth company;
- be compliant with the reporting requirements of the enabling legislation of an entity; and
- be in accordance with government guidelines relating to annual reports.

1.10 The Department of Finance publishes resource management guides which detail the annual reporting obligations for each type of Commonwealth entity: non-corporate Commonwealth entities;¹⁰ corporate Commonwealth entities;¹¹ and Commonwealth companies.¹² The Department of Prime Minister and Cabinet has also published guidelines for preparation of annual reports and guidelines for the presentation of documents to Parliament.¹³

Reports referred to and examined by the committee

1.11 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.¹⁴ This year that date is 26 February 2020.

1.12 All 2018–19 annual reports of Commonwealth entities and companies in the Treasury Portfolio and the Industry, Innovation and Science Portfolio have been presented to Parliament and referred to the committee.

8 See Senate Economics Legislation Committee, *Annual reports (No. 1 of 2019)*, pp. 3, 6–9.

9 Including a requirement to comply with the relevant provisions of the Public Governance, Performance and Accountability Rule 2014.

10 Department of Finance, *Annual report for non-corporate Commonwealth entities: Resource Management Guide No. 135*, May 2019.

11 Department of Finance, *Annual report for corporate Commonwealth entities: Resource Management Guide No. 136*, May 2019.

12 Department of Finance, *Annual report for Commonwealth companies: Resource Management Guide No. 137*, May 2019.

13 See Department of the Prime Minister and Cabinet, *Requirements for Annual Reports*, 25 June 2015; Department of Prime Minister and Cabinet, *Guidelines for the presentation of documents to Parliament*, February 2017.

14 Annual reports tabled by 30 April each year are to be reported on by the committee by the tenth sitting day after 30 June of that year.

1.13 The reports referred to the committee are listed below.¹⁵

Treasury Portfolio

Non-corporate Commonwealth entities

Departments of State

- Department of the Treasury.

Agencies

- Australian Bureau of Statistics;
- Australian Competition and Consumer Commission (incorporating the report of the Australian Energy Regulator);
- Australian Office of Financial Management;
- Australian Prudential Regulation Authority;
- Australian Securities and Investments Commission;
- Australian Taxation Office;
- Commonwealth Grants Commission;
- Infrastructure and Project Financing Agency;
- Inspector-General of Taxation;
- National Competition Council;
- Office of the Auditing and Assurance Standards Board and the Office of the Australian Accounting Standards Board;
- Productivity Commission; and
- Royal Australian Mint.

Corporate Commonwealth entities

- Australian Reinsurance Pool Corporation;
- National Housing Finance and Investment Corporation; and
- Reserve Bank of Australia.

Commonwealth Company

- Financial Adviser Standards and Ethics Authority.

Other

- Australian Charities and Not-for-profits Commission (statutory office holder);
- Australian Statistics Advisory Council (statutory office holder);
- Companies Auditors Disciplinary Board (statutory office holder);

15 Information on the dates on which these reports were presented to Parliament is available at *Appendix 1*.

-
- Financial Reporting Council (statutory office holder);
 - Superannuation Complaints Tribunal (statutory office holder);
 - Tax Practitioners Board (statutory office holder); and
 - Takeovers Panel (statutory office holder).

1.14 Some of the aforementioned reports for entities within the Treasury Portfolio are subject to scrutiny by the Parliamentary Joint Committee on Corporations and Financial Services (PJC), established by Part 14 of the *Australian Securities and Investments Commission Act 2001*. Section 243 specifies the PJC's duties, which include:

(b) to examine each annual report that is prepared by a body established by this Act and of which a copy has been laid before a House, and to report to both Houses on matters that appear in, or arise out of, that annual report and to which, in the Parliamentary Committee's opinion, the Parliament's attention should be directed...

1.15 In fulfilment of the PJC committee's duties under subsection 243(b), the PJC reports on the:

- Auditing and Assurance Standards Board;
- Australian Accounting Standards Board;
- Australian Securities and Investments Commission;
- Companies Auditors and Liquidators Disciplinary Board;
- Financial Reporting Council;
- Office of the Australian Accounting Standards Board;¹⁶
- Office of the Auditing and Assurance Standards Board;¹⁷ and
- Takeovers Panel.

