

The Senate

Finance and Public Administration
Legislation Committee

Annual reports (No. 1 of 2014)

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Chapter 1

Introduction

1.1 The Senate Finance and Public Administration Legislation Committee (the committee) is responsible for examining the annual reports of the parliamentary departments¹ and the departments and agencies of the Prime Minister and Cabinet Portfolio and the Finance Portfolio.

1.2 This is the first report on annual reports for 2014 and provides an overview of selected annual reports presented to the Parliament between 1 May and 31 October 2013. Copies of this and other committee reports can be obtained from the Senate Table Office, the committee secretariat or [online](#) at the committee's web page.

Terms of reference

1.3 Under Senate Standing Order 25(20) the annual reports of certain departments and agencies stand referred to committees for examination and assessment. 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 As a matter of comity between the Houses of Parliament, neither House inquires into the operations of the other House. For this reason, neither the annual report of, nor the proposed expenditure for, the Department of the House of Representatives is referred to a Senate committee for review.

Allocated portfolios and changes to portfolios

1.4 The Senate allocated departments and agencies to committees on 13 November 2013.² In accordance with that resolution, the committee has responsibility for the oversight of the following:

- Parliament;
- Prime Minister and Cabinet Portfolio (PM&C Portfolio); and
- Finance Portfolio.

1.5 There were a number changes to the committee's allocated portfolios following amendments to the Administrative Arrangements Order (AAO) of 18 September, 3 October and 12 December 2013.³ The PM&C Portfolio gained responsibility for most Indigenous policies, programs and service delivery. Indigenous primary healthcare largely remains with the Department of Health and Native title policy remains with the Attorney-General's Portfolio. The National Mental Health Commission transferred from the PM&C Portfolio to the Health Portfolio. The deregulation function of the Department of Finance was transferred to the Department of the Prime Minister and Cabinet.

1.6 The committee notes that the reports for the 2012–13 financial year relate to the period prior to the most recent AAO changes.

Role of annual reports

1.7 Annual reports place a great deal of information about government departments and agencies on the public record in relation to the performance, activities, management and financial position of the reporting body. However, as noted in the *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies* (PM&C Requirements), '[t]he primary purpose of annual reports of departments is accountability, particularly to the Parliament.'⁴ Annual reports assist the Parliament in the effective examination of the performance of departments and agencies, and the administration of government programs.

Reports examined

1.8 During the period of 1 May to 31 October 2013, 19 annual reports of bodies were presented to the Parliament and referred to the committee. The reports examined are categorised as follows:

Parliamentary departments

- Department of the Senate – Report for 2012–13
- Parliamentary Service Commissioner – Report for 2012–13

2 *Journals of the Senate, No. 1*, 13 November 2013, pp 88-89.

3 Available from: www.dpmc.gov.au/parliamentary/index.cfm (accessed 14 February 2014)

4 Department of the Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, 24 June 2013, p. 3.

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- Department of Parliamentary Services – Report for 2012–13

Departments of state

- Department of the Prime Minister and Cabinet – Report for 2012–13
- Department of Finance and Deregulation – Report for 2012–13

Statutory agencies/authorities

- Independent National Security Legislation Monitor Declassified Annual report 2011–12
- Australian National Audit Office – Report for 2012–13
- Office of the Official Secretary to the Governor-General – Report for 2012–13
- Australian Public Service Commission – Report of the Australian Public Service Commissioner for 2012–13, including the report of the Merit Protection Commissioner
- Commonwealth Ombudsman – Report for 2012–13
- Inspector-General of Intelligence and Security – Report for 2012–13
- Remuneration Tribunal – Report for 2012–13
- Australian Electoral Commission – Report for 2012–13
- ComSuper – Report for 2012–13
- Future Fund Board of Guardians and Future Fund Management Agency – Report for 2012–13

Commonwealth authorities/companies

- National Australia Day Council – Report for 2012–13
- Australian River Co. Limited – Report for 2012
- Medibank Private Limited – Report for 2012–13
- NBN Co Limited – Report for 2012–13

Reports not examined

1.9 The committee is not obliged to examine reports on the operation of Acts, statements of corporate intent, surveys, policy papers, budget documents, corporate plans or errata. The following four documents were also referred to the committee but not examined in this report:

- Department of Finance and Deregulation – Campaign advertising by Australian government departments and agencies – Report for the period 1 July to 31 December 2012
- ASC Pty Ltd – Statement of Corporate Intent – 2012-15 – Section 9 of the *Commonwealth Authorities and Companies Act 1997*
- Medibank Private Limited Statement of Corporate Intent 2013–2014

- NBN Co Limited Letter to the Chairman of NBN Co Limited from the Minister for Communications and the Minister for Finance, dated 24 October 2013

Method of assessment

1.10 Senate Standing Order 25(20) requires that the committee examine reports referred to it to determine whether they are timely and 'apparently satisfactory'. The committee must consider whether the reports comply with the relevant legislation and guidelines for the preparation of annual reports in forming its assessment.

1.11 The requirements are set down in the following instruments:

- for portfolio departments and agencies and the parliamentary departments: the *Public Service Act 1999*, sections 63(2) and 70(2), and the *Parliamentary Service Act 1999*, section 65; or other relevant enabling legislation for statutory bodies which are also prescribed agencies under the *Financial Management and Accountability Act 1997* (FMA Act); and the PM&C Requirements;
- for Commonwealth authorities and companies: the *Commonwealth Authorities and Companies Act 1997* (CAC Act), in particular, sections 9, 36 and 48; and the *Commonwealth Authorities (Annual Reporting) Orders 2011* and the *Commonwealth Companies (Annual Reporting) Orders 2011*; and
- for non-statutory bodies: the guidelines are contained in the government response to the Senate Standing Committee on Finance and Public Administration Report on Non-Statutory bodies, *Senate Hansard*, 8 December 1987, pp 2632-45.

