

Chapter 2

Annual reports of departments

2.1 The annual reports of the following departments for the financial year 2018-19, were referred to the committee for examination and report:

- Attorney-General's Department (the AGD); and
- Department of Home Affairs (the DHA).

Attorney-General's Department

Tabling of report

2.2 The 2018-19 annual report was tabled in the Senate on 11 November 2019, after having been tabled in the House of Representatives on 21 October 2019. The report was available to senators for the Supplementary Budget Estimates 2018-19 hearing on 22 October 2019.

Secretary's review

2.3 In his review for 2018-19, the Secretary of the AGD, Mr Chris Moraitis PSM, noted the department's continued support of the Attorney-General by providing high-quality advice to government and delivering policies and programs. He particularly highlighted the AGD's work in areas affecting vulnerable people, including:

- family law reform, following the release of the Australian Law Reform Commission's review of the family law system on 10 April 2019;¹
- preparation and execution of the National Apology to Victims and Survivors of Institutional Child Sexual Abuse on 22 October 2018;² and
- integral involvement in the establishment of both the Royal Commission into Aged Care Quality and Safety and the Royal Commission into Violence, Abuse, Neglect and Exploitation of People with a Disability.³

2.4 The Secretary noted the AGD's work in formulating legislative responses to significant events, including the judgment in *Griffiths v State of Northern Territory* (Timber Creek), a decision he described as one of the most significant native title decisions since Mabo and Wik.⁴ He also noted the swift contribution of the AGD to

1 *Attorney-General's Department Annual Report 2018-19*, p. 2.

2 *Attorney-General's Department Annual Report 2018-19*, p. 2.

3 *Attorney-General's Department Annual Report 2018-19*, p. 2.

4 *Attorney-General's Department Annual Report 2018-19*, p. 2.

legislative reform in response to food contamination events and the sharing of violent material through the passage of criminal laws.⁵

2.5 Mr Moraitis noted the AGD's instrumental role in the commencement of the Foreign Influence Transparency Scheme in 2018, and the additional controls that were implemented under the scheme for election periods.⁶

2.6 The Secretary's year in review noted the AGD's international successes, including: the department's contribution to Papua New Guinea's hosting of the Asia-Pacific Economic Cooperation forum; the assistance the AGD provided to Pacific Island countries to advance cybercrime laws; and the department's continued contributions to the response to the downing of flight MH17, to name a few.⁷

2.7 The Secretary's outlook for 2019-20 noted the incorporation of industrial relations into the AGD following amendment to the Administrative Arrangements Order announced on 29 May 2019. Mr Moraitis stated that concurrent to that transition, the AGD would be furthering government priorities, including: the development of a religious discrimination bill; the establishment of a Commonwealth Integrity Commission; and further progression of family law reform.⁸

Performance reporting

2.8 The AGD has made further refinements to its structure for performance evaluation implemented during the 2017-18 reporting period, applying three high-level key performance indicators (KPIs), as opposed to the four proffered previously. They are:

- effectiveness in achieving objectives;
- efficiency in meeting goals; and
- community impact.

Each of these are used to measure achievement of the AGD's five strategic priorities.⁹

2.9 Performance criteria and targets under each strategic priority are outlined in the Portfolio Budget Statement (PBS) for 2018-19.¹⁰ This is, in turn, reflected in the

5 *Attorney-General's Department Annual Report 2018-19*, p. 2.

6 *Attorney-General's Department Annual Report 2018-19*, p. 3.

7 *Attorney-General's Department Annual Report 2018-19*, p. 3.

8 *Attorney-General's Department Annual Report 2018-19*, p. 3.

9 *Attorney-General's Department Annual Report 2018-19*, p. 13.

10 *Portfolio Budget Statements 2018-19, Attorney-General's Portfolio*, pp. 23-27

*Corporate Plan 2018-19.*¹¹ The Corporate Plan outlines the relevant KPIs under each strategic priority and explains how each are connected to the performance criteria outlined in the PBS.¹² The performance statement contained in the annual report reflects a combination of the performance criteria in the PBS and the KPIs set by the Corporate Plan. This approach provides a 'clear read' when compared with the PBS and Corporate Plan.