Industry, Innovation and Science Portfolio

Non-corporate Commonwealth entities

Departments of State

- Department of Industry, Innovation and Science (incorporating the reports of Geoscience Australia and IP Australia).

Corporate Commonwealth entities

- Australian Institute of Marine Science;
- Australian Nuclear Science and Technology Organisation;¹⁸

16 The *Australian Securities and Investments Commission Act 2001* direct that one annual report will cover both the AASB and the Office of the AASB.

17 The AUASB is required to prepare an annual report that addresses its activities and the activities of the Office of the AUASB.

- Commonwealth Scientific and Industrial Research Organisation;
- National Offshore Petroleum Safety and Environmental Management Authority; and
- Northern Australia Infrastructure Facility.

Other

- Innovation and Science Australia¹⁹—statutory office holder.

Additional reports referred to the committee

1.16 The committee is not obliged to report on acts, statements of corporate intent, surveys, policy papers, budget documents, corporate plans or errata. The committee notes the following documents were referred for information:

- Productivity Commission—Report no. 93—A better way to support veterans, dated 27 June 2019 (2 volumes);
- Reserve Bank of Australia—Equity and diversity report for 2018–19, tabled 11 November 2019;
- Reserve Bank of Australia—Payment System Board report 2018–19, tabled 11 November 2019;
- Department of Finance—Consolidated financial statements for the year ended 30 June 2019;
- Department of the Treasury—Tax Benchmarks and Variations Statement 2019, received 31 January 2020;
- Mid-year economic and fiscal outlook 2019-20—Statement by the Treasurer (Mr Frydenberg) and the Minister for Finance (Senator Cormann), tabled 10 February 2020;
- Advance to the Finance Minister—Report on advances provided under the annual Appropriation Acts for 2018-19, tabled 11 February 2020; and
- *Superannuation (Government Co-contribution for Low Income Earners) Act 2013*—Operation of the Government co-contribution scheme—Quarterly reports for the period 1 October to 31 December 2019—Subsection 12(G)(1) and Subsection 51(1), tabled 2 April 2019..

Timeliness

1.1 Standing Order 25(20)(c) requires the committee to report to the Senate on the late presentation of annual reports. In August 2019, the committee wrote to the heads of departments and agencies within the committee's portfolio oversight to remind those entities of the established practice for ministers to present annual reports to

18 ANSTO Nuclear Medicine Pty Ltd is a Corporations Act company and a Public Non-financial Corporation entity under the PGPA Act.

19 Formerly named Innovation Australia.

Parliament by 31 October each year and prior to the committee considering Supplementary Budget Estimates.

1.2 The committee notes that the annual reports of all agencies within the committee's allocated portfolios, with the exception of the Australian Nuclear Science Technology Organisation (ANSTO), were presented to Parliament prior to the committee's Supplementary Budget Estimates hearings on 23 and 24 October 2019. The 2018–19 annual report of ANSTO was presented to Parliament on 19 November 2019.²⁰

Departments and PGPA Act entities

1.3 It is a requirement of Section 46 of the PGPA Act that the accountable authority of a Commonwealth entity must provide an annual report to the entity's responsible Minister by the 15th day of the fourth month after the end of the reporting period (generally, 15 October of the relevant year). The responsible Minister is then expected to present the report to each House of the Parliament on or before 31 October in the year in which the report is given. If 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.²¹

1.4 Section 97 of the PGPA Act sets out the requirements for the provision of the annual reports of Commonwealth companies to the responsible Minister. Subsection 2 states that the company must give the reports and information by:

(a) if the company is required by the *Corporations Act 2001* to hold an annual general meeting—the earlier of the following:

(i) 21 days before the next annual general meeting after the end of the reporting period for the company;

(ii) 4 months after the end of the reporting period for the company;
and

(b) in any other case—4 months after the end of the reporting period for the company; or the end of such further period granted under subsection 34C(5) of the *Acts Interpretation Act 1901*.

