

Chapter 2

Review of departments and selected agencies

2.1 The committee provides the following comments on the annual reports of the two portfolio departments referred to it as well as reports from two agencies within the portfolios as follows:

- Department of Communications;
- Australia Post;
- National Portrait Gallery;
- Department of the Environment;
- Bureau of Meteorology; and
- Director of National Parks.

Communications and the Arts portfolio

Department of Communications

2.2 The Department of Communications Annual Report 2014–15 was received on 22 October 2015 and tabled in the Senate on 9 November 2015.

2.3 The Secretary's Review provided a summary of significant achievements in the department's work over 2014–15. Some of the highlights included:

- establishment of the Digital Transformation Office within the portfolio;
- assisting with the establishment of the Children's e-Safety Commissioner;
- managing the transition of the functions of the Telecommunications Universal Service Management Agency into the department;
- establishment of the Bureau of Communications Research; and
- working with the Australian Communications and Media Authority to complete the Spectrum Review.¹

Performance reporting

2.4 It is noted in the annual report that the department's performance information changed in the 2014–15 Budget. The department previously delivered its outcome through three programs, which have now been consolidated into one program.² A comparison of the old and new programs is presented in Table 2.1.

1 Department of Communications, *Annual Report 2014–15*, pp 2–3.

2 Department of Communications, *Annual Report 2014–15*, pp 5–6.

Table 2.1: Changes to the Department of Communications program structure

<i>2013–14 program structure</i>	<i>2014–15 program structure</i>
Program 1.1: Broadband and Communications Infrastructure	Program 1.1: Digital Technologies and Communications Services
Program 1.2: Digital Economy and Postal Services	
Program 1.3: Broadcasting and Digital Television	

Source: Department of Communications, Annual Report 2014–15, pp 5–6.

2.5 The annual report stated that the department's strategy to deliver its outcome is to provide strategic advice on, and administer projects and initiatives to:

- enhance digital productivity—advising the Government on the opportunities arising from the innovative adoption and use of digital technologies, and supporting government, business and the community to maximise these opportunities;
- expand digital infrastructure—advising the Government on the necessary market settings to deliver competitive and efficient digital infrastructure to drive growth in the broader economy; and
- promote efficient communications markets—advising the Government on the necessary market settings to promote competition, while ensuring access to basic services, making available socially valuable content, and safeguarding consumers from inappropriate content and unfair dealing.³

2.6 The performance reporting section is clearly presented and provides a detailed assessment of how the department has progressed in meeting its key performance indicators (KPIs) and deliverables. The flow of information gives the reader a broad understanding of the work conducted by the department while still providing specific performance information.

2.7 The committee notes that all deliverables across Program 1.1: Digital Technologies and Communications Services were met.

Financial performance

2.8 The Secretary, Mr Drew Clarke, noted an operating surplus of \$0.6 million (excluding depreciation) in 2014–15, which declined from \$1.0 million (excluding depreciation) in 2013–14.⁴

3 Department of Communications, *Annual Report 2014–15*, p. 18.

4 Department of Communications, *Annual Report 2014–15*, p. 4.

Australian Postal Corporation (Australia Post)

2.9 The Australia Post Annual Report 2014–15 was received on 15 October 2015 and tabled in the Senate on 9 November 2015.

Annual report size and format

2.10 Australia Post has provided its annual report for 2014–15 in A4 size with bi-fold pages. The committee notes that this format does not comply with the Printing Standards for Documents Presented to Parliament.

2.11 In addition, the layout of the Australia Post Annual Report 2014–15 includes a number of photographs on each page, a wide margin at the top of the page and the use of a large font size for headings. While photographs can be a useful tool to aid in the presentation of significant information, entities must always be mindful that the aim of the annual report is to provide information on which the Parliament can analyse and judge performance. In this instance, the committee considers that the photographs and diagrams used by Australia Post has limited value of enhancing the performance information provided.

