

The Senate

---

Economics  
Legislation Committee

---

Annual reports (No. 1 of 2018)

March 2018

© Commonwealth of Australia 2018

978-1-76010-718-5

This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Australia License.



The details of this licence are available on the Creative Commons website:  
<http://creativecommons.org/licenses/by-nc-nd/3.0/au/>

Printed by the Senate Printing Unit, Parliament House, Canberra.

# Senate Economics Legislation Committee

## Members

Senator Jane Hume ( <i>Chair</i> )	Victoria, LP
Senator Chris Ketter ( <i>Deputy Chair</i> )	Queensland, ALP
Senator David Bushby	Tasmania, LP
Senator Jenny McAllister	New South Wales, ALP
Senator the Hon Ian Macdonald	Queensland, LP
Senator Peter Whish-Wilson	Tasmania, AG

## Secretariat

Mr Mark Fitt, Secretary  
Ms Sarah Batts, Research Officer

PO Box 6100  
Parliament House  
Canberra ACT 2600  
Ph: 02 6277 3540  
Fax: 02 6277 5719  
E-mail: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)  
Internet: [www.aph.gov.au/senate\\_economics](http://www.aph.gov.au/senate_economics)



# TABLE OF CONTENTS

<b>Committee members</b> .....	<b>iii</b>
<b>Chapter 1</b> .....	<b>1</b>
Introduction .....	1
Terms of reference.....	1
Allocated portfolios .....	2
Role of annual reports .....	2
Annual reporting requirements.....	3
Reports referred to the committee .....	3
Reports examined .....	3
Industry, Innovation and Science Portfolio.....	3
Treasury Portfolio.....	4
Additional reports referred to the committee .....	6
Timeliness.....	7
Senate Debate .....	9
Non-reporting bodies.....	9
Apparently satisfactory.....	9
<b>Chapter 2</b> .....	<b>11</b>
<b>Review of selected reports</b> .....	<b>11</b>
Department of Industry, Innovation and Science .....	11
Northern Australia Infrastructure Facility .....	13
Department of the Treasury.....	15
Australian Bureau of Statistics .....	17
Australian Competition and Consumer Commission.....	19
General comments .....	20
<b>Appendix 1</b> .....	<b>23</b>

<b>Dates relating to the presentation of annual reports between 1 May and 31 October 2017 .....</b>	<b>23</b>
---	-----------

# Chapter 1

## Introduction

1.1 The Senate Economics Legislation Committee (the committee) is responsible for examining the annual reports of the departments and agencies of the Industry Innovation and Science<sup>1</sup> and Treasury portfolios.

1.2 This is the committee's first report on annual reports for 2018 and provides an overview of selected annual reports presented to the Parliament between 1 May and 31 October 2017 for the 2016–17 reporting period.

## Terms of reference

1.3 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 On 12 February 2018, following the Administrative Arrangements Order of 20 December 2017, the Industry Innovation and Science portfolio became Industry, Innovation and Science (part of the Jobs and Innovation portfolio).

## Allocated portfolios

1.4 The Senate allocated departments and agencies to committees on 31 August 2016.<sup>2</sup> In accordance with that resolution, the committee has responsibility for the oversight of the following:

- Industry, Innovation and Science Portfolio; and
- Treasury Portfolio.

## Role of annual reports

1.5 Annual reports place a great deal of information about government departments and agencies on the public record. Accordingly, the tabling of annual reports is an important element of accountability to the Parliament, as the information provided in annual reports assists in the effective examination of the performance of departments and agencies, and the administration of government programs.

1.6 Together with Portfolio Budget Statements (PBS), Portfolio Additional Estimates Statements (PAES) and the Estimates process, annual reports are the primary mechanisms for scrutiny of the operations of government. Indeed, as highlighted in the *Requirements for Annual Reports for Departments, Executive Agencies and Other Non-corporate Commonwealth Entities* (Requirements for Annual Reports or PM&C guidelines) released by the Department of the Prime Minister and Cabinet (PM&C), and approved by the Joint Committee of Public Accounts and Audit (JCPAA) under subsections 63(2) and 70(2) of the *Public Service Act 1999* (PS Act):

Annual reports serve to inform the Parliament (through the responsible Minister), other stakeholders, educational and research institutions, the media and the general public about the performance of departments in relation to services provided. Annual reports are a key reference document and a document for internal management. They form part of the historical record.<sup>3</sup>

...

Annual reports and PB Statements are the principal formal accountability mechanisms between government and departments and from departments through (or on behalf of) government to the Parliament.<sup>4</sup>

---

2 *Journals of the Senate*, No. 2, 31 August 2016, pp. 75–76.

3 Department of the Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies and Other Non-corporate Commonwealth Entities* (Requirements for Annual Reports), 25 June 2015, paragraph 5(2).

4 Department of the Prime Minister and Cabinet, *Requirements for Annual Reports*, 25 June 2015, paragraph 6(1).

## Annual reporting requirements

1.7 The *Public Governance, Performance and Accountability Act 2013* (PGPA Act), which commenced on 1 July 2014, establishes a performance reporting framework for all Commonwealth entities and companies.