2.10 The methodology employed in undertaking the evaluation of the AGD's performance against the KPIs was largely based on client and stakeholder surveys, and by reference to the World Justice Project Rule of Law Index and the Transparency International Corruption Perceptions Index. Two surveys were undertaken: the Australian Government Solicitor Group's biennial client survey; and an independently conducted stakeholder survey across the other departmental groups.¹³ In respect of the former, over 2,000 clients were invited to participate, and 430 responses were received.¹⁴ In respect of the latter, more than 1700 stakeholders were invited to participate, and more than 450 responses were received. The latter survey sought views on two of the three KPIs: efficiency and effectiveness.¹⁵ The two Indexes were used to garner indicators of community perceptions and public views.¹⁶

2.11 The committee has noted on two previous occasions that one performance criterion, 'Community impact', has not been applied to Strategic Priority 1: Legal in either its annual report statement or its Corporate Plan.¹⁷ The 2018-19 annual report appears to continue this trend.¹⁸ The committee has raised a number of apparent anomalies with this approach, including the resultant inconsistency in evaluation of programs that appear in multiple strategic priorities, especially in light of a lack of explanation in any of the PBS, the Corporate Plan or the annual report.¹⁹ It would be of benefit to the committee if, should the trend continue in the 2019-20 annual report,

11 *Attorney-General's Department Corporate Plan 2018-19*, p. 22.

12 *Attorney-General's Department Corporate Plan 2018-19*, p. 22.

13 *Attorney-General's Department Annual Report 2018-19*, p. 13.

14 *Attorney-General's Department Annual Report 2018-19*, p. 13.

15 *Attorney-General's Department Annual Report 2018-19*, p. 13.

16 *Attorney-General's Department Annual Report 2018-19*, p. 14.

17 See, for example, *Legal and Constitutional Affairs Legislation Committee Report on Annual Reports (No. 1 of 2018)* and *Report on Annual Reports (No. 1 of 2019)*.

18 *Attorney-General's Department Annual Report 2018-19*, pp. 15-16.

19 See: Senate Legal and Constitutional Affairs Legislation Committee, *Report on Annual Reports (No. 1 of 2019)*, p 3.

an explanation might be provided as to why 'Community Impact' is not applied to this strategic priority.

2.12 The AGD largely met its KPIs, with the exception of the following:

- Strategic priority 1 (Legal), Target 5: Efficiency—Royal Commission private session transcripts provided within six weeks of request.²⁰ The AGD stated that the nature of the Royal Commission into Institutional Responses to Child Sexual Abuse (which was the first to hold public hearings) raised 'complicated legal questions' requiring regulatory amendments and policy changes, which in turn delayed provision of the transcripts.²¹
- Strategic priority 2 (Integrity), Target 3: Community Impact—a score of 80 or more on the Transparency International Corruption Perceptions Index. Australia's score was 77.²² No further discussion was provided.
- Strategic priority 3 (Security), Target 1: Effectiveness—stakeholder satisfaction with the effectiveness of the department's delivery of national security and criminal justice priorities. 63 per cent of respondents expressed satisfaction, compared to a target of 80 per cent.
- Strategic priority 3 (Security), Target 3: Efficiency—referred to stakeholder satisfaction with the efficiency in policy advice, program work and legislative change under this strategic priority. The recorded satisfaction rate was 74 per cent, against a benchmark of 80 per cent. The AGD identified a number of factors that might have contributed to this result, including a limited pool in the number of stakeholders available to participate in the relevant survey, and the time constraint imposed on the parliamentary year by the May 2019 federal election, which limited time in which targets might be achieved.²³
- Strategic priority 3 (Security), Target 4: Community Impact—Australia's regional and global position on criminal justice (Factor 8) in the World Justice Project's Rule of Law Index. Australia achieved a score of 0.73 and a ranking of 12, compared to a target score of greater than 0.75. Australia's ranking improved by one place from its previous position.²⁴ As in respect to Target 3, the AGD identified a small pool of available stakeholders, and the shortened

20 *Attorney-General's Department Annual Report 2018-19*, p. 16.

21 *Attorney-General's Department Annual Report 2018-19*, p. 24.

22 *Attorney-General's Department Annual Report 2018-19*, p. 26.

23 *Attorney-General's Department Annual Report 2018-19*, p. 31.

