

The Senate

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Economics  
Legislation Committee

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Annual reports (No. 1 of 2019)

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# Senate Economics Legislation Committee

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# 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 2019 and provides an overview of selected annual reports presented to the Parliament between 1 May and 31 October 2018 for the 2017–18 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.

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1 The Administrative Arrangements Order of 28 August 2018 changed the name of the portfolio from Industry, Innovation and Science (part of the Jobs and Innovation portfolio) to the Industry, Innovation and Science portfolio.

## Allocated portfolios

1.4 The Senate allocated departments and agencies to committees on 17 September 2018.<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>

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2 *Journals of the Senate, No. 118*, 17 September 2018, pp. 3768–3769.

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 28 May 2018. The committee will present this report on 2 April 2019.

## **Reports examined**

1.11 During the period of 1 May to 31 October 2018, 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 31 March 2019. 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;

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5 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.

6 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; 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;
- Australian Taxation Office;
- Commonwealth Grants Commission;
- Inspector-General of Taxation;
- National Competition Council;
- Office of the Auditing and Assurance Standards Board and the Office of the Australian Accounting Standards Board;
- Productivity Commission; and
- Royal Australian Mint.

***Corporate Commonwealth entities***

- Australian Reinsurance Pool Corporation;
- Reserve Bank of Australia.

***Commonwealth Company***

- Financial Adviser Standards and Ethics Authority.

***Other***

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

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

1.12 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;
- Financial Reporting Council;
- Office of the Australian Accounting Standards Board;<sup>7</sup>
- Office of the Auditing and Assurance Standards Board;<sup>8</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***

- Strengthening for Purpose: Australian Charities and Not-for-profits Commission—Legislation Review 2018—Section 16 of the *Australian*

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

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

*Charities and Not-for-profits Commission (Consequential and Transitional) Act 2012*, tabled 22 August 2018;

- Misconduct in the banking, superannuation and financial services industry—Royal Commission—Interim report (3 volumes), dated 28 September 2018;
- Misconduct in the banking, superannuation and financial services industry—Royal Commission—Final report (3 volumes), dated 4 February 2019;
- Final budget outcome 2017–18, dated September 2018;
- *Register of Foreign Ownership of Agricultural Land Act 2015*—Report of registrations for 2017–18, tabled 20 December 2018;
- *Register of Foreign Ownership of Water or Agricultural Land Act 2015*—Report of registrations as at 30 June 2018, tabled 1 March 2019;
- Reserve Bank of Australia—Payments System Board—Annual Report 2017–18 (tabled HoR 20 September 2018—Senate 15 October 2018);
- Reserve Bank of Australia—Equity and Diversity Annual Report 2017–18 (tabled HoR 20 September 2018—Senate 15 October 2018);
- Department of the Treasury—Tax Benchmarks and Variations Statement 2018;
- Australian Taxation Office:
- Productivity Commission—Report no. 90—Murray-Darling Basin Plan: five-year assessment, dated 19 December 2018;
- Productivity Commission—Report no. 91—Superannuation: Assessing efficiency and competitiveness, dated 21 December 2018;
- Mid-Year Economic and Fiscal Outlook (MYEFO) 2018–19, dated 17 December 2018; and

### ***Industry portfolio***

- Review of the implementation of the Australian Jobs Act 2013, dated 26 November 2018.

### **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

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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>9</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

(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. Under the *Acts Interpretation Act 1901* an extension would only need to be sought 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>10</sup>

### ***Other entities***

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

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

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

### ***Timeliness of 2017–18 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 2018 and referred to the committee including the relevant tabling dates.

1.23 The committee notes that all annual reports for 2017–18 were presented in Parliament in a timely manner, by 31 October 2018.

1.24 The committee notes that some annual reports, although tabled on time, were not available prior to the 2018 Supplementary Budget Estimates hearings on 24 and 25 October 2018. The committee commends those entities whose annual reports were presented in the Parliament prior to the hearings.

1.25 Innovation Australia is an independent statutory board established under the *Industry Research and Development Act 1986*, and tabled its annual report on 26 November 2018. The board is required to report to the Minister as soon as practicable after 30 June each year. The committee thanks Innovation Australia for the prompt tabling of its report.

