

Chapter Two

Review of selected reports

2.1 The committee has selected the annual reports of the following bodies for closer examination:

- Department of Industry, Innovation and Science, including the reports of Geoscience Australia and IP Australia
- Commonwealth Scientific and Industrial Research Organisation
- Department of the Treasury
- Australian Securities and Investments Commission

Department of Industry, Innovation and Science, including the reports of Geoscience Australia and IP Australia

Secretary's review

2.2 The 2015–16 annual report of the Department of Industry, Innovation and Science (the department) was prepared under the leadership of the Secretary, Ms Glenys Beauchamp PSM. As in previous years, this document includes the annual reports of Geoscience Australia and IP Australia, non-corporate Commonwealth entities within the Industry portfolio.

2.3 Under the Administrative Arrangements Order (AAO) of 21 September 2015, the previously named 'Department of Industry and Science' became the Department of Industry, Innovation and Science. This addition to the department's responsibilities saw the development of the National Innovation and Science Agenda (NISA), which was announced in December 2015. The Secretary explained that NISA focuses on four pillars: culture and capital; collaboration; skills and talent; and government as an exemplar.¹

2.4 The AAO also saw responsibility for policy relating to northern Australia and the digital economy transferred to the department.² The implementation of the White Paper on Developing Northern Australia³ saw the establishment of the Office of

1 Department of Industry, Innovation and Science, *Annual Report 2015–16*, p. 3.

2 Department of Industry, Innovation and Science, *Annual Report 2015–16*, p. 3.

3 *Our North, Our Future: White Paper on Developing Northern Australia*
<http://northernaustralia.gov.au/files/files/NAWP-FullReport.pdf> (accessed 9 March 2017).

Northern Australia. The office is designed to serve as a 'conduit between all levels of government, industry and the people of northern Australia'.⁴

2.5 Another significant development which occurred during the 2015–16 reporting period was the reforms to country of origin food labelling. The department also conducted an advertising campaign in relation to the reforms.⁵

2.6 Finally, the Secretary commented that 2016–17 would see a further development of the National Innovation and Science Agenda as well as the implementation of the White Paper on Developing Northern Australia and its People Plan 2016–2020.

Annual performance statements

2.7 The department continues to operate three programmes in support of its singular outcome:

Enabling growth and productivity for globally competitive industries through supporting science and commercialisation, growing business investment and improving business capability and streamlining regulation.⁶

2.8 The performance reporting structure included in the annual report is clearly presented and the inclusion of a separate column relating to details of the corporate plan is a helpful tool.

2.9 The committee notes that the inclusion of responsibility for northern Australia in the Department's portfolio has created an additional sub-programme to Programme 2: Programme 2.6 Office of Northern Australia. The principle activity of this programme is the Northern Australia Infrastructure Facility (NAIF). The committee also notes that no activity is listed in the corporate plan column in relation to this program due to the fact that the NAIF was not established until October 2016, after this reporting period.⁷

2.10 The department's annual performance statements are well presented. The committee notes in particular the clear presentation of the main achievements and the overall analysis of performance against each of the entity's purposes: Supporting Science and Commercialisation, Growing Business Investment, and Improving Business Capability and Streamlining Regulation.

2.11 The inclusion of information and analysis of trends is valuable and the committee would suggest the department continue to provide this information in future annual reports.

4 Department of Industry, Innovation and Science, *Annual Report 20 15-16*, p. 4.

5 Department of Industry, Innovation and Science, *Annual Report 20 15-16*, p. 45.

6 Department of Industry, Innovation and Science, *Annual Report 20 15-16*, p. 11.

7 Department of Industry, Innovation and Science, *Annual Report 20 15-16*, p. 13.

Financial performance

2.12 The department recorded a loss of \$48.8 million for the 2015–16 reporting period. The annual report noted that \$42.3 million of this loss was due to depreciation and amortisation, but did not offer any explanation or discussion of the remaining \$6.50 million loss.⁸

Conclusions

2.13 As noted above, the committee would appreciate the inclusion of more detailed discussion and analysis of the department's financial performance (PGPA rule 17AF(1)(a)). The report is otherwise well presented and fulfils the requirements set out in the PGPA Act and rule.