Performance reporting

2.12 Australia Post has previously included in its annual reports an overview of its highlights, challenges and outlook for each of its performance areas. However, the committee is disappointed to note that this has been omitted from Australia Post Annual Report 2014–15. The committee finds the performance summary to be a useful tool and encourages Australia Post to reconsider including it in future annual reports.

2.13 The committee also notes that there appears to be a reduction in the amount of performance information provided in the Australia Post Annual Report 2014–15. For example, in its Annual Report 2014–15, Australia Post reported the result of its Retail Customer Experience Program as follows:

Our Retail Customer Experience Program (Retail CX) provides valuable bi-monthly feedback that helps us continually improve the services we provide.

Run across 3,164 corporate and licensed post offices, Retail CX is a simple and effective way for customers to provide feedback on their in-store experience. This year, overall customer satisfaction was 9.28 out of 10 (up from 9.14 last year and 9.06 in 2013).⁵

2.14 However, in its Annual Report 2013–14 Australia Post provided a more extensive analysis of the Retail Customer Experience Program with information

5 Australia Post, *Annual Report 2014–15*, p. 28.

provided across five performance measures and examples of improvements implemented as a result of customer feedback included.⁶

2.15 A further example is reporting on community service obligations (CSOs). CSOs are a significant aspect for Australia Post's business. While information on the CSOs is provided in the notes of Australia Post's financial statements, the 2014–15 Annual Report contains very little other discussion of the CSOs, even to the extent that the CSOs are not listed in the index.

2.16 The reporting on the Retail Customer Experience Program and the CSOs are only two of a range of matters where the level of reported information has changed between the 2013–14 Annual Report and the 2014–15 Annual Report. In addition, the committee notes that the index to the report is less than comprehensive. The committee suggests that Australia Post provide a more comprehensive index to ensure that all relevant performance information is easily accessible.

Financial information

2.17 The annual report stated that Australia Post incurred a loss after tax of \$221.7 million.⁷ The committee notes the effect of material items during the reporting period:

- letters restructuring costs of \$200.1 million, which mainly comprises of \$190 million of voluntary redundancy costs associated with its Reform Program;
- asset write-offs and impairments of \$214.1 million following a comprehensive review of the carrying value of assets of Australia Post; and
- the remeasurement of the defined benefit superannuation net asset of \$565.1 million following an independent actuarial reassessment at balance date.⁸

2.18 The Australia Post financial statements provide director and senior executive remuneration only to the extent required under AASB 124. That is, a total of \$13.5 million was received directly or indirectly by nine senior executives and eight directors.⁹ The committee has already commented on the provision of information on director and senior executive remuneration in Chapter 1.

6 Australia Post, *Annual Report 2013–14*, p. 21.

7 Australia Post, *Annual Report 2014–15*, p. 14.

8 Australia Post, *Annual Report 2014–15*, p. 70.

9 Australia Post, *Annual Report 2014–15*, p. 86.

National Portrait Gallery of Australia

2.19 The National Portrait Gallery of Australia (NPGA) Annual Report 2014–15 was received on 28 October 2015 and tabled in the Senate on 9 November 2015.

2.20 The committee notes that this is the first time it has had the opportunity to review the NPGA's annual report since the Administrative Arrangements Orders were amended on 21 September 2015. Previously, Arts agencies were a part of the Attorney-General's portfolio and its annual reports were reviewed by the Senate Legal and Constitutional Affairs Legislation Committee.

2.21 The Director, Mr Angus Trumble, provided a comprehensive overview of the NPGA's activities. Of particular note were:

- the acquisitions for the Gallery's collection;
- the nine exhibitions displayed in addition to the NPGA's routine collection;
- the redesign of the NPGA's website; and
- the launch of the National Portrait Gallery Foundation.¹⁰

Design and format

2.22 The layout and design of the NPGA Annual Report 2014–15 results in minimal information being provided per page. The layout features very wide top margins and on some pages only one column of text has been used, which leaves a considerable amount of blank space. Additionally, the NPGA 2014–15 Annual Report featured a number of photographs including its acquisitions, which added 117 pages to the report.