Changes to PM&C Requirements for 2012–13

1.12 The PM&C Requirements are reviewed annually and if required, are updated to take into account any changes to reporting requirements in legislation, arising from new policy, or recommendations in Parliamentary, Australian National Audit Office or other reports. The most significant amendment noted in the current version, dated 24 June 2013, relates to the new requirement for selected agencies to report on expenditure in relation to the Spatial Reporting Framework.⁵ Spatial reporting is described as:

...reporting actual expenditure, broken down by program between regional and non-regional Australia, for expenditure that is a grant or transfer, or expenditure that is not a grant or transfer payment but is relevant to what the Government is doing in regional Australia.⁶

1.13 The two portfolio departments under the committee's oversight were not required to include spatial reporting in the annual reports for the 2012–13 financial

5 PM&C Requirements, p. i.

6 PM&C Requirements, p. 27.

year, but this requirement may apply to future annual reports following the recent AAO changes noted earlier.

Non-reporting bodies

1.14 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.

1.15 On this occasion, the committee makes no recommendation for any organisations not presenting an annual report to do so.

Timeliness

1.16 Annual reports for departments and agencies are required to be tabled in Parliament by 31 October each year unless another date is specified in an agency's legislation, charter and/or terms of reference. The PM&C Requirements state that 'it remains the Government's policy that all annual reports should be tabled by 31 October'.⁷ The committee considers timeliness in annual reporting an important element in accountability and continues to encourage FMA Act bodies to follow this policy.

1.17 Commonwealth authorities reporting under the CAC Act are required to provide an annual report to the responsible minister by the fifteenth day of the fourth month after the end of the financial year. For the standard financial year, this is 15 October. The Minister is required to present the report to the Parliament within 15 sitting days of that House after the day on which the report was received.

1.18 Commonwealth companies are required under the CAC Act to provide a report to the Minister four months after the end of the financial year, which is usually 31 October.⁸ The Minister is required to table the report in the Parliament as soon as practicable after receiving it, or in the case of a company required to hold an annual general meeting, as soon as practicable after the meeting.

1.19 Appendix 1 lists the annual reports tabled (or presented) in Parliament between 1 May and 31 October 2013, and referred to the committee, with relevant tabling dates. Reports covering the 2012–13 financial year and examined in this report were presented in a timely manner, that is, by 31 October 2013.

1.20 The report of the Independent National Security Legislation Monitor, entitled *Declassified Annual Report 20th December 2012*, covers the period 1 July 2011 to 30 June 2012 and was tabled on 14 May 2013. Although the letter of transmittal is undated, the Senate tabling notice indicates that the report was submitted to, and

7 PM&C Requirements, p. 2.

8 If a company is required by the *Corporations Act 2001* to hold an annual general meeting, the company must give the report to the Minister on whichever is the earlier date of the following:

- 21 days before the next annual general meeting after the end of the financial year; or
- four months after the end of the financial year. (see subsection 36(1A) of the CAC Act)

received by, the Prime Minister on 1 March 2013.⁹ The tabling of the report on 14 May 2013 meets the requirements under Subsection 29(5) of the *Independent National Security Legislation Monitor Act 2010*, that is, within 15 sitting days after receipt of the report by the Prime Minister. However, Subsection 29(2) of the Act which requires the annual report to be given to the Prime Minister as soon as practicable after 30 June in each financial year and, in any event, by the following 31 December, appears not to have been met on this occasion.

1.21 The report of the Australian River Co. Limited covers the period 1 December 2011 to 30 November 2012. The report was submitted to the Minister on 26 March 2013 and tabled on 14 May 2013, meeting the tabling requirements for a Commonwealth company.

1.22 A number of 2012–13 annual reports within the portfolios oversighted by the committee were tabled after 31 October and will be examined in the committee's next report on annual reports which is due to be tabled in September 2014. The committee notes that correspondence from three agencies¹⁰ notifying a delay in the presentation of the 2012–13 annual reports, together with the relevant Minister's responses were tabled in the Senate on 2 December 2013, in accordance with Section 34C of the *Acts Interpretation Act 1901*.

Senate debate

1.23 In accordance with Standing Order 25(20)(d) the committee is required to take into account any relevant remarks about the reports made in debate in the Senate. The committee notes that none of the annual reports examined in this report have been the subject of comments or debate in the Senate.

Assessment of reports

1.24 Under Standing Order 25(20)(a), the committee is required to examine the annual reports of departments and agencies and report to the Senate on whether they are 'apparently satisfactory'. In its examination of the annual reports referred, the committee found them to be of a satisfactory standard and adhere to relevant guidelines. The committee considers the reports examined to be 'apparently satisfactory'.

9 *Senate Order of Business*, 14 May 2013, p.8.

10 Northern Land Council, Tiwi Land Council and Wreck Bay Aboriginal Community Council.

Chapter 2

Review of annual reports

2.1 The committee has selected the annual reports of the following departments and agencies for closer examination:

- Department of Parliamentary Services
- Department of Finance and Deregulation
- Department of the Prime Minister and Cabinet
- Australian Public Service Commission
- Australian National Audit Office
- ComSuper

Department of Parliamentary Services

Inquiry into the performance of the Department of Parliamentary Services

2.2 During its recent inquiry into the performance of Department of Parliamentary Services (DPS), the committee examined in detail the annual reports of the department, focusing on the 2010–11 financial year. The committee identified a number of deficiencies in the annual reports examined, particularly in regard to the adequacy of the performance information and their usefulness as an accountability mechanism for the Parliament.

2.3 In regard to performance information, the committee found:

- insufficient supporting commentary for performance measures;
- errors in the calculations of data and changes to data from that provided in earlier reports without explanation; and
- information did not correspond to that provided in the Portfolio Budget Statements (PBS).