2.14 The committee considers that the department's annual report for the 2015–16 reporting period is apparently satisfactory.

Commonwealth Scientific and Industrial Research Organisation

2.15 The Commonwealth Scientific and Industrial Research Organisation (CSIRO) is a corporate commonwealth entity under the Industry, Innovation and Science portfolio.

2.16 This is the first annual report presented by Mr David Thodey, the new Chairman of the CSIRO Board, appointed in October 2015. Prior to joining the CSIRO Board, Mr Thodey was the Chief Executive Officer of Telstra from 2009 to 2015. The Chairman's term of appointment is for 5 years, until October 2020.⁹

2.17 In his foreword, the Chairman noted that the 2015–16 reporting period had been one of 'growth and change' that saw the implementation of the *Strategy 2020: Australia's Innovation Catalyst*.¹⁰ The strategy was released in July 2015 and sets out a plan for CSIRO's work from 2015 through to the year 2020. Then Minister for Industry and Science, the Hon Ian Macfarlane MP commented that with the development of the Strategy 2020, 'Australian industry has a blueprint to develop, innovate and compete'.¹¹

2.18 The committee notes that the Strategy 2020 provides an overarching framework for the CSIRO as a whole, whilst each programme area maintains its own separate performance criteria.

8 Department of Industry, Innovation and Science, *Annual Report 20 15-16*, p. 40.

9 <https://www.csiro.au/en/About/Leadership-governance/Minister-and-Board/Members>, accessed 8 March 2017.

10 Commonwealth Scientific and Industrial Research Organisation, *Annual Report 2015–16*, p. 2.

11 Commonwealth Scientific and Industrial Research Organisation, *Australia's Innovation Catalyst—Strategy 2020*, p. 2.

Performance results

2.19 As mentioned above, CSIRO's performance results are set out in two sections in the annual report: first in relation to the Strategy 2020¹² and subsequently in relation to the performance of each of the entities three programs.¹³

2.20 The performance results relating to Strategy 2020 are clearly presented in a table, indicating the performance criteria as they appear in the 2015–16 corporate plan along with a brief description of the result achieved.¹⁴ Further details relating to each element of the Strategy 2020 results for the financial year are given following the table.¹⁵

2.21 Notable achievements in these performance results include:

- a positive result from CSIRO's customer satisfaction survey (Net Promoter Score);
- an increase in the number of active technology licences;
- an increase in representation of women in middle to senior leadership positions; and
- an improvement in the Recordable Injury Frequency Rate.¹⁶

2.22 The committee notes that CSIRO did not undertake a staff survey during the 2015–16 reporting period and understands that the results of the all-staff survey, which was conducted in July 2016, will be presented in the entity's 2016–17 annual report. CSIRO has noted that this survey looks to measure and build on its staff innovation capacity.¹⁷

2.23 The presentation of results relating to programs 1.1, 1.2 and 1.3 is in line with reporting requirements. The committee notes the inclusion of both a concise table and more detailed examples for each element of the programs.

12 Commonwealth Scientific and Industrial Research Organisation, *Annual Report 2015–16*, pp. 15-21.

13 Commonwealth Scientific and Industrial Research Organisation, *Annual Report 2015–16*, pp. 22-65.

14 Commonwealth Scientific and Industrial Research Organisation, *Annual Report 2015–16*, pp. 15-16.

15 Commonwealth Scientific and Industrial Research Organisation, *Annual Report 2015–16*, pp. 17-21.

16 Commonwealth Scientific and Industrial Research Organisation, *Annual Report 2015–16*, pp. 15-16.

17 Commonwealth Scientific and Industrial Research Organisation, *Annual Report 2015–16*, p. 20.

Financial performance

2.24 CSIRO finished the 2015–16 financial year with an overall loss of \$56.6 million. The annual report presents this information in a table which tracks the entity's operating results over the previous five years since 2011–12. The inclusion of this data is valuable, especially when looking at trends in CSIRO's financial performance. Although this information is not a requirement of CSIRO's reporting, the committee suggests that CSIRO continue to include this type of table in future annual reports.