1.26 The Foreign Investment Review Board (FIRB) is a non-statutory body, established by the Minister, and is therefore not subject to the reporting requirements set out in the PGPA Act. FIRB does not have a legislative requirement to table an annual report. The committee thanks FIRB for continuing to report to the Parliament each year.

1.27 Annual reports and other documents tabled in the Senate after 31 March 2019 will be discussed in the committee's *Annual reports (No. 2 of 2019)*.

### **Senate Debate**

1.28 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**

1.29 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.

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

### **Apparently satisfactory**

1.31 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.

1.32 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;
- National Offshore Petroleum Safety and Environmental Management Authority;
- Department of the Treasury;
- Australian Taxation Office (Commissioner of Taxation).

#### Department of Industry, Innovation and Science

##### *Secretary's review*

2.2 The 2017–18 annual report of the Department of Industry, Innovation and Science (the department) is the first annual report of the new departmental secretary Dr Heather Smith PSM. Dr Smith was previously Secretary of the Department of Communications and the Arts.

2.3 As in previous years, this document includes the annual reports of Geoscience Australia and IP Australia—non-corporate Commonwealth entities within the Industry, Innovation and Science portfolio.

2.4 In her review, the Secretary highlighted a number of the department's achievements in 2017–18, including the introduction of the Advanced Manufacturing Growth Fund, the establishment of five new Cooperative Research Centres (CRCs), the launch of an Australian quantum computing company, and progress in implementing the National Business Simplification initiative.<sup>1</sup>

2.5 The five new CRCs support industry-led collaborations in five distinct fields: cyber security; reducing food waste; addressing declining mineral exploration; adoption of future fuels; and the development of digital health solutions.<sup>2</sup>

2.6 In relation to the implementation of the National Business Simplification initiative, the Secretary highlighted that the new Business Registration Service has seen the time required for a sole trader to register a business drop from 65 minutes to under 15 minutes.<sup>3</sup> Further, the Business Grants Hub 'is making it easier for business to access grant programs and is providing a streamlined and standardised approach for government's design and delivery of these programs'.<sup>4</sup>

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1 Department of Industry, Innovation and Science, *Annual Report 2017–18*, pp. 5–6.

2 Department of Industry, Innovation and Science, *Annual Report 2017–18*, p. 5.

3 Department of Industry, Innovation and Science, *Annual Report 2017–18*, p. 6.

4 Department of Industry, Innovation and Science, *Annual Report 2017–18*, p. 6.

2.7 The Secretary also noted the work that the department has done to provide a more inclusive and flexible workplace, through the creation of an inclusion strategy. This strategy encompasses multiple initiatives including the DIISability Internship Program, Inclusion Scholarship Program and a departmental Inclusion Expo.<sup>5</sup>

### ***Portfolio overview***

2.8 The annual report notes that between 20 December 2017 and 28 August 2018, the Department of Industry, Innovation and Science was one of two departments that made up the Jobs and Innovation portfolio.<sup>6</sup>

2.9 The administrative arrangements order of 28 August 2018 removed the department from that portfolio and re-created the Industry, Innovation and Science Portfolio

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

2.10 The department continues to deliver its one outcome through the following three programs:

- Program 1—Supporting Science and Commercialisation; and
- Program 2—Growing Business Investment and Improving Business Capability; and
- Program 3—Program Support.

2.11 The department continues to present its annual performance statements in a manner which is easy to read and provides a detailed yet not cumbersome assessment of its progress against each of its three Purposes. The committee notes the clarity of the brief 'Summary of the department's performance' against each Purpose. For example, for Purpose 1, the annual report summarises:

Measured by the performance criteria set out against the intended results, appreciable progress has been made in recent years towards the achievement of Purpose 1, particularly in enhancing performance in scientific research; sustaining growth in knowledge-intensive industries; sustaining Australia's performance in innovation above the Organisation for Economic Co-operation and Development average; and increasing the number of collaborations entered into by research institutions. The fall in [Business Expenditure on Research and Development] as a proportion of GDP has been driven by broader structural shifts in the Australian economy. This has also impacted the growth of investment in intangible capital as a share of total GDP by the private sector.<sup>7</sup>

2.12 The committee notes that the department has made progress in implementing each of its three Purposes in recent years; however, also notes that the assessments made in the summary of the department's performance against each Purpose does not

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5 Department of Industry, Innovation and Science, *Annual Report 2017–18*, p. 6.