2.4 The committee identified improvement to performance information as a priority and stated that:

...since DPS was established, the quantity and quality of information provided in annual reports has declined to such an extent that the 2010-11 Annual Report is notable only by its level of opacity and the extent of use of abstract data which is of no assistance in judging performance.¹

2.5 Other issues identified by the committee in the examination of DPS annual reports included:

1 Senate Finance and Public Administration Legislation, *The performance of the Department of Parliamentary Services – Final report*, November 2012, p. 201.

- the Secretary's review focusing on successes and not addressing areas of difficulty;
- lack of detail for major capital works projects undertaken; and
- lack of discussion and analysis of the department's financial performance.

2.6 In its response to the committee's final report, DPS supported Recommendation 16 dealing with annual report content:

The committee recommends that the Department of Parliamentary Services provide more accurate, meaningful and transparent information, including information about costs and construction projects undertaken in Parliament House, in its annual report.²

2.7 DPS further advised in its response that two related reviews were to be undertaken in response to the committee's findings to look at:

- the form and content of the annual report, including specific consideration of issues raised by the committee; and
- the department's key performance indicators (KPIs).³

2.8 The secretary of DPS, Ms Carol Mills, updated the committee on the reviews at the supplementary budget estimates 2013–14 hearings in November 2013:

We reviewed our annual report and key performance indicators to enable us to provide more accurate and meaningful information. The first phase of these changes is reflected in the latest annual report. However, more significant improvements will occur in the 2013–14 annual report, based on the new structure introduced to our DPS portfolio budget statement for 2013–14.⁴

Examination of the DPS Annual Report 2012–13

2.9 The committee notes that some issues identified above have been addressed in the most recent annual report of DPS, while others continue to require attention. The committee notes that the final phase for implementation of changes to the annual report structure is expected to be implemented for the 2013–14 annual report.

Secretary's and Parliamentary Librarian's reviews

2.10 The secretary's review in the 2012–13 annual report addresses, in broad terms, the department's response to the committee's findings from its inquiry into the performance of DPS and the processes in train to address the issues raised.

2.11 Of particular note, the secretary highlighted the completion of reviews into the annual report and KPIs, which will aim to facilitate more accurate and meaningful

2 Senate Finance and Public Administration Legislation, *The performance of the Department of Parliamentary Services – Final report*, November 2012, p. 217.

3 DPS Response to the Senate Finance and Public Administration Legislation Committee report: *The performance of the Department of Parliamentary Services*, p. 13.

4 *Official Committee Hansard*, 18 November 2013, pp 24–25.

information in the annual report. She further advised that the first phase of these changes is reflected in the 2012–13 report and more significant improvements will be implemented in the next report and flow on from the new structure introduced in the PBS for 2013–14.⁵

2.12 The secretary again remarked upon the 'tight financial situation' that the department was operating under and noted that the operational budget has not increased significantly since 2004–05, and in real terms, has reduced by more than 22 per cent.⁶ As a result, she further noted that the department would face major challenges in the forthcoming financial year and that 'DPS will need to make substantial changes to its programs and services to manage within its operating budget.'⁷

2.13 The committee expects the secretary's overview to be a candid account of significant issues and developments throughout the year, which includes not only achievements, but also difficulties and challenges facing the organisation. The committee was pleased to see a more balanced account in this year's report, compared to recent reports.

2.14 The Parliamentary Librarian in her review of the year also noted the difficulties faced by a tight budgetary situation and the impact on operations of the Parliamentary Library. Other areas of note included accommodation projects and the Library's response to changes to the application of Freedom of Information to parliamentary departments.⁸

Performance information

2.15 Performance information for the Parliamentary Library was presented separately from that of the department within the annual report. Part three of the report presented performance information for the department (with performance tables provided in Appendix C), and Part four included the Parliamentary Library's performance tables and discussion.

2.16 Performance tables for DPS, as set out in Appendix C of the report, reflect the deliverables and KPIs in the PBS for 2012–13. Performance information is set out in tabular format with three years of trend information. Unfortunately, the placement of the performance tables at the back of the report as an appendix and not in the body of the report with the relevant discussion of performance did not assist the reader.

2.17 While the performance review made some references to performance data in Appendix C, a more comprehensive discussion of actual results against targets would be a useful inclusion, particularly those for targets not achieved or where there is a significant variation from recent results.

5 *Department of Parliamentary Services Annual Report for 2012-13*, pp 1-2.

6 *Department of Parliamentary Services Annual Report 2012-13*, p. 3.

7 *Department of Parliamentary Services Annual Report 2012-13*, p. 3.

8 *Department of Parliamentary Services Annual Report 2012-13*, pp 31-32.

2.18 For example, the committee noted that a deliverable for subprogram 1.3.1 relating to the cost of energy was reported as follows⁹:

Indicator	Measure	2010-11	2011-12	2012-13
Energy	Target: Energy cost reduced by 1.25% from previous year	\$3,947,066 (+9.7%)	\$3,387,794 (-14.17%)	\$4,549,684 (+34.37%)

2.19 The 2012–13 result was significantly outside the target measure; however an explanation for the large increase in energy cost for Parliament House for the year could not be located. The discussion on energy use in the report only noted that energy consumption had increased by 2 per cent in 2012–13 and that energy consumption has been gradually increasing over recent years due to building operational requirements, pressures on space and competing priorities within the budget to effect new improvements.¹⁰ The committee reminds agencies that the PM&C Requirements advise that for those KPIs that have not been achieved, a brief explanation is to be included.¹¹

2.20 Similarly, when performance results significantly exceed targets or recent results, an accompanying explanation is a useful inclusion. The committee observed the notable result for the measure for the accuracy of Hansard transcription services as below:¹²

Indicator	Measure	2010-11	2011-12	2012-13
Accuracy of transcription	Error rate as notified by customers (target: maximum of 5 errors per 100 pages transcribed):			
	a) chambers	3.9 errors	2.9 errors	0.1 errors
	b) committees	6.2 errors	11.0 errors	0.1 errors

2.21 The 2012–13 result, particularly for committee transcripts, represents a significant turnaround from the previous year and far exceeds the target. An explanation for this significant variation in the performance discussion would be useful.