Table 1.1: CSIRO's financial performance by source of revenue¹⁸

TABLE 1.1: CSIRO'S FINANCIAL PERFORMANCE BY SOURCE OF REVENUE, \$M					
REVENUE SOURCE	2011-12	2012-13	2013-14	2014-15	2015-16
Co-investment, consulting and services					
Australian private sector	74.2	70.1	78.5	69.4	80.1
Australian governments	201.8	190.3	179.3	181.1	147.8
Rural industry research and development (R&D) corporations	35.0	38.4	50.2	38.1	31.7
Cooperative Research Centres	30.0	16.9	14.7	9.5	10.0
Overseas entities and international	77.5	84.3	84.7	81.4	99.3
Work in progress/deferred revenue	-7.6	25.1	-13.0	-6.1	-4.0
Total co-investment, consulting and services	410.9	425.1	394.4	373.4	364.9
Intellectual property (IP) – royalty and licence revenues	278.5	37.5	29.1	60.8	59.7
Total research and services revenue	689.4	462.6	423.5	434.2	424.6
Other external revenue	61.3	44.1	43.2	44.6	37.9
Gain/(loss) on sale of assets	0.4	0.0	-	0.0	1.2
Other fair value gains and reversals	-	5.5	-	6.7	-
Total external revenue	751.1	512.2	466.7	485.5	463.7
Revenue from government	724.9	733.8	778.2	745.3	750.3
Total revenue	1,476.0	1,246.0	1,244.9	1,230.8	1,214.0
Less expenses	1,275.5	1,267.5	1,270.6	1,245.3	1,270.6
Operating result	200.5	-21.5	-25.7	-14.5	-56.6

Compliance index

2.25 The committee notes some minor inconsistencies in the compliance index of CSIRO's annual report. In some instances, information relating to certain requirements is located in more than one area, however, only one page range is specified in the index.

18 Commonwealth Scientific and Industrial Research Organisation, *Annual Report 2015–16*, p. 7.

Conclusions

2.26 Overall, the committee considers that CSIRO's annual report for 2015–16 is apparently satisfactory.

Department of the Treasury

Secretary's review

2.27 The Department of the Treasury (Treasury) prepared its annual report for 2015-16 under the leadership of the Secretary, Mr John A. Fraser. Mr Fraser noted that this year was notable due to the federal election held on 2 July 2016. Due to this, the Treasury, together with the Department of Finance, prepared not only a Federal Budget and a Mid-Year Economic and Fiscal Outlook, but also a Pre-election Economic and Fiscal Outlook.¹⁹

2.28 The Secretary also mentioned the expansion of the Treasury, noting the first anniversary of the Sydney office and the establishment of new offices in Melbourne.²⁰ Mr Fraser further noted that Treasury is deepening its engagement with the business community, increasing its interactions with the private sector, and making greater use of its international posts.

2.29 Mr Fraser concluded his review noting that:

The year under review in this report demonstrates what an exciting phase this is in Treasury's evolution as a modern institution that looks both outward and forward.²¹

Annual performance statements

2.30 Treasury's annual performance statements are presented in line with the PGPA requirements. The performance criteria are drawn from Treasury's 2015–16 corporate plan and the Portfolio Budget Statements (PBS).

2.31 The committee notes that the performance statements are presented in three sections. The first section provides analysis that 'cuts across' Treasury's priorities. The second section then details Treasury's performance in relation to each of the three priorities: promoting fiscal sustainability, increasing productivity and workforce participation, and securing the benefits of global economic integration.²² The third section provides a brief analysis of Treasury's performance against its purpose.²³

19 The Treasury, *Annual Report 2015–16*, p. 3.

20 The Treasury, *Annual Report 2015–16*, p. 3.

21 The Treasury, *Annual Report 2015–16*, p. 4.

22 The Treasury, *Annual Report 2015–16*, pp. 19-39.

23 The Treasury, *Annual Report 2015–16*, pp. 40-41.

2.32 The three sections described above provide a large amount of detail about the Treasury's performance over the 2015–16 reporting period, however, the committee notes that this information could be better presented in a more reader friendly manner.

2.33 While the question and answer format that shapes this section of the report provides good detail, it is not presented with the same clarity as other sections of the annual report.