6 Department of Industry, Innovation and Science, *Annual Report 2017–18*, p. 6.

7 Department of Industry, Innovation and Science, *Annual Report 2017–18*, p. 26.

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specifically indicate what progress has been made during the particular reporting period, in this case, during 2017–18.

### ***Financial performance***

2.13 The annual report clearly sets out the department's expenditure and revenue. Excluding depreciation, amortisation and adjustments through other comprehensive income, the department recorded a loss of \$37.1 million for the 2017–18 reporting period. The report offered the following explanation:

This loss is largely due to the transfer of the Australian Astronomical Observatory functions from the department to the research sector as part of the 'Maintaining Australia's Optical Astronomy Capability' measure announced in the 2017–18 budget.<sup>8</sup>

2.14 After taking into account depreciation and amortisation of \$37.7 million and the change in the asset revaluation reserve of \$1.4 million, the department recorded a loss of \$73.4 million for 2017–18. The department noted that:

...this reflects the introduction of the net cash appropriation arrangements where appropriation for depreciation and amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations.<sup>9</sup>

2.15 The committee notes that department's revenue is largely generated through three sources: royalty revenue (\$1072.7 million); levy receipts generated by the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) (\$36.5 million); and registration fees generated by National Offshore Petroleum Titles Administrator (\$15.4 million)—totalling just over \$1 billion in revenue for the reporting period 2017–18.<sup>10</sup> The committee also notes that each of these figures shows a small increase on those from the previous financial year.

### ***Conclusions***

2.16 The committee considers that the department's annual report for the 2017–18 reporting period is apparently satisfactory.

## **National Offshore Petroleum Safety and Environmental Management Authority**

2.17 NOPSEMA is a corporate Commonwealth entity within the Industry, Innovation and Science portfolio.

2.18 NOPSEMA has one outcome:

Promote and enforce the effective management of risks to the workforce, the environment and the structural integrity of facilities, well and well-

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8 Department of Industry, Innovation and Science, *Annual Report 2017–18*, p. 47.

9 Department of Industry, Innovation and Science, *Annual Report 2017–18*, p. 47.

10 Department of Industry, Innovation and Science, *Annual Report 2017–18*, p. 47.

related equipment of the Australian offshore petroleum and greenhouse storage industries through regulatory oversight.<sup>11</sup>

2.19 NOPSEMA's jurisdiction extends to all offshore areas in Commonwealth waters—comprising the first three nautical miles of the territorial sea—and in coastal waters where regulatory powers and functions have been conferred.

2.20 Mr Stuart Smith is the Chief Executive Officer (CEO), and the accountable authority of NOPSEMA. Mr Smith was appointed CEO of NOPSEMA in September 2014, prior to which he was the Director General of the Department of Fisheries in Western Australia.<sup>12</sup>

2.21 Mr Smith's review of the 2017–18 reporting period provided an overview of NOPSEMA's regulatory activities. In particular, Mr Smith highlighted the significant increase in the number of hours worked in NOPSEMA regulated waters. Mr Smith explained that this was due to 'an unprecedented level of commissioning activity that fundamentally changed the risk profile of the industry and as a result the level of NOPSEMA's regulatory oversight'.<sup>13</sup>

2.22 Mr Smith also noted that 2017–18 saw an increase in enforcement actions, with 19 breaches of the legislation leading to action. Mr Smith considered that this enforcement activity will serve to 'deter similar non-compliance from the wider industry'.<sup>14</sup>

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

2.23 NOPSEMA's outcome is implemented through one programme:

Programme 1.1 (as per PBS)

Regulatory oversight of safety cases, well operations management plans and environment plans coupled with effective monitoring, investigation and enforcement.<sup>15</sup>

2.24 The annual performance statements noted that NOPSEMA has 'fully met the targets for all 23 key performance indicators (KPIs) identified in its corporate plan'.<sup>16</sup>

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11 National Offshore Petroleum Safety and Environmental Management Authority, *Annual Report 2017–18*, p. 15.