2.22 The committee again notes corrections to data in this year's performance tables from that listed in previous reports, but with no explanation for the error. For

9 *Department of Parliamentary Services Annual Report 2012-13*, p. 176.

10 *Department of Parliamentary Services Annual Report 2012-13*, pp 86-87.

11 PM&C Requirements, p. 7.

12 *Department of Parliamentary Services Annual Report 2012-13*, p. 182.

example, the cost of facilities services for catering contractors was corrected from \$451,245 to \$1,138,618 for 2010–11; and from \$525,140 to \$1,005,015 for 2011–12.¹³ These are significant errors in data, approximately double the original figure, and the inclusion of a brief explanation would be useful.¹⁴

2.23 The committee found the presentation of performance information for the Parliamentary Library was clear and accessible. Deliverables and KPIs, as presented in the PBS covering quality, quantity and prices, were provided in tabular form and included trend information for the last three years. Performance tables were followed by brief commentary on the results.¹⁵

Capital works

2.24 This year's report provided a brief overview of capital investment and cost of construction projects. It was reported that timeliness in the delivery of projects remains a problem. Of the 14 projects completed during 2012–13, 93 per cent were delivered within allocated budget; however, only 57 per cent were completed within allocated timeframes. It was noted that timeliness in the completion of construction projects was a difficult issue for the department and was impacted by the operational needs of Parliament when sitting.¹⁶ In addressing this issue it was stated that:

DPS is focusing on development of robust systems to deliver projects on budget and on time, reflecting a shift towards a more thorough investigation at the concept design phase, leading to better estimates of cost and performance plans.¹⁷

2.25 The committee looks forward to future updates on the implementation of the new system for the delivery of construction projects and comprehensive information available in the annual report.

Building maintenance

2.26 The committee notes that the planned maintenance tasks for plant and building fabric were not met in 2012–13. The department completed 12,927 of the 14,333 planned tasks, achieving a completion rate of 87.3 per cent which exceeded the target of 85 per cent across all trades.¹⁸ It was further noted that '[B]udgetary constraints limited the amount of maintenance that DPS could undertake.'¹⁹ A fuller discussion on whether the failure to carry out planned maintenance tasks is impacting on the building's condition in the long term would be a useful inclusion. The report noted that the overall building condition index score for 2012–13 was 88.3 per cent,

13 *Department of Parliamentary Services Annual Report 2012-13*, p. 173.

14 *Department of Parliamentary Services Annual Report 2012-13*, p. 173.

15 *Department of Parliamentary Services Annual Report 2012-13*, pp 52-58.

16 *Department of Parliamentary Services Annual Report 2012-13*, p. 19.

17 *Department of Parliamentary Services Annual Report 2012-13*, p. 19.

18 *Department of Parliamentary Services Annual Report 2012-13*, p. 24.

19 *Department of Parliamentary Services Annual Report 2012-13*, p. 26.

which was just outside the target range of 89-92 per cent optimum balance of condition and cost.²⁰

2.27 In response to concern about the availability and transparency of information regarding the condition of the building during its inquiry into the performance of DPS, the committee recommended:

...that the Presiding Officers table in both Houses, on a biennial basis, a report devoted specifically to the building and its contents including information on the condition of the building and its contents, costs of upkeep of the building, heritage concerns and any other related matter so as to fully inform the Parliament and the public about the building.²¹

2.28 DPS supported this recommendation and further noted:

DPS acknowledges the concerns of the Committee about the completeness, accuracy and transparency of information it provides, in addition to its overall capacity to effectively manage the building. It is important that the Parliament and the Australian public are provided with full and frank information about the condition of Parliament House as one of the most iconic working and public buildings in the country. Current planning and reporting practices do not provide an adequate basis from which to assess the ongoing needs of the building and its contents.²²

2.29 While noting DPS's support for the above recommendation, the committee nevertheless expects to see sufficient coverage of building maintenance in the department's annual report, in addition to the biennial report to the Parliament.

Financial performance

2.30 In its previous examination of DPS reports, the committee commented on the department's failure to provide adequate, or in some cases, any analysis and discussion of financial performance for the year under review. This year's report's compliance index refers to the Secretary's and Librarian's reviews for meeting this mandatory requirement. These very brief references to financial performance within the reviews, as noted earlier, remarked on the tight budgetary situation and expected impact on programs and services, but did not refer to the operating result for the year under review.²³ Discussion of financial performance is a mandatory requirement under the PM&C Requirements, which requires agencies to include:

...an overview discussion of any significant changes in financial results from the previous reported financial year, within the reported financial year (including changes since the corresponding PB Statements/Portfolio

20 *Department of Parliamentary Services Annual Report 2012-13*, p. 26.

21 Senate Finance and Public Administration Legislation, *The performance of the Department of Parliamentary Services – Final report*, November 2012, Recommendation 13, p. 215.

22 Response to the Senate Finance and Public Administration Legislation Committee report: The performance of the Department of Parliamentary Services, Recommendation 13, p. 10.

23 *Department of Parliamentary Services Annual Report 2012-13*, pp 3 and 31-32.

Additional Estimates Statements) and from the end of the reported financial year, in relation to:

(a) the cause(s) of an operating loss (where approved by the Finance Minister) and its implications, including how an agency has responded and the results, if applicable, of that response; and

(b) any matter or circumstance, if they can reasonably be anticipated to have a significant impact on the agency's future operations or financial results.²⁴

2.31 The committee expects to see a more comprehensive discussion of financial performance in future annual reports.

Index

2.32 The committee again suggests that the report would be improved with a more comprehensive index to provide for greater accessibility. It is noted, however, that the full report is available as a single PDF on the DPS website which does allow for electronic searching of the report.