1.8 Section 46 of the PGPA Act sets out the annual reporting requirements in relation to non-corporate Commonwealth entities, including, that annual reports must comply with any requirements prescribed by the PGPA Rule 2014. Section 97 sets out the annual reporting requirements for corporate Commonwealth entities.

1.9 The enabling legislation of some agencies may require that agency to report on matters other than those included in the PM&C guidelines, or impose different reporting requirements. The committee's view is that such agencies, while bound by their enabling legislation, should also comply with the PM&C guidelines, to the extent that the requirements do not conflict.

## Reports referred to the committee

1.10 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.<sup>5</sup> This year that date is 20 March 2018.

## Reports examined

1.11 During the period of 1 May to 31 October 2017, the required annual reports of all bodies or statutory office holders of the Treasury and Industry, Innovation and Science portfolios were presented to the Parliament and referred to the committee. This report also examines reports and documents referred to the committee up to 1 March 2018. The reports examined are categorised as follows:

### Industry, Innovation and Science Portfolio

#### *Non-corporate Commonwealth entities*

##### *Departments of State*

- Department of Industry, Innovation and Science [incorporating the reports of non-statutory, non-corporate Commonwealth entities Geoscience Australia and IP Australia].

#### *Corporate Commonwealth entities*

- Australian Institute of Marine Science;
- Australian Nuclear Science and Technology Organisation;<sup>6</sup>
- Commonwealth Scientific and Industrial Research Organisation;

---

<sup>5</sup> The 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.

<sup>6</sup> ANSTO Nuclear Medicine Pty Ltd is a Corporations Act company and a Public Non-financial Corporation entity under the PGPA Act.

- National Offshore Petroleum Safety and Environmental Management Authority (statutory agency); and
- Northern Australia Infrastructure Facility.

***Other***

- Innovation and Science Australia (formerly Innovation Australia—statutory office holder).

**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;<sup>7</sup>
- Australian Taxation Office;
- Commonwealth Grants Commission;
- Inspector-General of Taxation;
- National Competition Council;
- Office of the Auditing and Assurance Standards Board;<sup>8</sup>
- Office of the Australian Accounting Standards Board;<sup>9</sup>
- Productivity Commission; and
- Royal Australian Mint.

***Corporate Commonwealth entities***

- Australian Reinsurance Pool Corporation;
- Corporations and Markets Advisory Committee;<sup>10</sup> and

---

7 Also stands referred to the Parliamentary Joint Committee on Corporations and Financial Services (PJC).

8 Also stands referred to the Parliamentary Joint Committee on Corporations and Financial Services (PJC).

9 Also stands referred to the Parliamentary Joint Committee on Corporations and Financial Services (PJC).

- Reserve Bank of Australia.

### ***Commonwealth Company***

- Financial Adviser Standards and Ethics Authority (created 11 April 2017).

### ***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);<sup>11</sup>
- Financial Reporting Council (statutory office holder);<sup>12</sup>
- Superannuation Complaints Tribunal (statutory office holder);
- Tax Practitioners Board (statutory office holder); and
- Takeovers Panel (statutory office holder).<sup>13</sup>

1.12 Some of the aforementioned reports which are within the Treasury portfolio are also 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...

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

- Auditing and Assurance Standards Board ;
- Australian Accounting Standards Board;
- Australian Securities and Investments Commission;
- Companies Auditors and Liquidators Disciplinary Board;
- Corporations and Markets Advisory Committee;<sup>14</sup>

---

10 The CAMAC Bill to abolish the body lapsed when Parliament was prorogued on April 15 April 2016.

11 Also stands referred to the Parliamentary Joint Committee on Corporations and Financial Services (PJC).

12 Also stands referred to the Parliamentary Joint Committee on Corporations and Financial Services (PJC).

13 Also stands referred to the Parliamentary Joint Committee on Corporations and Financial Services (PJC).

- Financial Reporting Council;
- Office of the Australian Accounting Standards Board;<sup>15</sup>
- Office of the Auditing and Assurance Standards Board;<sup>16</sup> and
- Takeovers Panel.

### **Additional reports referred to the committee**

1.14 As the committee is not obliged to report on Acts, statements of corporate intent, surveys, policy papers, budget documents, corporate plans or errata, the following documents were referred to the committee for information only:

#### ***Treasury portfolio***

- Final budget outcome 2016–17, dated September 2017;
- Reserve Bank of Australia—Payments System Board—Annual Report 2016–17 (tabled HoR 14 September 2017—Senate 16 October 2017);
- Reserve Bank of Australia—Equity and Diversity Annual Report 2016–17 (tabled HoR 14 September 2017—Senate 16 October 2017);
- Australian Taxation Office—Register of Foreign Ownership of Agricultural Land—Report of registrations as at 30 June 2017—Section 34 of the *Register of Foreign Ownership of Agricultural Land Act 2015*, presented out of sitting in the Senate on 29 September 2017;
- Australian Taxation Office:
  - Low Income Superannuation Contributions—Quarterly Report—for the period 1 April 2017 to 30 June 2017—Section 12G of the *Superannuation (Government Co-contribution for Low Income Earners) Act 2003*;
  - Low Income Superannuation Contributions—Annual Report—1 July 2016 to 30 June 2017—Section 12G of the *Superannuation (Government Co-contribution for Low Income Earners) Act 2003*;
  - Super Co-contributions Quarterly Report—for the period 1 April 2017 to 30 June 2017—Section 54 of the *Superannuation (Government Co-contribution for Low Income Earners) Act 2003*;
  - Super Co-contributions Annual Statutory Report—1 July 2016 to 30 June 2017—Section 12G of the *Superannuation (Government Co-contribution for Low Income Earners) Act 2003*;