2.23 The committee notes that the issue of unnecessary material in annual reports was noted by the recent Independent Review of Whole-of-Government Internal Regulation conducted by Ms Barbara Belcher. For example, it recommended that 'Finance re-focus the annual report which is tabled in Parliament around the entity's performance in achieving its purposes, and remove unnecessary detail that obscures this primary purpose'.¹¹ In addition, in 2013 the Senate Finance and Public Administration Legislation Committee, in its examination of annual reports, noted that annual reports frequently included significant amounts of information, for example photographs and staff profiles, which was of only slight use to the Parliament or the public when assessing performance.¹²

10 National Portrait Gallery of Australia, *Annual Report 2014–15*, pp 6–13.

11 Belcher B, Independent Review of Whole-of-Government Internal Review, *Report to the Secretaries Committee on Transformation, Volume 1 Recommendations*, August 2015, p. 35.

12 Senate Finance and Public Administration Legislation Committee, *Annual Reports (No. 1 of 2013)*, p. 9.

2.24 Similarly, the committee considers that the inclusion of peripheral information such as photographs and case studies in annual reports should only be used to directly enhance performance reporting. The inclusion of an additional 117 pages of photographs of recent acquisitions in the NPGA Annual Report does not enhance performance reporting and the committee suggests that this should be avoided in future annual reports.

Performance reporting

2.25 The NPGA reported its performance against the strategic priorities and deliverables set out in its 2014–17 Corporate Plan and the *Attorney-General's Portfolio Budget Statement for 2014–15*. However, the committee is disappointed to note that the 2014–17 Corporate Plan is no longer available from the NPGA's website and has been replaced by the 2015–19 Corporate Plan.

2.26 There is comprehensive discussion of NPGA's achievements under each goal. However, no explanation has been provided for its performance against key performance indicators. Similarly, the table containing the NPGA's performance against its key performance indications appears to be incomplete. For example, the actual number of on-site visitors to the NPGA for 2014–15 was not provided despite the actual number of visitors being reported as 528 752 in an earlier chapter of the annual report.¹³

2.27 Moreover, the committee noted a number of inconsistencies in the key performance indicators table. A number of figures supplied as actual results in 2013–14 for expenditure on collection development; expenditure on other (i.e. non-collection development) labour costs; expenditure on other capital items; and other expenses do not match that reported in the Annual Report 2013–14.¹⁴ Similarly, the 2014–15 budget targets provided for these items of expenditure in the NPGA's Annual Report 2014–15 did not match the figures contained in the *Attorney-General's 2014–15 Portfolio Budget Statement*.¹⁵

2.28 The committee expresses its concern that without an explanation or notes to the key performance indicators table it is unable to accurately review the NPGA's performance or make comparisons with previous years. The committee recommends that the NPGA, for its future annual reports, present its performance information with supporting notes or discussion, particularly where information reported in one year has changed in the next.

13 National Portrait Gallery of Australia, *Annual Report 2014–15*, p. 31.

14 National Portrait Gallery of Australia, *Annual Report 2013–14*, p. 25.

15 National Portrait Gallery of Australia, *Annual Report 2014–15*, p. 61; and *Attorney-General's Portfolio Budget Statement 2014–15*, pp 461–462.

Compliance index

2.29 A compliance index is a useful feature of reports and assists the committee considerably in its assessment of the reports. The committee notes that the NPGA has complied with the Commonwealth Authorities Annual Reporting Orders 2011 and selectively complied with the Requirements for Annual Reports. The NPGA, as a Commonwealth corporate entity, is not required to comply with the Requirements for Annual Reports. It would assist the committee if page numbers were also included for those requirements that the NPGA had decided to selectively report on.