1.5 Section 97(5) of the PGPA Act states that:

(5) If the Commonwealth company is a wholly-owned Commonwealth company, or is not required to hold an annual general meeting, the responsible Minister must table the documents in each House of the Parliament as soon as practicable after receiving them. In all other cases, the responsible Minister must table the documents in each House of the Parliament as soon as practicable after the annual general meeting of the company.

20 *Journals of the Senate*, No. 28, 25 November 2019, p. 876.

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

1.6 The provisions of subsections 34C(4)–(7) of the *Acts Interpretation Act 1901* apply in relation to an application for extension of the period. Under the *Acts Interpretation Act 1901* an extension would only need to be sought should a specified timeframe not be met. However, the government has stated that all annual reports should be tabled by 31 October each year.²²

Other entities

1.7 Entities reporting in accordance with their own legislation are often required to prepare their annual report for the relevant Minister 'as soon as is practicable' after the end of the particular period to which the reports relates. The committee draws attention to subsections 34C(2) and 34C(3) of the *Acts Interpretation Act 1901*, which stipulate that where no date for providing a report to a Minister is specified, the report should be presented no more than six months after the reporting period, and the report must be provided to the Parliament within 15 days after receipt by the Minister.

Timeliness of 2018–19 reports examined

1.8 The committee considers the timely presentation of annual reports to be an important element of accountability to the Parliament and continues to encourage bodies and statutory offices to endeavour to meet the relevant reporting timeframes.

1.9 Appendix 1 lists the annual reports tabled (or presented) in Parliament between 1 May and 31 October 2019 and referred to the committee including the relevant tabling dates.

1.10 The committee notes that all annual reports for 2018–19, with the exception of the 2018–19 annual report for ANSTO, were presented in Parliament in a timely manner, by 31 October 2019.

1.11 The committee notes that annual reports for all agencies in the committee's portfolio, with the exception of ANSTO, were tabled in time for examination at the committee's 2019-20 Supplementary Budget Estimates hearings on 24 and 25 October 2019. The committee commends those entities whose annual reports were presented in the Parliament prior to the hearings.

1.12 The Foreign Investment Review Board (FIRB) is a non-statutory body, established by the Minister, and is therefore not subject to the reporting requirements set out in the PGPA Act. FIRB does not have a legislative requirement to table an annual report. The committee notes the 2018–19 annual report for FIRB has not been presented to Parliament as yet.

Senate debate

1.13 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.

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

Non-reporting bodies

1.14 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.

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

Apparently satisfactory

1.16 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.

1.17 The committee has examined the 2018–19 annual reports of the agencies within the Treasury Portfolio and the Industry Innovation and Science Portfolio and considers that they are apparently satisfactory.

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.

Appendix 1

Dates relating to the presentation of annual reports between 1 May and 31 October 2019¹

| Reporting Body | Submitted to Minister | Received by Minister | Tabled in the Senate or presented out of sitting (*) | Tabled in the House of Representatives |
|--|-----------------------|----------------------|--|--|
| TREASURY PORTFOLIO | | | | |
| Department of the Treasury | 25/09/2019 | 25/09/2019 | 16/10/2019 | 16/10/2019 |
| Auditing and Assurance Standards Board and Australian Accounting Standards Board | 23/09/2019 | 23/09/2019 | 16/10/2019 | 16/10/2019 |
| Australian Bureau of Statistics | 11/09/2019 | 19/09/2019 | 14/10/2019 | 14/10/2019 |
| Australian Charities and Not-for-Profits Commission | 09/10/2019 | 09/10/2019 | 18/10/2019* 11/11/2019 | 21/10/2019 |
| Australian Competition and Consumer Commission (including the report of the Australian Energy Regulator) | 11/09/2019 | 11/09/2019 | 16/10/2019 | 16/10/2019 |
| Australian Office of Financial Management | 23/09/2019 | 23/09/2019 | 16/10/2019 | 16/10/2019 |
| Australian Prudential Regulation Authority | 02/10/2019 | 02/10/2019 | 16/10/2019 | 16/10/2019 |
| Australian Reinsurance Pool Corporation | 01/10/2019 | 01/10/2019 | 14/10/2019 | 14/10/2019 |