---

14 The CAMAC Bill to abolish the body lapsed when Parliament was prorogued on April 15 April 2016.

15 The ASIC Act directs that one annual report will cover both the AASB and the Office of the AASB.

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

- 
- Productivity Commission—Report no. 84—Shifting the dial: 5 year productivity review, dated 3 August 2017;
  - Productivity Commission—Report no. 86—Collection models for GST on Low Value Imported Good review, dated 31 October 2017;
  - 2017 Tax Expenditures Statement—Section 14 of the *Charter of Budget Honesty Act 1998*, presented on 30 January 2018;
  - Mid-Year Economic and Fiscal Outlook (MYEFO) 2017–18, dated 18 December 2017; and
  - Australian Government Response to the House of Representatives Committee on Economics: *Report on the inquiry into tax deductibility*.

### ***Industry portfolio***

- Our North, Our Future White Paper on Developing Northern Australia—2017 Annual Statement, tabled 7 December 2017.

### **Timeliness**

1.15 Standing Order 25(20)(c) requires the committee to report to the Senate on the late presentation of annual reports. The committee commends the departments and agencies discussed in this report for their timeliness.

### ***Departments and PGPA Act entities***

1.16 Section 46 of the PGPA Act, which applies to annual reports of Commonwealth entities, states that annual reports of departments and agencies must be provided to the responsible Minister by the 15<sup>th</sup> day of the fourth month after the end of the reporting period (generally, 15 October of the relevant year). The responsible Minister must, in turn, present the report to each House of the Parliament on or before 31 October in the year in which the report is given. Furthermore, 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.<sup>17</sup>

1.17 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

---

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

(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*.

1.18 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.

1.19 The provisions of subsections 34C(4)–(7) of the *Acts Interpretation Act 1901* apply in relation to an application for extension of the period. An extension under the *Acts Interpretation Act 1901* would need to be sought only should a specified timeframe not be met. However, it remains the government's policy that all annual reports should be tabled by 31 October.<sup>18</sup>

### ***Other entities***

1.20 Entities reporting in accordance with their own legislation are often required to prepare for the relevant Minister their annual report '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 Minister must provide the report to the Parliament within 15 days after receipt by the Minister.

### ***Timeliness of 2016–17 reports examined***

1.21 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 relevant timeframes.

1.22 Appendix 1 lists the annual reports tabled (or presented) in Parliament between 1 May and 31 October 2017 and referred to the committee with relevant tabling dates.

1.23 The committee notes that the report for the Auditing and Assurance Standards Board and the Australian Accounting Standards Board was submitted to the Minister after 15 October 2017.

1.24 The committee also notes, however that all annual reports for 2016–17 were presented in Parliament in a timely manner, by 31 October 2017.

---

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

---

1.25 The committee notes that some annual reports, although tabled on time, were not available prior to the 2017 Supplementary Budget Estimates hearings on 25 and 26 October 2017. The committee commends those entities whose annual reports were presented in the Parliament prior to the hearings.

1.26 Annual reports and other documents tabled in the Senate after 1 March 2018 will be discussed in the committee's *Annual reports (No. 2 of 2018)*.

### **Senate Debate**

1.27 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.

### **Non-reporting bodies**

1.28 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.

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

### **Apparently satisfactory**

1.30 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.

1.31 The committee has examined all annual reports referred under the Industry, Innovation and Science and Treasury portfolios during the reporting period and considers that they are apparently satisfactory.



# Chapter 2

## 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;
- Northern Australia Infrastructure Facility;
- Department of the Treasury;
- Australian Bureau of Statistics; and
- Australian Competition and Consumer Commission.

### **Department of Industry, Innovation and Science**

#### *Secretary's review*

2.2 The 2016–17 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 In her review, the Secretary highlighted a number of the department's achievements in 2016–17, including significant progress in implementing the National Innovation and Science Agenda (NISA). This was a key initiative of the Australian Government to help 'deliver new sources of growth, create high-wage jobs and improve Australia's competitiveness'. In particular, the NISA developed:

- The \$500 million Biomedical Translation Fund and \$200 million CSIRO Innovation Fund which are now up and running, supporting the commercialisation of innovative ideas.
- The new Australian Cyber Security Growth Centre which is helping the nation to capitalise on the growing global cyber security market and complementing the work of the existing Industry Growth Centres.
- The Business Research and Innovation Initiative which is linking entrepreneurs to government procurement processes and giving them funding to create new products.<sup>1</sup>

2.4 Then Minister the Hon. Arthur Sinodinos AO delivered a National Science Statement which provided a long-term vision for the future of science in Australia. Other significant projects highlighted included the Advanced Manufacturing Fund, and finalisation of the design of the Australian Domestic Gas Security Mechanism.