Conclusion

2.33 While the committee notes improvement in some areas of the 2012–13 annual report, it still sees further scope for improvement to provide for greater transparency and accountability. The committee looks forward to the 2013–14 annual report following the full implementation to the new report structure, particularly in regard to revised performance information.

Department of Finance and Deregulation

2.34 The Secretary of the Department of Finance and Deregulation (Finance) began his review of the year by stating that the department met 36 of its 44 KPIs and met all of its deliverables. Of the KPIs not met, it was noted that seven were partially met and one was not met.²⁵

2.35 Performance information for Finance was again well presented. In accordance with the PM&C Requirements, performance information was presented in tabular format with the KPI and result listed, that is, achieved, substantially or partially achieved, or not achieved. The inclusion of some commentary for many results, particularly for partially or not achieved outcomes was useful. The department's deliverables as presented in the PBS and portfolio additional estimates statements were also listed, providing a 'clear read' from the budget documents to the annual report. A discussion summarising performance for each outcome was also included.

24 PM&C Requirements, p. 8.

25 *Department of Finance and Deregulation Annual Report 2012-13*, p. 3. The KPI not achieved was under Program 2.1, Australian Government Business and ICT, and related to special claims and land policy which required 70 per cent of act of grace cases to be completed within 35 days. The 2012-13 result was 44 per cent of acts of grace cases completed within 35 days. See p. 59.

2.36 The report provides a useful discussion of the financial performance for 2012–13. The department recorded an operating surplus of \$62.6 million, exceeding the revised surplus estimate of \$27.9 million, as published in the 2013–14 PBS, by \$34.7 million. This was attributed to higher than expected revaluation increments on investment properties and land and buildings in the Property Special Account.²⁶

2.37 The secretary's review of the year noted the delivery of the 2013–14 budget as a significant achievement. This required the provision of analysis and advice to government on major policy initiatives, including school funding and DisabilityCare Australia.²⁷

2.38 The release of the position paper *Sharpening the focus: a framework for improving Commonwealth performance*, as part of the ongoing Commonwealth Financial Accountability Review, was also focus of the department during the year. This paper provided proposals for a future financial framework for consideration by stakeholders leading to the development of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The report noted details of the consultation processes facilitated in developing the legislation:

The PGPA Act is the outcome of extensive consultation by Finance with Commonwealth agencies, state and territory governments, the private sector and academia. Between 2011 and 2013, feedback and discussions in response to the release of 13 issues papers, a discussion paper and a position paper helped develop the recommendations presented to the government.²⁸

2.39 Finance noted that it will continue to consult with various stakeholders in the development of the rules, guidance and training materials to support the operation of the PGPA Act which commences on 1 July 2014.²⁹

2.40 The report also notes that Finance was responsible for the management and construction of the new Australian Security Intelligence Organisation building in Canberra. Finance did not meet the timely delivery of this project noting that the project was 96 per cent complete at the end of June 2013.³⁰ The report notes that the reasons for the delay were:

...due to the complex security and commissioning requirements of the building and the performance of associated subcontractors. Additional time was also required to engage replacement subcontractors to complete the remaining works following the insolvency of the Hastie Group of companies and Urban Contractors.³¹

26 *Department of Finance and Deregulation Annual Report 2012-13*, p. 106.

27 *Department of Finance and Deregulation Annual Report 2012-13*, p. 3.

28 *Department of Finance and Deregulation Annual Report 2012-13*, p. 26.

29 *Department of Finance and Deregulation Annual Report 2012-13*, p. 26.

30 *Department of Finance and Deregulation Annual Report 2012-13*, p. 60.

31 *Department of Finance and Deregulation Annual Report 2012-13*, p. 55.

2.41 Finance also reported on its participation in APS-wide capability review program. It was noted that the review identified areas where Finance can improve practices to be better placed to meet challenges and that an action plan is being implemented to address these issues. The annual report noted that the review report would be released in November 2013.³²

Department of the Prime Minister and Cabinet

2.42 The overview by the Secretary of the Department of the Prime Minister and Cabinet (PM&C) provided a summary of significant achievements in the department's work over the year in both domestic and international spheres. Some of the highlights included:

- a leadership and coordination role in the finalisation of the National Disability Insurance Scheme with the Department of Families, Housing, Community Services and Indigenous Affairs;³³
- participation, with the Department of Education, Employment and Workplace Relations³⁴, in the development of national schools funding reforms and the National Plan for School Improvement;
- involvement in the establishment of the Royal Commission into Institutional Responses to Child Sexual Abuse;
- establishment of the Australian Cyber Security Centre;
- support in the successful bid to secure a seat for Australia on the United Nations Security Council; and
- hosting the Taskforce which prepared the Government's White Paper Australia in the Asian Century.³⁵

2.43 The performance report advises that all program deliverables and KPIs were achieved in 2012–13.³⁶ The report does not list all deliverables as presented in the PBS, but all KPIs were listed with the 'tick' indicating the measure had been met. The KPIs for the department are again mostly qualitative and do not include targets or provide information on the methodology for assessment of the measure. The committee continues to encourage agencies to develop, where appropriate, a mix of quantitative and qualitative performance measures with targets, to provide a wide-ranging basis for assessing performance and progress in achieving program objectives.

32 *Department of Finance and Deregulation Annual Report 2012-13*, pp 8 and 86. The Committee notes that the review report was released in December 2013 and is available on the APSC website.

33 Now Department of Social Services.

34 Now Department of Education and Department of Employment.

35 *Department of the Prime Minister and Cabinet Annual Report 2012-13*, p. 5.

36 *Department of the Prime Minister and Cabinet Annual Report 2012-13*, p. 11.