¹ This appendix also includes those reports tabled after 31 October 2019 but before the tabling of this report; that is, up to 26 February 2020.

| Reporting Body | Submitted to Minister | Received by Minister | Tabled in the Senate or presented out of sitting (*) | Tabled in the House of Representatives |
|--|------------------------------|-----------------------------|---|---|
| Australian Statistics Advisory Council | 23/09/2019 | 25/09/2019 | 14/10/2019 | 14/10/2019 |
| Australian Securities and Investments Commission | 25/09/2019 | 25/09/2019 | 11/11/2019 | 17/10/2019 |
| Australian Taxation Office | 09/10/2019 | 09/10/2019 | 11/11/2019 | 17/10/2019 |
| Commonwealth Grants Commission | 30/09/2019 | 30/09/2019 | 16/10/2019 | 16/10/2019 |
| Companies Auditors Disciplinary Board | 20/09/2019 | 20/09/2019 | 11/11/2019 | 21/10/2019 |
| Financial Adviser Standards and Ethics Authority Ltd | 08/10/2019 | 08/10/2019 | 16/10/2019 | 16/10/2019 |
| Financial Reporting Council | 25/09/2019 | 25/09/2019 | 15/10/2019 | 15/10/2019 |
| Inspector-General of Taxation and Taxation Ombudsman | 08/10/2019 | 08/10/2019 | 11/11/2019 | 17/10/2019 |
| National Competition Council | 25/09/2019 | 25/09/2019 | 16/10/2019 | 16/10/2019 |
| National Housing Finance and Investment Corporation | 04/10/2019 | 04/10/2019 | 11/11/2019 | 17/10/2019 |
| Productivity Commission | 25/09/2019 | 25/09/2019 | 14/10/2019 | 14/10/2019 |
| Reserve Bank of Australia | 04/10/2019 | 04/10/2019 | 11/11/2019 | 17/10/2019 |
| Royal Australian Mint | 04/10/2019 | 05/10/2019 | 11/11/2019 | 21/10/2019 |
| Superannuation Complaints Tribunal | 09/10/2019 | 14/10/2019 | 11/11/2019 | 24/10/2019 |

| Reporting Body | Submitted to Minister | Received by Minister | Tabled in the Senate or presented out of sitting (*) | Tabled in the House of Representatives |
|---|-----------------------|----------------------|--|--|
| Takeovers Panel | 17/09/2019 | 18/09/2019 | 14/10/2019 | 14/10/2019 |
| Tax Practitioners Board | 09/10/2019 | 09/10/2019 | 11/11/2019 | 17/10/2019 |
| INDUSTRY, INOVATION AND SCIENCE PORTFOLIO | | | | |
| Department of Industry, Innovation and Science (including the reports of Geoscience Australia and IP Australia) | 15/09/2019 | 27/09/2019 | 11/11/2019 | 17/10/2019 |
| Australian Institute of Marine Science | 16/09/2019 | 16/09/2019 | 16/10/2019 | 16/10/2019 |
| Australian Nuclear Science and Technology Organisation | 21/10/2019 | 22/10/2019 | 19/11/2019* 25/11/2019 | 25/11/2019 |
| Commonwealth Scientific and Industrial Research Organisation | 05/09/2019 | 06/09/2019 | 16/10/2019 | 16/10/2019 |
| Northern Australia Infrastructure Facility | 11/10/2019 | 17/10/2019 | 11/11/2019 | 21/10/2019 |
| National Offshore Petroleum Safety and Environmental Management Authority | 04/10/2019 | 04/10/2019 | 15/10/2019 | 15/10/2019 |
| Innovation and Science Australia ² | 31/10/2019 | 01/11/2019 | 26/11/2019 | 26/11/2019 |

2 Innovation Australia is an independent statutory board established under the *Industry Research and Development Act 1986*. The board is required to report to the Minister as soon as practicable after 30 June each year.