---

1 Department of Industry, Innovation and Science, *Annual Report 2016–17*, p. 3.

2.5 The Secretary also noted the establishment of the Northern Australia Infrastructure Facility, whose report will be examined later in this chapter.

### ***Annual performance statements***

2.6 The department had two significant changes to its program structure in 2016–17. Firstly, as a result of amendments to the Administrative Arrangements Orders on 19 July 2016 and 1 September 2016, the department's responsibility for program 2.5 Energy was transferred to the Department of the Environment and Energy. The second change was the addition of the Northern Australia Infrastructure Facility (NAIF) to program 2.6 *Northern Australia Infrastructure Facility*.<sup>2</sup>

2.7 The committee notes that the department has now delivered seven out of the 24 measures set out in the NISA. The initiatives implemented included support for: commercialisation and entrepreneurship; international science and innovation engagement; Science, Technology, Engineering and Mathematics (STEM) capability and access; critical research infrastructure; and the establishment of Innovation and Science Australia to guide long-term strategy and investment.<sup>3</sup>

2.8 Program 2 is the department's most extensive program covering performance across 5 sub-programs. The analysis provided in the annual report is comprehensive without being excessive. The department summarised its performance with the following statement:

Measured by the performance criteria set out against the intended results, steady progress has been recorded in recent years towards the achievement of Purpose 2, particularly with regard to growing foreign direct investment and increasing early-stage entrepreneurship activity. However, annual business investment has been falling since 2013–14, driven by the winding back of mining investment.<sup>4</sup>

2.9 The delivery of *Program 3: Simplifying doing business* involves facilitating competition and innovation by making it easier for businesses to interact with government as well as reducing the cost of doing business.<sup>5</sup> Since the introduction of the government's Regulatory Reform Agenda in October 2013, the department has contributed an estimated \$496.74 million in net regulatory savings.<sup>6</sup>

### ***Financial performance***

2.10 The annual report clearly sets out the department's expenditure and revenue. The department recorded a loss of \$4.8 million for the 2016–17 reporting period. Including depreciation and amortisation, the department recorded a total loss of \$45.1 million. The committee notes that this is a less significant loss than in the

---

2 Department of Industry, Innovation and Science, *Annual Report 2016–17*, p. 9.

3 Department of Industry, Innovation and Science, *Annual Report 2016–17*, p. 16.

4 Department of Industry, Innovation and Science, *Annual Report 2016–17*, p. 34.

5 Department of Industry, Innovation and Science, *Annual Report 2016–17*, p. 35.

6 Department of Industry, Innovation and Science, *Annual Report 2016–17*, p. 38.

---

previous financial year, and that despite this loss, the department is still able to meet its financial obligations as and when they fall due.<sup>7</sup> The department did not offer any explanation or discussion of the \$4.8 million loss.

2.11 The department's revenue is largely generated through three sources: royalty revenue (\$950.1 million); levy receipts generated by NOPSEMA (\$34.6 million); and registration fees generated by NOPTA (\$15.2 million)—totalling nearly \$1 billion in revenue for the reporting period 2016–17.<sup>8</sup>

### ***Conclusions***

2.12 This will be Ms Beauchamp's final report for the Department of Industry, Innovation and Science, as she became the Secretary of the Department of Health on 18 September 2017. The new Secretary of the department is Dr Heather Smith PSM. Dr Smith was previously Secretary of the Department of Communications and the Arts.

2.13 The committee considers that the department's annual report for the 2016–17 reporting period is apparently satisfactory.

## **Northern Australia Infrastructure Facility**

### ***Establishment of the NAIF***

2.14 The NAIF was established under the *Northern Australia Infrastructure Facility Act 2016* (NAIF Act) in July 2016. The NAIF is a corporate Commonwealth entity under the PGPA Act and is an agency within the Industry, Innovation and Science portfolio.

2.15 The responsible minister for the NAIF is the Minister for Resources and Northern Australia. The NAIF legislative framework and governance model aims to balance the need to operate within commercial financial markets with public interest and accountability.

2.16 The objective of the NAIF is to provide grants of financial assistance to the states and territories for the construction of Northern Australia economic infrastructure. The NAIF will act in partnership with relevant state and territory governments, as well as private financiers who will provide the majority of financial support, to increase investment in infrastructure in Northern Australia.<sup>9</sup>

### ***Annual report 2016–17***

2.17 This is the first annual report from the NAIF. Annual reports must provide certain details, in accordance with the PGPA Act, about the operations and governance of a body for scrutiny by the Parliament.