2.34 The committee notes the separation of the analysis component of the report on performance from the main section and suggests that this analysis might be included directly following each criteria, allowing for ease of comparison.

2.35 The committee notes that Treasury's 2014–15 annual report set out its annual performance statements with analysis against each of its nine programs. This structure provided the reader with a clearer understanding of Treasury's program structure and performance.²⁴

Financial performance

2.36 The annual report gives the following appraisal of Treasury's financial performance:

The Treasury has a sound financial position, with sufficient cash reserves to fund its debts as and when they fall due. After adjusting for depreciation and changes to asset revaluation reserves, the Treasury reported an operating deficit of \$2.9 million in 2015-16, which was driven by the revaluation of employee entitlements resulting from the decline in the government bond rate. This compares with a surplus of \$4.6 million in 2014-15 after adjusting for depreciation and changes to asset revaluation reserves. The Treasury's administered expenses over 2015–16 were \$88.0 billion, compared with \$83.8 billion in 2014–15.²⁵

2.37 The discussion and analysis relating to Treasury's financial performance gives a clear overview of its results for this reporting period. The comparison of these results with figures from the previous financial year provides a helpful context for ease of understanding.

2.38 The committee encourages Treasury to continue including this type of trend information in future annual reports.

Conclusions

2.39 As noted above, the committee suggests that Treasury consider the format used for the presentation of its annual performance statements in future annual reports.

24 The Treasury, *Annual Report 2014-15*, pp. 19-68.

25 The Treasury, *Annual Report 2015–16*, p. 8.

2.40 The committee finds the 2015–16 annual report of the Department of the Treasury to be apparently satisfactory.

Australian Securities and Investments Commission

Chairman's review

2.41 Australian Securities and Investments Commission (ASIC) Chairman, Mr Greg Medcraft, noted in his annual report review that 2015–16 had been a 'period of significant achievement for ASIC'.²⁶ Mr Medcraft highlighted ASIC's strong performance in two key areas: financial literacy and enforcement.

2.42 Mr Medcraft noted that ASIC had worked to increase financial literacy amongst the Australian population through the development of the MoneySmart website and the MoneySmart Teaching program. The program supports teachers' professional development in order to deliver financial literacy education to over 50 per cent of Australian schools.²⁷

2.43 Whilst ASIC has undertaken a number of educational programs, Mr Medcraft reiterated that ASIC is primarily a law enforcement agency. The Chairman noted that approximately 70 per cent of ASIC's regulatory resources are allocated to surveillance and enforcement. The presentation of ASIC's enforcement outcomes for the 2015–16 reporting period in a graphic²⁸ provide an engaging snapshot of ASIC's achievements. Significant achievements included:

- 22 criminal convictions;
- \$210.5 million in compensation and remediation for investors and consumers;
- \$1.3 million in civil penalties; and
- \$2.3 million in infringement notices (109 notices issued).

ASIC Capability Review

2.44 As a result of recommendations from the Financial System Inquiry (FSI), ASIC underwent a capability review in July 2015.²⁹ The review was conducted by an

26 Australian Securities and Investments Commission, *Annual Report 2015–2016*, p. 2.

27 Australian Securities and Investments Commission, *Annual Report 2015–2016*, p. 2.

28 Australian Securities and Investments Commission, *Annual Report 2015–2016*, p. 3.

29 Australian Government, *Fit for the Future—A capability review of the Australian Securities and Investments Commission*, <http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2016/Fit%20for%20the%20future/Downloads/PDF/ASIC-Capability-Review-Final-Report.ashx>, accessed 9 March 2017.

Expert Panel and made 34 recommendations, the majority of which ASIC supports.³⁰ ASIC's response to the review's recommendations, including an implementation plan and was released in April 2016.³¹ This implementation plan provided limited detail in relation to those recommendations it did not support. The committee would welcome a full assessment of the implementation of all the recommendations in the next report.