12 National Offshore Petroleum Safety and Environmental Management Authority, *Annual Report 2017–18*, p. 19.

13 National Offshore Petroleum Safety and Environmental Management Authority, *Annual Report 2017–18*, p. 8.

14 National Offshore Petroleum Safety and Environmental Management Authority, *Annual Report 2017–18*, p. 9.

15 National Offshore Petroleum Safety and Environmental Management Authority, *Annual Report 2017–18*, p. 40.

16 National Offshore Petroleum Safety and Environmental Management Authority, *Annual Report 2017–18*, p. 40.

2.25 NOPSEMA's assessment of its performance against each KPI is clear and provides the reader with a good picture of the organisation's activities over time through the inclusion of the two previous years' results.<sup>17</sup>

2.26 As a Commonwealth regulator, NOPSEMA is also required to implement the Regulator Performance Framework (RPF):

The framework consists of six outcomes-based KPIs covering reducing regulatory burden, communications, risk-based and proportionate approaches, efficient and coordinate monitoring, transparency, and continuous improvement.<sup>18</sup>

2.27 The RPF shows that NOPSEMA has met all targets for the 2017–18 reporting period.<sup>19</sup> However, the performance statement for this section indicates that 'NOPSEMA has met five and substantially met one' of the six RPF KPAs.<sup>20</sup>

### ***Financial performance***

2.28 In 2017–18, NOPSEMA returned a surplus of \$0.2 million. The annual report noted that the forecast for this financial year was to be in deficit by more than \$2 million. NOPSEMA's report explained that '[t]he actual result shows revenue was on budget whereas expenditure, specifically employee expense, was significantly under budget'.<sup>21</sup>

2.29 NOPSEMA recorded total revenue of \$31.9 million for the reporting period. NOPSEMA's revenue is sourced from levies collected from stakeholders that are planning or undertaking offshore petroleum activities in Commonwealth waters. Levy revenue has contributed to more than 99 per cent of total revenue since NOPSEMA's inception in 2012, after the cost of transitioning from NOPSA to NOPSEMA was removed.<sup>22</sup>

### ***Conclusions***

2.30 NOPSEMA's annual performance statements (including against KPIs and RPFs) are well presented and easy to understand.

2.31 The committee considers that NOPSEMA's 2017–18 annual report is apparently satisfactory.

17 National Offshore Petroleum Safety and Environmental Management Authority, *Annual Report 2017–18*, p. 43.

18 National Offshore Petroleum Safety and Environmental Management Authority, *Annual Report 2017–18*, p. 63.

19 National Offshore Petroleum Safety and Environmental Management Authority, *Annual Report 2017–18*, pp. 64–69.

20 National Offshore Petroleum Safety and Environmental Management Authority, *Annual Report 2017–18*, p. 63.

21 National Offshore Petroleum Safety and Environmental Management Authority, *Annual Report 2017–18*, p. 71.

22 National Offshore Petroleum Safety and Environmental Management Authority, *Annual Report 2017–18*, p. 73.

## Department of the Treasury

### *Secretary's review*

2.32 This is the first annual report of Treasury Secretary Mr Philip Gaetjens, who commenced the role in August 2018. Mr Gaetjens acknowledged the contributions of his predecessor, Mr John Fraser, noting his 'lasting legacy' which included 'improving budget outcomes and increased outreach and accessibility to Treasury through our state offices'.<sup>23</sup>

2.33 Mr Gaetjens' review of the 2017–18 reporting period was succinct and gave a brief overview of Treasury's activities:

In the past year, we provided advice on a series of tax reforms. This included significant changes to the personal income tax framework, better targeting the research and development tax incentive and proposed changes to the way the GST is distributed between the states and territories. We are also coordinating a whole-of-government strategy to tackle problems associated with the black economy.<sup>24</sup>

2.34 Mr Gaetjens also noted Treasury's contribution to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission). He also highlighted Treasury's role in aiding public debate across a range of topics, including 'population growth and immigration, best practice modelling and the implications of US corporate tax reforms for the Australian and global economy'.<sup>25</sup>

### *Annual performance statements*

2.35 In the 2017–18 reporting period, Treasury had six Groups which contributed 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>26</sup>

2.36 The six Groups are the following: Macroeconomic, Markets, Fiscal, Revenue, Structural Reform, and Corporate Services and Business Strategy.<sup>27</sup>

2.37 As set out in its corporate plan for 2017–18, Treasury measures its performance against three purposes: promoting fiscal sustainability; increasing productivity and workforce participation; and securing the benefits of global economic integration. The corporate plan and performance assessment also includes a section

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23 The Treasury, *Treasury Annual Report 2017–18*, p. 4.