---

7 Department of Industry, Innovation and Science, *Annual Report 2016–17*, p. 41.

8 Department of Industry, Innovation and Science, *Annual Report 2016–17*, p. 41.

9 Explanatory Memorandum, p. 4.

2.18 In their review of the NAIF's first 12 months in operation, the Chair, Ms Sharon Warburton, and CEO, Ms Laurie Walker, provided a generalised account of the NAIF's activities for 2016–17:

As at 30 June 2017, NAIF had received 124 enquiries (50 of which were active) relating to its potential participation in infrastructure projects. At the time of writing, nine project (15 per cent of active enquiries) are in due diligence. The active projects span across port, airport, road, rail, energy, pipeline, telecommunication and water related infrastructure. They also include infrastructure components of broader projects. Projects are diversified across all northern Australia jurisdictions of the Northern Territory, Queensland and Western Australia. NAIF has worked constructively with those key stakeholders in pursuit of shared objectives.<sup>10</sup>

2.19 The NAIF's Investment Mandate stipulates at subsection 17(1) that the NAIF must have regard to 'Australian best practice corporate governance for Commercial Financiers, when performing its functions'.<sup>11</sup> This requirement has led the NAIF to develop a confidentiality policy which states that NAIF's activities are subject to commercial-in confidence, and therefore, cannot be fully disclosed to the public. This has caused some misconceptions about the NAIF and its decision making processes.

2.20 In particular, the NAIF came under a significant amount of public scrutiny during the 2016–17 period over whether or not it intended to approve a loan for the Adani Group to finance the construction of a railway line from the Carmichael mine to the Abbot Point port in Queensland.

2.21 The governance and operation of the NAIF is currently the subject of an inquiry by the Economics References Committee.

### ***Annual performance statement***

2.22 The NAIF's Annual Performance Statement includes two criteria: establishment of sound governance framework; and development of potential investment proposal pipeline having regard to a preference for diversification including by industry and geographic spread.<sup>12</sup>

2.23 In meeting the first performance criterion, NAIF has worked with the Export Finance Insurance Corporation (Efic) to establish an appropriate governance framework and has published a suite of corporate governance policies on its website.

2.24 The second performance criterion is less tangible and relies on the stability of the governance framework established to ensure that the NAIF and its Board are meeting this performance criterion.

---

10 Northern Australia Infrastructure Facility, *Annual Report 2016/2017*, p. 2.

11 Subsection 17(1), Northern Australia Infrastructure Facility Investment Mandate Direction 2016.

12 Northern Australia Infrastructure Facility, *Annual Report 2016–17*, pp. 14–15.

2.25 The nature of the NAIF's work and its requirement for commercial confidentiality to be maintained at all stages of a project make it difficult to determine precisely how the NAIF is meeting its performance targets.

### ***Conclusions***

2.26 The NAIF 2016–17 annual report fulfils its requirements under the PGPA Act. However, the report also appears to adhere to the NAIF's commercial-in-confidence policy and therefore does not disclose any detail beyond what is currently available on the NAIF's website.

2.27 The committee looks forward to the release of the NAIF's 2017–18 annual report after September 2018, which may provide more detail given the establishment of a comprehensive 2017–18 corporate plan and the financial close of its first project, the Onslow Marine Support Base, in September 2017. The finalisation of this first project should begin to enable the Parliament to better examine how the NAIF is undertaking its role and whether its governance structures are adequate.

## **Department of the Treasury**

### ***Secretary's review***

2.28 The Department of the Treasury's (Treasury) annual report for 2016–17 begins with a review of the reporting period by the Treasury Secretary, Mr John Fraser. Mr Fraser commented that Treasury is moving towards becoming a more 'outward-looking organisation', and that the way Treasury operates is evolving. An embodiment of this evolution is the creation of a new Group within Treasury: the Structural Reform Group.<sup>13</sup>

2.29 The Structural Reform Group was created in March 2017 and is designed to 'undertake deeper analysis on the challenges and opportunities facing our industries, cities and regions.'<sup>14</sup> The Group is led by Ms Meghan Quinn, previously the head of the Financial System Division in Treasury's Markets Group.

2.30 The Structural Reform Group is responsible for policy relating to competition, industry, infrastructure, regional development, energy, environment, communications, transport, workplace relations and regulatory reform.<sup>15</sup>

2.31 Mr Fraser also noted Treasury's work in implementing recommendations from the 2014 Financial System Inquiry (FSI). The committee notes that it has conducted a number of bill inquiries into the legislation developed in response to these recommendations during the 2016–17 financial year.

2.32 Mr Fraser also highlighted a new Treasury branch in Perth. Noting the significance of this step:

---

13 The Treasury, *Annual Report 2016–17*, p. 3.

14 The Treasury, *Annual Report 2016–17*, p. 3.

15 The Treasury website, <https://treasury.gov.au/the-department/about-treasury/our-executive/> (accessed 14 March 2018).