2.44 The report included an update on implementation of strategies to address areas for improvement identified by the department's 2011–12 capability review which were highlighted in last year's annual report, and noted by the committee.³⁷ In response to the review, the department's Capability Action Plan was released in October 2012 and identified 11 key areas. In addition, a Capability Review Implementation Committee was established to monitor implementation of the plan. Some measures carried out in 2012–13 included:

- a focus on induction training;
- promoting coach and mentoring training to all EL and SES staff; and
- incorporating PM&C key skills in the department's business planning arrangements.³⁸

2.45 A mandatory requirement for annual reporting involves the provision of significant developments in external scrutiny of the department and the department's response. The committee notes that the department was subject to a cross portfolio audit by the Australian National Audit Office (ANAO) on control of credit card use in a selection of agencies. The ANAO report found that all agencies generally had satisfactory arrangements in place to control the use of credit cards for official purposes. However, in relation to the results for PM&C, the ANAO's report identified nearly 30 per cent of transactions were acquitted outside the department's required timeframe. The annual report addresses this finding:

The Chief Financial Officer is actively managing late acquittal which has results in an improvement in time acquittals. The Department has also enhanced its controls in the areas highlighted by the ANAO, including through the additional of an explicit reference to reporting obligations on disputed or fraudulent transactions on the acknowledgement form signed by new cardholders.³⁹

2.46 The department's 2012–13 financial statements received an unqualified audit report. A brief overview of departmental finances was provided in the report, which noted a \$7.6 million deficit result for 2012–13. However, it was further explained that '[a]fter removing the \$7.9 million impact on non-appropriated depreciation and amortisation expense, the Department ended the year with a \$0.3 million surplus.'⁴⁰

Australian Public Service Commission

2.47 The report of the Australian Public Service Commissioner (the Commissioner) incorporates the annual report of the Merit Protection Commissioner (MPC). The Australian Public Service Commission (APSC) makes staff available to assist with the functions of the MPC. The Commission also provides secretariat

37 Senate Finance and Public Administration Legislation Committee, *Annual reports (No. 1 of 2013)*, pp 14–15.

38 *Department of the Prime Minister and Cabinet Annual Report 2012–13*, p. 59.

39 *Department of the Prime Minister and Cabinet Annual Report 2012–13*, p. 53.

40 *Department of the Prime Minister and Cabinet Annual Report 2012–13*, p. 71.

support services to the Remuneration Tribunal and Defence Force Remuneration Tribunal. The Commissioner's financial statements include the activities of the MPC and the tribunals.⁴¹ However, the annual report notes that in accordance with the *Remuneration Tribunal Act 1973*, the Remuneration Tribunal prepares its own annual report for the Minister with details of its work; and the Defence Force Remuneration Tribunal, while not required under legislation, reports on its annual activities on its website.⁴² The committee notes the Remuneration Tribunal report for 2012–13 was presented to the Parliament on 30 October 2013; and that, at the time of writing, the Defence Force Remuneration Tribunal's annual report for 2012–13 did not appear to be available on its website.⁴³

2.48 It is noted that the letters of transmittal from the Commissioner and the MPC are dated 'October 2013' only. Agencies are reminded that it is a requirement that the letter of transmittal is to be dated on the day the signatory approves the final text of the report for printing.⁴⁴

2.49 The Commissioner noted that the Commission is heavily reliant on the goodwill of agencies and thanked agencies for the continued support of agencies to assist in its work:

Their willingness to assist the Commission with resources and facilities and their preparedness to collaborate on initiatives and share their information and experiences substantially underpinned the successes of 2012–13. More than half of the Commission's funding is provided by agencies...⁴⁵

2.50 The passage of the Public Service Amendment Bill 2013 through the Parliament in February 2013, which amended the *Public Service Act 1999* (PS Act), was a focus for the Commission during 2012–13. The report notes that the amendments implement recommendations of the report *Ahead of the Game: Blueprint for the reform of Australian Government administration* (Blueprint report) and aim to improve the operation of the PS Act which has been in operation for 13 years.⁴⁶

2.51 In addition to providing support to the Minister in the passage of the Bill through the Parliament, the APSC also assisted agencies to implement the subsequent legislative changes which commenced on 1 July 2013. Prior to the commencement of the new provisions, the APSC assisted agencies to prepare by publishing detailed advice on action required by agencies, providing information sessions and creating new website content. The Commission has also developed resources to assist agencies increase awareness of the revised APS Values and Employment Principles.⁴⁷

41 *Australian Public Service Commissioner Annual Report 2012-13*, p. 7.

42 See *Australian Public Service Commission Annual Report 2012-13*, pp 74-75.

43 See <http://www.dfrt.gov.au/annual-reports>: accessed 3 February 2014.

44 PM&C Requirements, p. 18.

45 *Australian Public Service Commissioner's Annual Report 2012-13*, p. 5.

46 *Australian Public Service Commission Annual Report 2012-13*, p. 22.

47 *Australian Public Service Commission Annual Report 2012-13*, pp 2 and 22-25.

2.52 The annual report provided an update on the Capability Review Program. This program came out of the Blueprint report which recommended 'regular and systemic reviews to promote improved capability in key agencies and to assess the institutional capability of the service as a whole'.⁴⁸

2.53 Following their reviews, agencies are expected to implement a range of measures to improve leadership, strategy and delivery across the whole APS. The Commission completed eight capability reviews and published four reports during 2012–13 that are available on the Commission's website. The committee notes that both Finance and PM&C have participated in this program and their annual reports have provided some detail on their involvement and responses.⁴⁹

2.54 The report noted the introduction of the APS employee census in 2012. The census gathers data on the views of employees on wide-ranging issues related to the APS work environment and is used to inform the State of the Service Report. This initial census achieved a response rate of 55 per cent from 159,917 employees.⁵⁰

2.55 The report includes a discussion of financial performance which notes an operating surplus of \$0.43 million in 2012–13 compared with a deficit of \$0.73 million from the previous year. This was mainly attributed to the close management of the commission's budget.⁵¹

2.56 The report's performance review provides assessment of performance against the agency's two programs and includes the work of the MPC. However, the MPC discusses performance results in the MPC annual report.