24 The Treasury, *Treasury Annual Report 2017–18*, p. 3.

25 The Treasury, *Treasury Annual Report 2017–18*, p. 3.

26 The Treasury, *Treasury Annual Report 2017–18*, p. 5.

27 The Structural Reform Group was removed in February 2019. Its functions have been re-distributed into the Macroeconomic and Fiscal Groups.

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called 'organisational capability', which provides a broader view of Treasury's activities.<sup>28</sup>

2.38 The analysis of Treasury's performance is followed by its results against each purpose. This is clearly set out and provides specific details as to how each criteria has been met.

### ***Financial performance***

2.39 Treasury's annual report provided the following summary of its financial performance for 2017–18:

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, amortisation and changes in asset revaluation reserves, the Treasury reported an operating surplus of \$3.2 million in 2017–18, which was driven by underspends in sustained functions, overheads, reserves and one-off activities, rather than the base functions of the Treasury. This compares with an operating surplus of \$3.3 million in 2016–17 after adjusting for depreciation, amortisation and changes in asset revaluation reserves. The Treasury's administered expenses in 2017–18 were \$133.9 billion, compared with \$94.5 billion in 2016–17. The first Medicare Guarantee Fund payment was processed in 2017–18 for the amount of \$34.8 billion.<sup>29</sup>

### ***Conclusions***

2.40 The committee considers that Treasury's annual report for the 2017–18 reporting period is apparently satisfactory.

### **Commissioner of Taxation**

2.41 The Commissioner of Taxation, Mr Chris Jordan AO, is the accountable authority of the Australian Taxation Office (ATO). The ATO is a non-corporate Commonwealth entity under the Treasury portfolio.

2.42 The ATO has one outcome:

Confidence in the administration of aspects of Australia's taxation and superannuation systems through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law.<sup>30</sup>

2.43 This outcome is delivered through four agency programs and 14 administered programs. The agency programs are run through the ATO, the Tax Practitioners

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28 The Treasury, *The Treasury Corporate Plan 2017–18*, <https://treasury.gov.au/sites/default/files/2019-03/corporate-plan-2017-18-3.pdf> (accessed 29 March 2019).

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

30 Australian Taxation Office, *Commissioner of Taxation Annual report 2017–18*, p. 4.

Board, the Australian Business Register, and the Australian Charities and Not-for-profits Commission.<sup>31</sup>

### ***Commissioner's review***

2.44 In his review of the 2017–18 reporting period, Mr Jordan stated that he was proud of the ATO and its performance.<sup>32</sup> Mr Jordan commented:

In 2017–18, the people in the ATO delivered on a multitude of commitments to government and to the community through our business lines, taskforces and projects. We also continued our transformation to improve the client and staff experiences; focusing on delivering contemporary services to make it easier to do the right thing, and targeting and bringing to account those who do not meet their obligations.<sup>33</sup>

2.45 Mr Jordan also highlighted a number of the ATO's achievements including:

- Increase in collection of company tax (up \$16 billion on the previous financial year);
- Increased take up of myTax and faster refunds;
- Implementation of the first phase of the Single Touch Payroll; and
- Earlier resolution of objection disputes, with approximately two-thirds of all objections being resolved within three weeks.<sup>34</sup>

2.46 Mr Jordan also put forward that, although pleased with the ATO's results in this reporting period, 'they can be better'.<sup>35</sup> Mr Jordan stated:

I am committed to listening, empathising and understanding what and how we can improve our performance—particularly in terms of how the community and stakeholders perceive us; our services efficiency, effectiveness and integrity.<sup>36</sup>

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

2.47 In accordance with its 2017–18 corporate plan, the ATO's annual performance statements set out its purpose:

The ATO purpose is to contribute to the economic and social wellbeing of Australians by fostering willing participation in the tax and superannuation systems. We achieve this through the delivery of our goals:

- Making it easier for people to participate
- Providing contemporary and tailored services

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31 Australian Taxation Office, *Commissioner of Taxation Annual report 2017–18*, pp. 4–5.