Having a presence in Western Australia means we can foster closer ties with local stakeholders and attract talent from the private sector. This is part of our focus on broadening our horizons. We need to engage widely with different industries and regions to gauge better how the economy is running.<sup>16</sup>

2.33 Finally, Mr Fraser noted another development: the establishment of a Critical Infrastructure Centre within the Attorney-General's Department. This new body would complement the work of the Foreign Investment Review Board which sits within Treasury. Its purpose is:

...to advise on the national security risks to Australia's critical infrastructure with an initial focus on water, ports, electricity and telecommunications sectors. The Centre's advice will complement existing FIRB processes in scrutinising foreign involvement in these important assets.<sup>17</sup>

### ***Annual performance statements***

2.34 With the creation of the Structural Reform Group, Treasury now has six Groups which contribute to the delivery of its main outcome:

Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations.<sup>18</sup>

2.35 The Treasury continues to assess its performance through three 'purposes' as set out in its Corporate Plan for 2016–17: promoting fiscal sustainability; increasing productivity and workforce participation; and securing the benefits of global economic integration.<sup>19</sup>

### ***Financial performance***

2.36 Treasury's annual report provided the following summary of its financial performance for 2016–17:

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 amortisation and changes in asset revaluation reserves, the Treasury reported an operating surplus of \$3.3 million in 2016–17, which was driven by underspends by boards/panels and one-off activities. This compares with an operating deficit of \$2.9 million in 2015–16 after adjusting for depreciation and amortisation and changes in asset revaluation reserves. The Treasury's administered expenses in 2016–17 were \$94.5 billion, compared with \$88.0 billion in 2015–16.<sup>20</sup>

---

16 The Treasury, *Annual Report 2016–17*, p. 4.

17 The Treasury, *Annual Report 2016–17*, p. 4.

18 The Treasury, *Annual Report 2016–17*, p. 5.

19 The Treasury, *Annual Report 2016–17*, p. 14.

20 The Treasury, *Annual Report 2016–17*, p. 8.

---

## **Conclusions**

2.37 The committee considers that Treasury's annual report for the 2016–17 reporting period is apparently satisfactory.

### **Australian Bureau of Statistics**

2.38 The Australian Bureau of Statistics (ABS) is led by Mr David Kalisch, the Australian Statistician. In his review of 2016–17, Mr Kalisch provided a comprehensive summary of the agency's activities during the reporting period.

#### **2016 Census**

2.39 In particular, Mr Kalisch commented on the 2016 Census, which took place on 19 August 2016. He acknowledged the Census outage and the difficulties that it presented to the ABS. However, Mr Kalisch also noted that, despite the technical issues, the 2016 Census was successful in collecting all of the data required.

2.40 Mr Kalisch highlighted the following participation rates:

The headline indicators for the success of the 2016 Census were an overall response rate of 95.1%; an online response rate of 63.3% (up from 37.9% in 2011) and a net undercount of 1.0% (down from 1.7% in the 2011 Census).<sup>21</sup>

2.41 The 2016 Census was the subject of three separate reviews:

- *Review of the Events Surrounding the 2016 eCensus*, by Alastair MacGibbon, Special Adviser to the Prime Minister on Cyber Security, 13 October 2016;
- Senate Economics References Committee inquiry into the 2016 Census, report—*2016 Census: issues of trust*, tabled 24 November 2016; and
- *Report on the Quality of 2016 Census Data*, by an Independent Assurance Panel, released in June 2017.

2.42 Mr Kalisch noted that in assessing the quality of 2016 Census data, the Independent Assurance Panel said that:

While challenges were experienced and should be addressed for the 2021 Census, the changed approach led to a more efficient, effective and modern Census operation. The Panel strongly supports the changed approach to the Census and its further refinement in order to secure a high quality and financially sustainable Census into the future.<sup>22</sup>

2.43 He also commented that the ABS has almost completed implementing the recommendations of Alastair MacGibbon's review, noting that the review helped to provide 'impetus to accelerate reform and help us address key issues of importance to both the Government and the broader community'.<sup>23</sup>

---

21 Australian Bureau of Statistics, *Annual Report 2016–17*, p. 3.

22 Australian Bureau of Statistics, *Annual Report 2016–17*, p. 3.

23 Australian Bureau of Statistics, *Annual Report 2016–17*, p. 3.

2.44 The Government Response to the Senate inquiry was received in February 2017. Of the 16 recommendations made by the committee, the government indicated that it agreed or noted all except three recommendations.<sup>24</sup>

2.45 Mr Kalisch concluded his comments on the 2016 Census, stating that:

Many of the things we have learned from the 2016 Census, alongside international developments, are contributing to reformed governance arrangements, strategy and practices as we start to prepare for the 2021 Census. We have also used the opportunity to take stock and embed new dimensions into our communication, cultural change program, training, policies and procedures.<sup>25</sup>

### ***ABS transformation agenda***

2.46 Mr Kalisch's review also detailed the progress the ABS has made as part of its transformation agenda. The transformation, which began in 2014–15, is modernising the infrastructure through its Statistical Business Transformation Program (SBTP) with a \$257 million investment. In the past 12 months, the ABS reported it has:

- developed a new stakeholder and relationship management plan to enable better and more consistent collaboration and support to our key stakeholders and government;
- delivered key foundational infrastructure that will underpin improvements to our statistical systems as part of SBTP; and
- developed and begun to implement a cultural enhancement strategy that will lead to better engagement with our staff and improve our ability to harness their abilities, capacity and diversity.<sup>26</sup>

### ***Financial performance***

2.47 The ABS' annual report indicates that a 'discussion and analysis of the entity's financial performance' as required by PGPA rule 17AF(1)(a) is located in three different sections of the report: pp. 2–11; pp. 84–85 and pp. 86–113.