2.57 The performance review for the APSC was clearly presented with results against the KPIs and deliverables as set out in the PBS providing a 'clear read'⁵² between the documents. Performance information over three years was a helpful inclusion for comparative purposes. The committee considered this section would be improved with more specific discussion of the results, particularly for those targets that were not met. A brief explanation and detail of action taken to address any issues would assist the reader.

48 www.apsc.gov.au/aps-reform/current-projects/capability-reviews/dofd (accessed 3 February 2014).

49 *Australian Public Service Commissioner's Annual Report 2012-13*, pp 4 and 38.

50 *Australian Public Service Commissioner's Annual Report 2012-13*, pp 2 and 4.

51 *Australian Public Service Commissioner's Annual Report 2012-13*, pp 93-95.

52 The PM&C Requirements note the importance of the link between the PBS and the annual report in providing the Parliament with detailed information about an agency's performance. It notes that a 'clear read' between the documents 'is an essential part of the accountability system that places a strong emphasis on compatibility between the two documents regarding budget and performance information'. See PM&C Requirements, p. 3.

2.58 For example, one KPI for program component 1.1.3 Australian Government Employment Workplace Relations, was as follows⁵³:

Key performance indicator	2010–11	2011–12	2012–13	
	Actual	Actual	Target	Actual
Level of satisfaction of the President of the Defence Force Remuneration Tribunal with the quality and timeliness of the services provided by the secretariat	High	High	Very good or above	Not met

2.59 An explanation in the report for the significant reversal in the most recent result was not found and would be of assistance.

2.60 The MPC's review provided a comprehensive discussion of performance in relation to review of action, promotion reviews, whistleblower inquiries and independent selection advisory committees and fee-for-service activity.⁵⁴

2.61 In relation to performance against timeliness indicators for reviews (excluding promotion reviews), the MPC noted that the 2012–13 result of 69.5 per cent, was very close to the target of 70 per cent; and well above the result for the previous two years of 18 per cent for 2011–12 and 40 per cent for 2010–11. The MPC attributed this improvement to a number of factors including a decline in the number of reviews handled, in addition to work undertaken to streamline processes and staff development.⁵⁵

Australian National Audit Office

2.62 The committee notes the early presentation of this year's annual report of the Australian National Audit Office (ANAO) to the Parliament on 24 September 2013, well before the required date of 31 October. The committee commends the ANAO for consistent early presentation/tabling of the annual report in the Parliament in recent years.⁵⁶

2.63 The Auditor-General notes that in 2012–13 the office commenced its first 'follow-the-money audit'. This type of audit permits the Auditor-General to examine the performance of state or territory bodies, or contractors to Commonwealth entities that receive money for Commonwealth purposes. This follows amendments to the *Auditor-General Act 1997* in 2011–12, where the Auditor-General was given authority to audit Commonwealth partners when requested to do so by the Joint Committee of Public Accounts and Audit.⁵⁷

53 *Australian Public Service Commissioner's Annual Report 2012-13*, p. 69.

54 *Australian Public Service Commissioner's Annual Report 2012-13*, pp 184-187.

55 *Australian Public Service Commissioner's Annual Report 2012-13*, pp 184-185.

56 For example, 2011-12 Annual Report on 20 September 2012; 2010-11 Annual Report on 22 September 2011; and 2009-2010 Annual Report on 29 September 2010.

57 *Australian National Audit Office Annual Report 2012-13*, p. 2.

2.64 Also noteworthy during 2012–13 was ANAO's participation in the first 'concurrent audit' with the Auditors-General of most states and territories and looked at the implementation of the National Partnership Agreement on Homelessness. Following agreement on audit objectives and criteria, each jurisdiction conducted an audit of aspects of the implementation of the agreement and whether relevant government agencies were meeting their obligations under the agreement.⁵⁸

2.65 The report advised that the pilot of a citizen's input facility on the ANAO website during 2012–13 proved successful and will now be made a feature of all future performance audits. The pilot involved allowing the public to contribute information for consideration during the evidence collection stages of selected performance audits.⁵⁹

2.66 The agency reported a positive financial performance for 2012–13. An operating surplus of \$3.395 million for 2012–13 was reported and compared to a surplus of \$0.406 million for the previous year. This was attributed mainly as a result of a four per cent decrease in total expenses.⁶⁰

2.67 The Auditor-General remarked on the challenges facing the organisation in managing to the budgets reflected in the forward estimates. He further noted that the tight fiscal outlook is likely to have an impact on the operations of the ANAO:

While we expect to deliver similar audit coverage through the work program in 2013–14, the outlook over forward years is very challenging as we seek to maintain the structural integrity of the ANAO budget. In the absence of additional funding in forward years we will need to consider a reduction in the numbers of audits and other activities undertaken.⁶¹

2.68 The ANAO is commended for voluntarily implementing a number of requirements under the *Corporations Legislation Amendment (Audit Enhancement) Act 2012*. The report notes that this Act only applies to private sector audit firms and introduced a range of measures aimed at improving the quality and transparency of auditing processes to ensure that Australian audit practice maintains a standard in line with international best practice. The ANAO has adopted a number of the requirements under the Act and will pursue opportunities for improvements in the quality and transparency of its work.⁶² The annual report provides an index to transparency reporting of requirements under the Act indicating where relevant information can be located in the report.⁶³

2.69 Performance results for the ANAO show that most targets for deliverables and KPIs were met, or were close to being met. Performance information was clearly

58 *Australian National Audit Office Annual Report 2012-13*, p. 3.