32 Australian Taxation Office, *Commissioner of Taxation Annual report 2017–18*, p. ii.

33 Australian Taxation Office, *Commissioner of Taxation Annual report 2017–18*, p. ii.

34 Australian Taxation Office, *Commissioner of Taxation Annual report 2017–18*, pp. ii–iii.

35 Australian Taxation Office, *Commissioner of Taxation Annual report 2017–18*, p. iii.

36 Australian Taxation Office, *Commissioner of Taxation Annual report 2017–18*, p. iii.



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- Maintaining purposeful and respectful relationships
  - Being a professional and productive organisation<sup>37</sup>

2.48 The ATO has in place nine strategic objectives that guide it towards achieving this purpose, which are grouped into five perspectives: Government, Client, Workforce, Operational, and Financial.<sup>38</sup>

2.49 The statements provide a general overview of the ATO's performance as well as a detailed assessment of performance and analysis of results against each of the nine strategic objectives.

2.50 The overview stated:

The ATO performance results for 2017–18 indicate a year of solid performance in achieving our purpose, with some specific areas for improvement. The ATO has 23 measures for Program 1.1 to demonstrate how well we are achieving our purpose. These are set out in the Australian Taxation Office Budget Statements in the Treasury Portfolio Budget Statements (PBS), and in the ATO corporate plan 2017–18. Fifteen of these measures had a 2017–18 performance target, with the target fully achieved for nine and substantially achieved for the remaining six. In 2018–19 we will be looking at what we need to do differently to fully meet our own and the community's expectations.<sup>39</sup>

2.51 The detailed information on ATO's performance is set out in tables for each strategic objective. The tables are clear and also provide data on the ATO's results against each objective in the preceding two financial years. This is valuable as it shows trends in performance.

### ***Financial performance***

2.52 The ATO provided a summary of its financial performance for 2017–18 in three parts: operating expense budget, capital budget, and administering the GST.<sup>40</sup>

2.53 The summary noted that the ATO's financial result was an operating deficit of \$36.1 million, or 1 per cent of budget (excluding depreciation).<sup>41</sup> In relation to the capital budget, the annual report noted that the capital budget increased by \$28.9 million 'as a result of carrying forward funding from the previous year and the

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37 Australian Taxation Office, *ATO Corporate Plan 2017–18*, p. 1, [https://www.ato.gov.au/uploadedFiles/Content/CR/downloads/n7769\\_08\\_2017\\_js39469.pdf](https://www.ato.gov.au/uploadedFiles/Content/CR/downloads/n7769_08_2017_js39469.pdf) (accessed 29 March 2019).

38 Australian Taxation Office, *ATO Corporate Plan 2017–18*, p. 1, [https://www.ato.gov.au/uploadedFiles/Content/CR/downloads/n7769\\_08\\_2017\\_js39469.pdf](https://www.ato.gov.au/uploadedFiles/Content/CR/downloads/n7769_08_2017_js39469.pdf) (accessed 29 March 2019).

39 Australian Taxation Office, *Commissioner of Taxation Annual report 2017–18*, p. 13.

40 Australian Taxation Office, *Commissioner of Taxation Annual report 2017–18*, pp. 84–85.

41 Australian Taxation Office, *Commissioner of Taxation Annual report 2017–18*, p. 85.

ATO's decision to reallocate operating funding to ensure the ongoing stability of our services to the community'.<sup>42</sup>

2.54 The ATO met the agreed outcomes, including expenditure for administering the GST. In 2017–18, this was capped at the agreed estimate of \$631.1 million.<sup>43</sup>

### ***Conclusions***

2.55 The committee considers that the Commissioner of Taxation's annual report on the ATO for the 2017–18 reporting period is apparently satisfactory.

### **General comments**

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

2.56 The committee notes that in the annual reports of a number of agencies, 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.

2.57 The committee also notes that two agencies, the Australian Reinsurance Pool Corporation and the Financial Adviser Standards and Ethics Authority, did not include a compliance index identifying where the PGPA requirements can be located in the reports.

2.58 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***

2.59 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. The committee encourages all departments and agencies to use the wording as set out in the requirement.