24 *Attorney-General's Department Annual Report 2017-18*, p. 41.

parliamentary year as a result of the federal election as possible contributory factors to this result.²⁵

- Strategic priority 5 (Rights), Target 1: Effectiveness–Stakeholder satisfaction with the department's effectiveness in enabling a free society. The recorded satisfaction rate was 77 per cent, compared to a target of 80 per cent.²⁶ The AGD noted that this satisfaction rate was an increase from the previous year (75 per cent), but referred again to the impact of the federal election in May 2019 on the amount of time available to achieve targets.²⁷

Financial performance

2.13 The AGD recorded a surplus of \$5.623 million (after providing for income tax expenses and asset revaluation) compared to a surplus of \$20.506 million in 2017-18.²⁸ In the Secretary's year in review, Mr Moraitis attributed the surplus to a strong performance by the Australian Government Solicitor and the timing of implementing budget measures.²⁹

2.14 The total administered expenses for the financial year was reported to be \$413.222 million, which was a slightly reduced figure compared to the 2017-18 period which reported \$426.166 million in total administered expenses. The expenses for the reported financial year included \$47.347 million for the royal commissions, \$284.481 million in grants payments, and \$16.709 million paid to the corporate entities within the portfolio.

Conclusion

2.15 The committee considers the report to be 'apparently satisfactory'.

Department of Home Affairs

Tabling of report

2.16 The 2018-19 annual report was tabled in the Senate and the House of Representatives on 16 October 2019. The report was available to senators for the Supplementary Budget Estimates 2018-19 hearing on 21 October 2019.

25 *Attorney-General's Department Annual Report 2018-19*, p. 31.

26 *Attorney-General's Department Annual Report 2018-19*, p. 50.

27 *Attorney-General's Department Annual Report 2018-19*, p. 49.

28 *Attorney-General's Department Annual Report 2018-19*, p. 88.

29 *Attorney-General's Department Annual Report 2018-19*, p. 3.

2.17 The committee notes that neither the Secretary's nor the Commissioner's transmittal letter is dated by the accountable authority on the date that the final text was approved as required by PGPA Rule 17AD(g).

Secretary's and Commissioner's reviews

2.18 The Secretary of Home Affairs, Mr Michael Pezzullo, and the Commissioner of the Australian Border Force (ABF), Mr Michael Outram APM, provided separate reviews for the annual report.

2.19 In the Secretary's review, Mr Pezzullo emphasised the DHA's continued contribution towards Australia's prosperity, national security and unity by delivering services such as: Australia's Migration Program; responses to national disasters; modernisation to support Australian businesses and travellers; and the improvement of strategy, planning and coordination of domestic security and law enforcement.³⁰

2.20 Mr Pezzullo stated that following the establishment of the Home Affairs Portfolio in December 2017, the DHA prioritised supporting its people and embedding its organisational culture in 2018-19.³¹ The DHA pursued new initiatives at the graduate level, with 103 graduates commencing in February 2019 who would undertake a 12 month program which includes the completion of a Diploma in Government.³² Leadership development was also prioritised, with a number of initiatives, including capability assessments, conferences and other learning opportunities provided.³³ The DHA developed a Statement of Commitment to promote diversity and inclusivity in the workplace.³⁴

2.21 In looking forward, Mr Pezzullo stated that the DHA would continue to build on successes in the following year, with a focus on improvement to service provision to the community and government.³⁵

2.22 In the Commissioner's review, Mr Outram highlighted the ABF's position as a 'global influencer within the international customs and border enforcement community'.³⁶ Mr Outram noted that while the ABF maintains operational

30 *Department of Home Affairs Annual Report 2018-19*, p. 9.

31 *Department of Home Affairs Annual Report 2018-19*, p. 14.

32 *Department of Home Affairs Annual Report 2018-19*, p. 14.

33 *Department of Home Affairs Annual Report 2018-19*, p. 14.

34 *Department of Home Affairs Annual Report 2018-19*, p. 14.

35 *Department of Home Affairs Annual Report 2018-19*, p. 15.