59 *Australian National Audit Office Annual Report 2012-13*, p. 3.

60 *Australian National Audit Office Annual Report 2012-13*, p. 74.

61 *Australian National Audit Office Annual Report 2012-13*, p. 4.

62 *Australian National Audit Office Annual Report 2012-13*, p. 3.

63 *Australian National Audit Office Annual Report 2012-13*, pp 52-53.

presented and accurately reflected performance information set out in the PBS. The supporting discussion was relevant and addressed the results provided.

ComSuper

2.70 ComSuper provides superannuation administration services to the Commonwealth Superannuation Corporation which is responsible for the Commonwealth public sector and military superannuation schemes.

2.71 The 2012–13 annual report of ComSuper is an informative and concise document which closely adheres to the PM&C Requirements. Performance information for the agency is clearly presented and includes results for ComSuper and Pillar Administration (which is contracted to provide most administration services for the Public Sector Superannuation accumulation plan (PSSap) Scheme). Results are presented against the KPIs and deliverables as set out in the PBS. ComSuper performed well against all KPI targets for 2012–13. Footnotes to the performance tables and the accompanying discussion provide useful explanatory comments.

2.72 The report also indicates that ComSuper performed well against service level agreements with the Commonwealth Superannuation Corporation and the Department of Defence. In relation to performance against service level agreements, the percentage of monthly service standards met in 2012–13 across all schemes was 87 per cent. Pillar Administration was significantly below this result in relation to the PSSap scheme with a figure of 62 per cent. However, it was noted that as Pillar commenced administration services for PSSap in February 2012, the outcome for 2012–13 reflects a continuing transition to delivering high service standards:

There has been an improvement over the course of the year against relatively high standards in place under contractual arrangements for the scheme. With support from ComSuper, Pillar has continued to refine and improve its internal processes and build its knowledge of the PSSap scheme.⁶⁴

2.73 The report included an adequate discussion of financial management for the year. ComSuper reported an operating surplus of \$11.349 million for 2012–13 compared to \$7.113 million for the previous year. It was further noted that this result includes a required return to the Government of \$8.9 million and technical accounting adjustments resulting from consolidation of accommodation arrangements.⁶⁵

Senator Cory Bernardi

Chair

64 *ComSuper Annual Report 2012-13*, p. 22.

65 *ComSuper Annual Report 2012-13*, p. 65.

Appendix 1

Dates relating to the presentation of reports between 1 May – 31 October 2013

Reporting Body	Submitted to Minister	Received by Minister	Tabled in the Senate or presented out of sitting (*)	Tabled in the House of Representatives
PARLIAMENT				
Department of the Senate – Report for 2012-13	-	-	29/10/13*	-
Parliamentary Service Commissioner – Report for 2012-13	-	-	30/10/13*	14/11/13
Department of Parliamentary Services – Report for 2012-13 <i>Corrigendum</i>	-	-	31/10/13* 14/11/13	14/11/13
PRIME MINISTER AND CABINET PORTFOLIO				
Independent National Security Legislation Monitor Declassified Annual report 2011-12	1/3/13	1/3/13	14/5/13	14/05/13
Australian National Audit Office – Report for 2012-13	-	-	24/09/13*	13/11/13
Department of the Prime Minister and Cabinet – Report for 2012-13	15/10/13	21/10/13	24/10/13*	13/11/13
Office of the Official Secretary to the Governor-General – Report for 2012-13	24/10/13	24/10/13	30/10/13*	13/11/13
Australian Public Service Commission – Report of the Australian Public Service Commissioner for 2012-13, including the report of the Merit Protection Commissioner	03/10/13	09/10/13	30/10/13*	13/11/13
Commonwealth Ombudsman – Report for 2012-13 (<i>also referred to Senate Legal and Constitutional Affairs Committee</i>)	15/10/13	23/10/13	30/10/13*	13/11/13
Inspector-General of Intelligence and Security – Report for 2012-13	17/10/13	30/10/13	31/10/13*	13/11/13
National Australia Day Council – Report for 2012-13	25/10/13	25/10/13	31/10/13*	13/11/13
Remuneration Tribunal – Report for 2012-13	11/10/13	14/10/13	30/10/13*	13/11/13

FINANCE AND DEREGULATION PORTFOLIO				
Department of Finance and Deregulation – Campaign advertising by Australian government departments and agencies – Report for the period 1 July to 31 December 2012	09/04/13	09/04/13	10/05/13*	14/05/13
ASC Pty Ltd – Statement of Corporate Intent – 2012-15 (<i>also referred to Senate Foreign Affairs, Defence and Trade Committee</i>)	12/10/12	16/10/12	14/05/13	21/03/13
Australian River Co. Limited – Report for 2012 (<i>also referred to Senate Rural, Regional and Transport Committee</i>)	26/3/13	27/3/13	14/5/13	14/05/13
Medibank Private Limited – Report for 2012-13 Statement of Corporate Intent 2013-2014	27/09/13	01/10/13	08/10/13*	13/11/13
Department of Finance and Deregulation – Report for 2012-13	11/10/13	11/10/13	29/10/13*	13/11/13
NBN Co Limited – Report for 2012-13 Letter to the Chairman of NBN Co Limited from the Minister for Communications and the Minister for Finance, dated 24 October 2013 (<i>Also forwarded to Senate Environment and Communications Committee</i>)	08/10/13	15/10/13	29/10/13*	13/11/13
Australian Electoral Commission – Report for 2012-13	04/10/13	09/10/13	30/10/13*	13/11/13
ComSuper – Report for 2012-13	02/10/13	03/10/13	30/10/13*	13/11/13
Future Fund Board of Guardians and Future Fund Management Agency – Report for 2012-13	25/10/13	30/10/13	31/10/13*	13/11/13