2.45 ASIC reiterated in its annual report that it is taking action in response to the recommendations in six key areas:

- External governance and performance reporting;
- Internal governance;
- Commission, workforce planning and culture;
- Strategic communication and stakeholder management;
- Organisation structure and regulatory toolkit; and
- Data management.³²

2.46 To aid in the implementation of the responses to the recommendations, the government has committed an additional \$121.3 million in funding to ASIC. The funding has been specifically allocated within ASIC to increase data analytics capabilities, to increase enforcement and surveillance activities, and to facilitate the implementation of other FSI recommendations.³³

2.47 ASIC has provided a clear summary of the capability review and its response, discussing what its outcomes represent for the entity and government alike. It has fully engaged in the process and the committee supports this engagement.

Other scrutiny

2.48 During 2015–16, ASIC also participated in a number of Senate and Parliamentary inquiries. These included the Senate Economics References Committee inquiries into criminal, civil and administrative penalties for white collar crime and the scrutiny of financial advice.

2.49 The Economics References Committee is due to table its report on criminal, civil and administrative penalties for white collar crime in late March 2017.

30 Australian Securities and Investments Commission, *Annual Report 2015–2016*, p. 5.

31 ASIC Capability Review—ASIC's implementation plan, 20 April 2016 <http://download.asic.gov.au/media/3826160/asic-capability-review-asics-public-response-and-implementation-plan-20-4-2016.pdf>, accessed 14 March 2017.

32 Australian Securities and Investments Commission, *Annual Report 2015–2016*, p. 5.

33 Australian Securities and Investments Commission, *Annual Report 2015–2016*, p. 5.

2.50 ASIC's enforcement regime, including penalties, is also due to be the subject of an Australian Government review in 2017. The government has established an ASIC Enforcement Review Taskforce, which will be led by a Panel chaired by Treasury and supported by an Expert Group made up of representatives from peak industry bodies, consumer groups and academics.³⁴

2.51 The final report of this review is expected to be presented later this year and will identify any 'gaps' in ASIC's powers, making recommendations to government on how best to strengthen ASIC's regulatory tools.³⁵

Compliance index

2.52 ASIC's annual report has a complete compliance index which provides exact page numbers for the location of required information. The index lists all reporting requirements applicable for a non-corporate Commonwealth entity and indicates which requirements are not applicable to ASIC. ASIC's compliance index provides a good example for other entities of the same nature.

Conclusions

2.53 The committee considers that ASIC has met its reporting requirements and that ASIC's annual report for 2015-16 is apparently satisfactory.

General comments

Compliance index

2.54 In the course of its examination of the annual reports referred, the committee noted some inconsistencies in the presentation of compliance indexes.

2.55 Whilst some reports presented clear tables with precise indications of where compliance information could be located within the report, other reports did not provide a complete index of annual reporting requirements that apply to their entity.

2.56 In some instances, the compliance indexes provided an incomplete list of the entity's requirements or indicated large page ranges and, in some cases, whole chapters in which to locate specific information.

2.57 The committee notes that the annual report of the Australian Nuclear Science and Technology Organisation (ANSTO) provided an index with only three

34 ASIC Enforcement Review Taskforce – Media release, 19 October 2016, <http://kmo.ministers.treasury.gov.au/media-release/095-2016/> accessed 15 March 2017.

35 ASIC Enforcement Review Taskforce – Media release, 19 October 2016, <http://kmo.ministers.treasury.gov.au/media-release/095-2016/> accessed 15 March 2017.

requirements listed in relation to the *Public Governance, Performance and Accountability Act 2013*.³⁶

2.58 The committee also notes that the annual report of the Australian Reinsurance Pool Corporation (ARPC) did not include a list of requirements, despite the index being listed in the report's table of contents.³⁷

2.59 The committee suggests that all agencies of the Industry, Innovation and Science and Treasury portfolios ensure that their compliance indexes are in line with PGPA Act and Rule requirements.

Pro forma phrases

2.60 The committee also notes that where the PGPA requirements prescribe a pro forma phrase to respond to certain compliance requirements, a number of annual reports failed to use the exact wording provided.

Apparently satisfactory

2.61 As noted in Chapter One, the committee finds that all reports of the Industry, Innovation and Science and Treasury portfolios for 2015–16 are apparently satisfactory.

Senator Jane Hume
Chair

36 Australian Nuclear Science and Technology Organisation, *Annual Report 2015–16*, p. 117.

37 Australian Reinsurance Pool Corporation, *Annual Report 2015–2016*, p. vi.