#### ***Apparently satisfactory***

2.60 As noted in chapter 1, the committee finds that all reports of the Industry, Innovation and Science and Treasury portfolios for 2017–18 are apparently satisfactory.

## **Senator Jane Hume**

### **Chair**

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42 Australian Taxation Office, *Commissioner of Taxation Annual report 2017–18*, p. 85.

43 Australian Taxation Office, *Commissioner of Taxation Annual report 2017–18*, p. 85.

# Appendix 1

## Dates relating to the presentation of annual reports between 1 May and 31 October 2018<sup>1</sup>

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	20/09/2018	21/09/2018	17/10/2018	17/10/2018
Australian Institute of Marine Science	19/09/2018	19/09/2018	17/10/2018	17/10/2018
Australian Nuclear Science and Technology Organisation	17/09/2018	18/09/2018	12/11/2018	18/10/2018
Commonwealth Scientific and Industrial Research Organisation	07/09/2018	07/09/2018	16/10/2018	16/10/2018
Northern Australia Infrastructure Facility	11/10/2018	11/10/2018	26/10/2018* 12/11/2018	26/11/2018
National Offshore Petroleum Safety and Environmental Management Authority	03/10/2018	03/10/2018	12/11/2018	24/10/2018
Innovation and Science Australia <sup>2</sup>	16/10/2018	17/10/2018	26/11/2018	26/11/2018
<b>TREASURY PORTFOLIO</b>				
Department of the Treasury	27/09/2018	27/09/2018	17/10/2018	17/10/2018

1 This appendix also includes those reports tabled after 31 October 2018 but before the tabling of this report; that is, up to 31 March 2019.

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

<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 and Australian Accounting Standards Board	16/10/2018	16/10/2018	12/11/2018	23/10/2018
Australian Bureau of Statistics	04/09/2018	04/09/2018	12/11/2018	18/10/2018
Australian Charities and Not-for-Profits Commission	11/10/2018	11/10/2018	26/10/2018* 12/11/2018	26/11/2018
Australian Competition and Consumer Commission, including the report of the Australian Energy Regulator	26/09/2018	26/09/2018	12/11/2018	18/10/2018
Australian Office of Financial Management	17/09/2018	17/09/2018	12/11/2018	18/10/2018
Australian Prudential Regulation Authority	02/10/2018	02/10/2018	12/11/2018	23/10/2018
Australian Reinsurance Pool Corporation	04/10/2018	04/10/2018	17/10/2018	17/10/2018
Australian Statistics Advisory Council	21/09/2018	21/09/2018	12/11/2018	18/10/2018
Australian Securities and Investments Commission	16/10/2018	16/10/2018	31/10/2018* 12/11/2018	26/11/2018
Australian Taxation Office	12/10/2018	12/10/2018	26/10/2018* 12/11/2018	26/11/2018
Commonwealth Grants Commission	09/10/2018	09/10/2018	31/10/2018* 12/11/2018	26/11/2018
Companies Auditors Disciplinary Board	21/09/2018	21/09/2018	19/10/2018* 12/11/2018	22/10/2018
Financial Adviser Standards and Ethics Authority Ltd	08/10/2018	08/10/2018	31/10/2018* 12/11/2018	26/11/2018

<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>
Financial Reporting Council	21/09/2018	21/09/2018	15/10/2018	15/10/2018
Foreign Investment Review Board	31 January 2019	31 January 2019	—	18/02/2019
Inspector-General of Taxation	02/10/2018	02/10/2018	19/10/2018* 12/11/2018	22/10/2018
National Competition Council	27/09/2018	27/09/2018	12/11/2018	18/10/2018
Productivity Commission	26/09/2018	26/09/2018	15/10/2018	15/10/2018
Reserve Bank of Australia	07/09/2018	07/09/2018	20/09/2018	20/09/2018
Royal Australian Mint	26/09/2018	26/09/2018	16/10/2018	16/10/2018
Superannuation Complaints Tribunal	08/10/2018	08/10/2018	12/11/2018	23/10/2018
Takeovers Panel	27/09/2018	27/09/2018	12/11/2018	22/10/2018
Tax Practitioners Board	12/10/2018	12/10/2018	26/10/2018* 12/11/2018	26/11/2018