

Chapter 2

Review of selected reports

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

- Department of Parliamentary Services
- Department of Finance
- Department of the Prime Minister and Cabinet
- Inspector-General of Intelligence and Security
- Office of the Official Secretary to the Governor-General
- Commonwealth Ombudsman

Department of Parliamentary Services

Background

2.2 The committee has examined recent annual reports of the Department of Parliamentary Services (DPS) in detail, not only in its biannual examination of reports under Standing Order 25(20), but also under its inquiry into the performance of DPS during 2011-12. That inquiry found a number of deficiencies in recent annual reports of DPS, particularly in relation to performance reporting.¹

2.3 Recommendation 16 from that inquiry report states:

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

2.4 Following that inquiry, DPS has advised the committee that reviews were to be undertaken to address the issues raised concerning the form and content of the annual reports and the departmental key performance indicators (KPIs); and that the implementation of most of the changes arising from these reviews would occur in the 2013-14 annual report.³

2.5 In its current inquiry into DPS, the committee received advice that DPS engaged Callida consulting to undertake a comprehensive review and make recommendations on the appropriate form and content of the 2013-14 annual report and subsequent reports:

1 Senate Finance and Public Administration Legislation Committee, *The performance of the Department of Parliamentary Services – Final report*, November 2012, pp 200-205.

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

3 Senate Finance and Public Administration Legislation Committee, *Annual Reports (No. 1 of 2014)*, March 2014, pp 7-8.

Callida considered DPS Annual Reports 2010–11, 2011–12, and 2012–13 and DPS Portfolio Budget Statements over the same years. It reviewed the Department of the Prime Minister and Cabinet's Requirements for Annual Reports, 2014 and other relevant sources including the practices of public sector agencies which had been recognised for the high standard of their reports in the Institute of Public Administration Australia's annual report awards.

Callida was asked to develop and provide specific advice on actions which could be taken to address those areas both the Committee and Callida observed as having potential for improvement, and did so. These included recommendations around the provision of information and data in the annual report as well as the annual report process itself.⁴

2.6 The committee was further advised that the final cost of this review was \$16,192.⁵

2.7 As part of its current inquiry into DPS, the committee has again scrutinised the current annual report of DPS, particularly in regard to term of reference (a) progress in implementing the recommendations of the committee's 2012 reports into the performance of the Department of Parliamentary Services. The committee's findings will be presented in its final report which is expected to be tabled later this year.

Design and formatting

2.8 The 2013-14 annual report of DPS prominently features a series of photographs by photomedia artist, Ms Anne Zahalka, which were commissioned to mark the 25th anniversary of Parliament House. It is noted that the probity of the administrative processes underlying this commission has been the subject of significant examination by the committee through both its recent estimates hearings and as part of its current inquiry into of DPS.

2.9 Advice to government agencies in the Printing Standards for Documents Presented to the Parliament advise in relation to illustrations that:

Line drawings, graphs, charts, photographs and other illustrations may be included, provided that they add value to the understanding of subjects discussed in the text.⁶

2.10 The committee reiterates its preferred approach to the content of annual reports which is for minimal use of extraneous information such as photographs.⁷

4 Department of Parliamentary Services, *Answer to question on notice no. 4*, from the public hearing on 17 November 2014.

5 Department of Parliamentary Services, *Answer to question on notice no. 4*, from the public hearing on 17 November 2014.

6 Printing Standards for Documents Presented to the Parliament, http://www.aph.gov.au/Parliamentary_Business/Chamber_documents/Tabled_Papers/Advice_to_government_agencies#standards (accessed 13 February 2015)

2.11 The report is generally well presented. However, it was noted that there were some problems with footnotes relating to the numbering sequence within chapters and missing citation details.⁸

Secretary's review

2.12 The committee notes that the Secretary's review highlights not only achievements for the year under review, but also discusses some challenges facing the department. Of particular note again this year was the budget situation facing DPS. In her review, the Secretary, Ms Carol Mills, noted that the 2013-14 financial year was a time of 'budgetary constraint' and this affected various aspects of the department's work. Specifically:

...the budget deficit affected DPS' ability to continue to deliver some elements of the transformation agenda foreshadowed last year. Fiscal constraint also contributed to less than hoped for results against some existing key performance indicators in building maintenance and delays in other areas, such as full implementation of the recommendations of the visitor experience review...

...we focused efforts on making savings which—in the short term— have relatively lesser impact on the amenity of the building, and identifying further changes which could be made but would more significantly impact on service delivery. This focus resulted in savings where work (such as cleaning of the building's exterior) was deferred. We increased efficiencies by streamlining internal processes, including reviewing our organisational structures to ensure that resources were directed towards maximising the support DPS provides to the Parliament.⁹

2.13 Against this setting, the Secretary noted the \$5.5 million supplementation DPS received in the Mid-year Economic and Fiscal Outlook (MYEFO) and additional funding of \$15 million each year over the forward estimates in the 2014-15 budget. While acknowledging that this additional funding provides more certainty, the Secretary, noted that pressure for budgetary reform will continue.¹⁰

2.14 Other areas highlighted by the Secretary during the year under review included preparations and support for the 44th Parliament; the 25th anniversary of Parliament House celebrations; progress in response to the 2013 review of visitor experience at Parliament House; the creation of the Chief Operating Officer Division,

7 Senate Finance and Public Administration Legislation Committee, *Annual report (No. 1 of 2013)*, p. 11.

8 The numbering of footnotes in Part 3 of the report started at number one on each page a footnote appeared. However, Part 4 of the report numbered footnotes sequentially across pages up to footnote number 10 and then reverted to starting the numbering at one after that point. It was also noted that citation details were missing for footnote number seven on page 75, while there are citation details for a footnote number six which does not appear in the text. The citation details for footnote number four on page 89 are also missing.