2.48 The committee notes that the information on pages 84–85 and 86–113 fulfils PGPA rules 17AF(1)(b)—a table summarising the total resources and total payments of the entity, and 17AD(e)—the entity's financial statements.

2.49 The information on pages 2–11 is the Australian Statistician's review, and contains very little information on the ABS' financial performance in 2016–17. The review indicates that the ABS has been operating with 'declining operating resources, fragile operating systems [and] expanding information demands'. It does not give any

---

24 *Australian Government response to the Senate Economics References Committee report: 2016 Census: issues of trust*, February 2017, [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Economics/2016Census/Government\\_Response](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/2016Census/Government_Response) (accessed 15 March 2018).

25 Australian Bureau of Statistics, *Annual Report 2016–17*, p. 3.

26 Australian Bureau of Statistics, *Annual Report 2016–17*, p. 6.

---

analysis relating to the ABS' revenue or expenditure or how this compares with the previous financial year.

2.50 The committee encourages the ABS to provide a more detailed discussion of the its financial performance in future annual reports to fulfil its obligations under PGPA rule 17AF(1)(a).

### ***Conclusions***

2.51 The committee considers that the ABS' annual report for the 2016–17 reporting period is apparently satisfactory.

### **Australian Competition and Consumer Commission**

2.52 The annual report of the Australian Competition and Consumer Commission (ACCC) also includes the annual report of the Australian Energy Regulator (AER). However, this section of the report will focus only on the 2016–17 activities of the ACCC.

2.53 In his review, the ACCC Chair, Mr Rod Sims, stated that 'this has been an amazing year'.<sup>27</sup> He pointed to a number of examples; including, the ACCC's first criminal cartel prosecution, winning two cases in the High Court, and several cases against large companies for misleading consumers. Mr Sims also noted the high-profile product safety matters they have dealt with including the mandatory recall of Infinity cables and the voluntary Thermomix recall.

2.54 Mr Sims commented that the ACCC has received more work from the Australian Government:

The Government has directed us to conduct inquiries into the competitiveness, trading practices, and transparency of the Australian dairy industry; residential mortgage products; Northern Australia insurance; the supply of retail electricity and the competitiveness of retail electricity prices; and the supply of and demand for wholesale gas in Australia, as well as to publish regular information on the supply and pricing of gas for three years.<sup>28</sup>

2.55 Mr Sims indicated that while these inquiries are a great compliment to the ACCC, 'they will both stretch and test us'.<sup>29</sup>

### ***Annual performance statements***

2.56 The ACCC's purpose is 'to make markets work for consumers now and in the future':

The ACCC works to enhance the welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets. Its aim is to bring greater competitiveness and fair trading to the Australian

---

27 Australian Competition and Consumer Commission, *Annual Report 2016–17*, p. 2.

28 Australian Competition and Consumer Commission, *Annual Report 2016–17*, p. 2.

29 Australian Competition and Consumer Commission, *Annual Report 2016–17*, p. 2.

economy, working on the fundamental principle that this benefits consumers, business and the wider community.<sup>30</sup>

2.57 It achieves this purpose guided by its outcome—'Lawful competition, consumer protection, and regulated infrastructure markets and services through regulation, including enforcement, education, price monitoring and determining the terms of access to infrastructure services'.<sup>31</sup>

2.58 In assessing its performance, the ACCC measures its achievements against four strategies:

- Strategy 1: Maintaining and promoting competition;
- Strategy 2: Protecting the interests and safety of consumers and supporting fair trading in markets affecting consumers and small business;
- Strategy 3: Promoting the economically efficient operation of, use of, and investment in infrastructure; and identifying market failure; and
- Strategy 4: Promote efficient investment in, and efficient operation and use of, energy services for the long-term interests of consumers with respect to price, quality, safety, reliability and security.<sup>32</sup>

2.59 A significant level of detail is provided in the ACCC's performance statements, including a section on 'factors affecting performance' and examples of how performance criteria have been met. The committee notes that this level of detail can be difficult for readers to work through. The ACCC could consider providing a high level summary of the agency's performance and then provide the more detailed information separately.

### ***Conclusions***

2.60 The committee considers that the ACCC's annual report for the 2016–17 reporting period is apparently satisfactory.

### **General comments**

#### ***Compliance index***

2.61 The committee notes the comments made on compliance indexes in its Report on Annual Reports No.1 of 2017, and notes that those agencies that had errors in their compliance indexes have rectified these issues.

2.62 The committee also notes, however, that in some reports, the compliance indexes continued to indicate large page ranges and, in some cases, whole chapters in which to locate specific information. The committee suggests that providing a more precise page range for each requirement will improve the overall accessibility of annual reports.

---

30 Australian Competition and Consumer Commission, *Annual Report 2016–17*, p. 18.

31 Australian Competition and Consumer Commission, *Annual Report 2016–17*, p. 19.

32 Australian Competition and Consumer Commission, *Annual Report 2016–17*, pp. 25–26.

---

2.63 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***

2.64 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.

***Agencies without reports***

2.65 The committee notes the establishment of the Financial Adviser Standards and Ethics Authority on 11 April 2017. As the body was not established until near the end of the financial year, its first reporting period will be 2017–18.