Financial performance

2.30 The committee notes that the NPGA reported a surplus of \$0.4 million excluding depreciation and amortisation expenses. The NPGA further stated:

After adjusting for the \$2.2 million non-appropriated depreciation and amortisation expense, the Gallery achieved a surplus of \$2.6 million. This \$2.6 million surplus is attributable to generous cash and artwork donations of \$1.6 million, \$0.9 million received for the rectification of defects and a surplus from operations of \$0.1 million.¹⁶

Environment portfolio

Department of the Environment

2.31 The Department of the Environment Annual Report 2014–15 was received on 30 October 2015 and tabled in the Senate on 9 November 2015.

2.32 The Secretary's Review commented on the department's achievements for the 2014–15 period, which included:

- the appointment of an Indigenous Development Coordinator to support the development and implementation of a new Indigenous Employment and Capability Strategy;
- supporting the Minister for the Environment to protect the Great Barrier Reef, and maintain its health and resilience through a range of approaches;
- delivering three rounds of the Green Army Programme with 329 projects commenced or completed by 30 June 2015;
- responding to the World Heritage Committee requests for information on the Tasmanian Wilderness, Wet Tropics of Queensland, and the Greater Blue Mountains Area;
- establishing a national approach to recovering threatened species with the appointment of a Threatened Species Commissioner; and

16 National Portrait Gallery of Australia, *Annual Report 2014–15*, p. 79.

- developing a Threatened Species Strategy to protect and recover plants and animals most at risk of extinction.¹⁷

Performance reporting

2.33 The performance reporting section is clearly presented and provides an informative assessment of how the department has progressed in meeting its key performance indicators, deliverables and objectives. The flow of information gives the reader a broad understanding of the work conducted in each program while still providing specific performance information.

2.34 For each program KPIs, deliverables and results are listed alongside the 2014–15 budget targets. Where the 2014–15 budget targets have not been met, an explanation of the reason has been provided. For example, the deliverable to review and revise the National Carbon Offset Standard by 30 June 2015, in Program 2.1: Reducing Australia's Greenhouse Gas Emissions, was 'largely achieved'. The annual report stated that the 'review outcomes will be considered in the second half of 2015'.¹⁸

2.35 The annual report also includes report on the following seven Acts:

- *Environment Protection and Biodiversity Conservation Act 1999*;
- *National Heritage Trust of Australia Act 1997*;
- *Product Stewardship Act 2011*;
- *Product Stewardship (Oil) Act 2000*;
- *Fuel Quality Standards Act 2000*;
- *Hazardous Waste (Regulation of Exports and Imports) Act 1989*;
- *Ozone Protection and Synthetic Greenhouse Gas Management Act 1989*;
- *Water Efficiency Labelling and Standards Act 2005*; and
- *Water Act 2007*.

Financial performance

2.36 The annual report provides a comprehensive summary of departmental and administered finances. The committee notes that the department recorded an operating deficit of \$79.46 million.¹⁹

17 Department of the Environment, *Annual Report 2014–15*, pp 2–6.

18 Department of the Environment, *Annual Report 2014–15*, p. 91.

19 Department of the Environment, *Annual Report 2014–15*, pp 8–9.

Bureau of Meteorology

2.37 The Bureau of Meteorology (BOM) Annual Report 2014–15 was presented to the President of the Senate on 30 October 2015 and tabled in the Senate on 9 November 2015.

2.38 The Director's review provides a comprehensive summary of the key achievements of the BOM for 2014–15. In particular, the Director, Dr Rob Vertessy, drew attention to 2014 being recognised as Australia's fourth warmest year and the world's warmest year since records began.²⁰

2.39 Other achievements outlined in the Director's review included:

- completion of the final steps in the national delivery of the Next Generation Forecast and Warning System and MetEye services;
- agreement by the Council of Australian Governments' Law, Crime and Community Safety Council that BOM should adopt a consistent approach to the provision of hazard services to all states and territories;
- diversification of the BOM's revenue sources to grow externally-generated revenue from \$77 million in 2013–14 to over \$78.1 million in 2014–15;
- introduction of a number of new products regarding water information; and
- the appointment of Dr Sue Barrell in November 2014 as Deputy Director, Observations and Infrastructure.²¹

Performance reporting

2.40 The BOM has again provided a performance overview table which summarises deliverables, KPIs and results. The table is clear and easy to read and includes page references to assist the reader in accessing more detailed information. A discussion summarising the performance of each deliverable is also included. The committee notes that the BOM achieved all 14 of its deliverables in its outcome.