36 *Department of Home Affairs Annual Report 2018-19*, p. 20.

independence from DHA, both entities have complimentary imperatives: 'the facilitation of travel and trade, and the security of Australia's border'.³⁷

2.23 The Commissioner noted that 53 million air cargo consignments and 2.3 million sea cargo containers were processed in the reporting period, culminating in 324,697 detections of prohibited and restricted goods.³⁸ Further, a record 35,763 detections of illicit drugs and precursors were recorded, with an overall weight of 19,440 kilograms.³⁹

2.24 The Commissioner's review noted that the DHA, with the support of the ABF, commenced the Future Maritime Surveillance Capability Project, which aims to ensure that marine capability is kept well positioned to address threats in the maritime context.⁴⁰

Performance reporting

2.25 The annual performance statement clearly draws links between the relevant PBS outcomes and purposes, and the purposes and correlating Strategic Performance Measures contained in the Corporate Plan to provide a 'clear read'.⁴¹ The annual report notes that the performance measures in the report have been updated to accurately account for the Machinery-of-Government change in December 2017.⁴²

2.26 Most KPIs were met or partially met. Those that were not met are as follows:

- Purpose 3 (Advance Trade and Revenue), KPI 3.2.2–Increased level of compliant Import and Export Declarations. The DHA reviewed 5,720 Import Declarations, a decrease from the 6,175 reviewed in 2017-18. Of those reviewed, 75.4 per cent were compliant, a decrease of 2.1 per cent from the previous reporting period. 668 Export Declarations were reviewed, compared to 895 from the previous period. Of those reviewed, 50.9 per cent were compliant, a decrease from 68 per cent in the previous reporting period.⁴³
- Purpose 3 (Advance Trade and Revenue), KPI 3.2.3–Increase in voluntary compliance resulting from the range of industry engagement initiatives

37 *Department of Home Affairs Annual Report 2018-19*, p. 20.

38 *Department of Home Affairs Annual Report 2018-19*, p. 21.

39 *Department of Home Affairs Annual Report 2018-19*, p. 21.

40 *Department of Home Affairs Annual Report 2018-19*, p. 23.

41 See Figure 5 and Table 3, *Department of Home Affairs Annual Report 2018-19*, pp. 31-32.

42 *Department of Home Affairs Annual Report 2018-19*, p. 31.

43 *Department of Home Affairs Annual Report 2018-19*, p. 76.

compared with the previous year. In the reporting period, 51 voluntary disclosure cases by importers were finalised, compared to 55 cases from the previous reporting period. The annual report notes the fluctuations in figures common in initiatives that rely on self-reporting, and states that reported values are not indicative of seasonal trends or operational tempo, nor are they a predictor of future trends.⁴⁴

2.27 The committee notes the failure to meet a number of KPIs. However, the committee recognises that Home Affairs largely explained the causes of this. The committee commends Home Affairs' overall continued success in achieving excellent results.

Financial performance

2.28 The total departmental operating result for 2018-19 was a \$344.69 million deficit, an increase from the \$324.4 million deficit seen in the previous reporting period. The DHA notes, however, that, had the Australian government funded depreciation and amortisation expenses, the total departmental operating result would have been a \$0.24 million surplus.⁴⁵

2.29 The DHA reported that the reporting period's administered expenses were \$2.04 billion, a decrease from the previous reporting period of \$2.36 billion. The difference between the reporting periods was attributable to the gifting of infrastructure to the Papua New Guinea government after the cessation of Australia's involvement in managing the Manus Island Regional Processing Centre.⁴⁶

2.30 Home Affairs' net asset position was \$1.23 billion (assets minus liabilities), representing a decrease from the previous reporting period by \$91.04 million.⁴⁷ Liabilities equated to 43 per cent of the total asset base.

Management of human resources

2.31 In previous annual reports, the committee has noted the omission of statistics relating to the number of employees who identified as Indigenous as is required under PGPA Rule 17AG(4)(b).⁴⁸ The committee notes the inclusion of this statistic in the

44 *Department of Home Affairs Annual Report 2018-19*, p. 82.

45 *Department of Home Affairs Annual Report 2018-19*, p. 82.

46 *Department of Home Affairs Annual Report 2018-19*, p. 82.

47 *Department of Home Affairs Annual Report 2018-19*, p. 82.

48 See: Senate Legal and Constitutional Affairs Legislation Committee, *Report on Annual Reports (No. 1 of 2018)*, pp. 8-9; and Senate Legal and Constitutional Affairs Legislation Committee, *Report on Annual Reports (No. 1 of 2019)*, p. 9.

current annual report,⁴⁹ and congratulates the DHA on improving its compliance with the PGPA Rules.

Conclusion

2.32 The committee considers the report to be 'apparently satisfactory'.

49 *Department of Home Affairs Annual Report 2018-19*, p. 181.