2.66 The committee notes that the Corporations and Markets Advisory Committee (CAMAC) was abolished on 21 February 2018, when the *Statute Update (Smaller Government) Act 2018* received royal assent. The abolishment of CAMAC was originally announced in the 2014 Budget. CAMAC's final annual report was tabled in 2013–14.

***Presentation of consolidated reports***

2.67 The committee notes that in 2016–17, the Australian Accounting Standards Board and the Auditing and Assurance Standards Board have consolidated their annual reports into one publication.

***Apparently satisfactory***

2.68 As noted in Chapter 1, the committee finds that all reports of the Industry, Innovation and Science and Treasury portfolios for 2016–17 are apparently satisfactory.

**Senator Jane Hume**

**Chair**



# Appendix 1

## Dates relating to the presentation of annual reports between 1 May and 31 October 2017

Reporting Body	Submitted to Minister	Received by Minister	Tabled in the Senate or presented out of sitting (*)	Tabled in the House of Representatives
<b>INDUSTRY, INOVATION AND SCIENCE PORTFOLIO</b>				
Department of Industry and Science, including the reports of Geoscience Australia and IP Australia	21/09/2017	21/09/2017	13/11/2017	24/10/2017
Australian Institute of Marine Science	27/09/2017	27/09/2017	13/11/2017	19/10/2017
Australian Nuclear Science and Technology Organisation	26/09/2017	04/10/2017	20/10/2017*	23/10/2017
Commonwealth Scientific and Industrial Research Organisation (CSIRO)	07/09/2017	07/09/2017	13/11/2017	24/10/2017
Northern Australia Infrastructure Facility (NAIF)	12/10/2017	12/10/2017	13/11/2017	23/10/2017
National Offshore Petroleum Safety and Environmental Management Authority	05/10/2017	10/10/2017	13/11/2017	26/10/2017
Innovation and Science Australia <sup>1</sup>	14/12/2017	14/12/2017	10/01/2018* 05/02/2018	05/02/2018
<b>TREASURY PORTFOLIO</b>				
Department of the Treasury	13/10/2017	13/10/2017	30/10/2017* 13/11/2017	04/12/2017

1 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.

<b>Reporting Body</b>	<b>Submitted to Minister</b>	<b>Received by Minister</b>	<b>Tabled in the Senate or presented out of sitting (*)</b>	<b>Tabled in the House of Representatives</b>
Auditing and Assurance Standards Board	16/10/2017	16/10/2017	30/10/2017* 13/11/2017	04/12/2017
Australian Accounting Standards Board	16/10/2017	16/10/2017	30/10/2017* 13/11/2017	04/12/2017
Australian Bureau of Statistics	08/09/2017	08/09/2017	18/10/2017	18/10/2017
Australian Charities and Not-for-Profits Commission (ACNC)	12/10/2017	12/10/2017	27/10/2017* 13/11/2017	04/12/2017
Australian Competition and Consumer Commission — Report for 2016–17, including report of the Australian Energy Regulator (AER)	27/09/2017	27/09/2017	13/11/2017	23/10/2017
Australian Office of Financial Management	22/09/2017	22/09/2017	13/11/2017	24/10/2017
Australian Prudential Regulation Authority	29/09/2017	29/09/2017	13/11/2017	26/10/2017
Australian Reinsurance Pool Corporation	10/10/2017	10/10/2017	13/11/2017	23/10/2017
Australian Statistics Advisory Council	27/09/2017	27/09/2017	18/10/2017	18/10/2017
Australian Securities and Investments Commission	06/10/2017	06/10/2017	13/11/2017	26/10/2017
Australian Taxation Office— Report of the Commissioner of Taxation	12/10/2017	12/10/2017	27/10/2017* 13/11/2017	04/12/2017
Commonwealth Grants Commission	29/09/2017	29/09/2017	13/11/2017	23/10/2017
Companies Auditors Disciplinary Board	27/09/2017	27/09/2017	13/11/2017	23/10/2017
Financial Reporting Council	28/09/2017	28/09/2017	13/11/2017	24/10/2017

<b>Reporting Body</b>	<b>Submitted to Minister</b>	<b>Received by Minister</b>	<b>Tabled in the Senate or presented out of sitting (*)</b>	<b>Tabled in the House of Representatives</b>
Inspector-General of Taxation	04/10/2017	04/10/2017	13/11/2017	26/10/2017
National Competition Council	21/09/2017	21/09/2017	16/10/2017	16/10/2017
Productivity Commission	06/10/2017	06/10/2017	13/11/2017	23/10/2017
Reserve Bank of Australia	01/09/2017	01/09/2017	16/10/2017	14/09/2017
Royal Australian Mint	05/10/2017	05/10/2017	13/11/2017	26/10/2017
Superannuation Complaints Tribunal	19/09/2017	19/09/2017	16/10/2017	16/10/2017
Takeovers Panel	03/10/2017	03/10/2017	13/11/2017	26/10/2017
Tax Practitioners Board	12/10/2017	12/10/2017	27/10/2017* 13/11/2017	04/12/2017