Financial performance

2.41 The committee notes that the BOM reported an operating deficit of \$52.463 million for the financial year 2014–15, compared to an operating deficit in 2013–14 of \$73.799 million.²²

20 Bureau of Meteorology, *Annual Report 2014–15*, p. 2.

21 Bureau of Meteorology, *Annual Report 2014–15*, pp 2–3.

22 Bureau of Meteorology, *Annual Report 2014–15*, p. 4.

Management and accountability

2.42 The committee notes that the BOM is participating in a pilot of sustainability reporting that uses the Global Reporting Initiative framework as a base for reporting.²³

2.43 The committee also notes that the BOM has not included information regarding the number of ongoing or non-going employees who identify themselves as Indigenous. This is a mandatory requirement, which was added to the latest version of the Requirements for Annual Reports (see paragraph 1.9). The committee suggests that the BOM closely review the Requirements for Annual Reports to ensure it reports on all mandatory matters.

Director of National Parks

2.44 The Director of National Parks Annual Report 2014–15 was received on 30 October 2015 and tabled in the Senate on 9 November 2015.

2.45 The Director of National Parks is the statutory agency responsible for the Australian Government's terrestrial and marine protected area estates. The Director is assisted by Parks Australia, a division of the Department of the Environment, in managing terrestrial and marine reserves. The Department of the Environment's Australian Antarctic Division is responsible for the management of the Heard Island and McDonald Islands Marine Reserve.²⁴

2.46 In the Director's review, Ms Sally Barnes, discussed the efforts of Parks Australia on its four overarching goals:

- (i) resilient places and ecosystems;
- (ii) multiple benefits for traditional owners;
- (iii) amazing destinations; and
- (iv) ecologically sustainable use.²⁵

2.47 The Director's review notes a number of activities completed during 2014–15 including:

- extensive rat and cat controls on Norfolk Island, which has significantly increased the breeding pairs of the threatened green parrot;
- finalising a plan to guide the management of tropical fire ants and their impact on Ashmore Reef Commonwealth Marine Reserve;
- the opening of a new visitor discovery centre on Norfolk Island;

23 Bureau of Meteorology, *Annual Report 2014–15*, pp 231–233.

24 Director of National Parks, *Annual Report 2014–15*, p. ii.

25 Director of National Parks, *Annual Report 2014–15*, pp 2–8.

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- the release of the 25 year masterplan for the Australian National Botanic Gardens; and
 - co-hosting, in partnership with the International Union for the Conservation of Nature and the NSW Government, the World Parks Congress in Sydney in November 2014.²⁶

2.48 The report also foreshadowed the priorities of the Director of National Parks for 2015–16, which include:

- finalising an updated Kakadu Tourism Plan; and
- working with cruise, dive and fishing industries to encourage new tourism experiences within Commonwealth Marine Reserves.²⁷

Performance reporting

2.49 The performance information for 2014–15 is reported against the program objectives, KPIs and deliverables contained in the *Environment Portfolio Budget Statements 2014–15*. The discussion of the four program objectives is comprehensive and provides a useful overview of the 2014–15 results. The committee suggests that the Director of National Parks include a table at the beginning of its performance section, which summarises the performance of each deliverable and KPI.

Financial performance

2.50 The committee notes that the Director of National Parks recorded an operating deficit of \$0.816 million for the financial year 2014–15.²⁸

Senator Linda Reynolds CSC
Chair

26 Director of National Parks, *Annual Report 2014–15*, pp 2–10.

27 Director of National Parks, *Annual Report 2014–15*, p. 7.

28 Director of National Parks, *Annual Report 2014–15*, p. 16.