9 *Department of Parliamentary Services Annual Report 2013-14*, p. 5.

10 *Department of Parliamentary Services Annual Report 2013-14*, p. 6.

bringing together planning, governance and corporate functions; and the introduction of a range of ICT innovations following the implementation of the Parliament of Australia Strategic ICT Plan.¹¹

Parliamentary Librarian's review

2.15 The Parliamentary Librarian's review provides a good account of the work of the Library during 2013-14. One area highlighted was the impact of the 2013 federal election which saw the 37 new members elected to the House of Representatives and 14 new senators elected (although only two senators commencing their term during the reporting period). Providing assistance to the new senators and members was a major focus of the Library and involved the following:

- the Parliamentary Librarian presenting induction sessions;
- personalised contact officers trained and assigned to each new parliamentarian to provide guidance on Library products and services; and
- orientation and training sessions for new Senators' and Members' staffers.¹²

2.16 To support the commencement of the 44th Parliament the Library produced the *Briefing Book* publication to provide Senators and Members with a strategic level snapshot of key public policy issues. Information packages which were tailored to electorates and circumstances for each new and returning parliamentarian were also produced.¹³

2.17 The Parliamentary Librarian also noted the continued budget pressures during 2013-14 and the effects:

The Library continued to downsize and plan in anticipation of the decreasing levels of appropriation across the Department of Parliamentary Services' forward estimates, and the corresponding projected increase in the Department's operating deficit.

...

Budgetary issues will continue to be closely managed. We will maintain a careful approach to the use of resources to continue to deliver services as efficiently as possible. The Library will continue to report regularly to the Presiding Officers and to the Joint Standing Committee on the Parliamentary Library on these matters.¹⁴

Performance information

2.18 As noted above, the Secretary had previously advised the committee that the department's KPIs were to be reviewed as a result of the committee's inquiry into

11 *Department of Parliamentary Services Annual Report 2013-14*, pp 7-8.

12 *Department of Parliamentary Services Annual Report 2013-14*, p. 81

13 *Department of Parliamentary Services Annual Report 2013-14*, p. 81.

14 *Department of Parliamentary Services Annual Report 2013-14*, pp 82-83.

DPS. The departmental program structure and KPIs as set out in the 2013-14 PBS, are significantly abbreviated from the 2012-13 structure.

2.19 Program deliverables have been omitted entirely from the PBS for 2013-14, significantly reducing the amount of information about the services delivered by the department. For example, the 2012-13 PBS for DPS included the following deliverables for subprogram 1.2.1 – security services:

Extent to which security procedures are followed	Percentage of reported security incidents dealt with in accordance with agreed procedures (target: 100%).
Validation of security procedures	The extent to which each validation was successful (target: 100%). Percentage of security validation program achieved (target: 100%).
Security incidents	Number of reported security incidents.
Number of security services	Number of hours of internal guarding (PSS)-Monthly average. Number of hours of external guarding (AFP-UP)-Monthly average. Number of scheduled emergency evacuation exercises completed.
Performance of security systems	a) card management system (target: 100%); b) radio communications equipment (target: 100%); c) x-ray equipment/walk-through metal detection (target: 95%); d) CCTV system (target: 98%); e) electronic door locks (target: 99.8%); and f) alarms (target: 99.9%).
Cost of security services	Staff costs for: a) internal guarding (PSS); b) external guarding (AFP-UP); Direct costs of Pass Office operations. Total cost of subprogram 1.2.1

2.20 While the performance discussion on security within the 2013-14 annual report does provide some of the information above, the level of detail has been reduced from the previous year. This contrasts with the only performance information for security services provided in the 2013-14 report which is a KPI measure of 85 per cent in an occupant satisfaction survey.

2.21 The departmental outcome remains unchanged from the previous year and the department continues to have the same two programs:

- Program 1 – Parliamentary Services
- Program 2 – Parliament House Works Program

2.22 However, the sub-program level of reporting for program 1 has been removed.

2.23 A comparison of the old and new KPI framework is presented below.

Program	2012-13 KPIs	2013-14 KPIs
Program 1 Parliamentary Services	Subprogram 1.1 – Library Services 1.1.1 Research services Client satisfaction with requests and	Number of visitors Number of visitors to Parliament House total; participants in general public tours; participants in school tours; participants

	<p>publications</p> <p>1.1.2 Information access services Client satisfaction with information access services</p> <p>Subprogram 1.2 – Building and Occupant Services</p> <p>1.2.1 Security Services No KPIs listed in PBS</p> <p>1.2.2 Facilities Services Customer satisfaction – High level of building occupant and/or user satisfaction with facilities contracts for catering; number of complaints about catering</p> <p>Visitor satisfaction – Number of complaints about visitor services; number of complaints about the Parliament Shop; number of complaints about catering</p> <p>Subprogram 1.3 – Infrastructure Services</p> <p>1.3.1 Building infrastructure services Extent to which building condition is maintained - Building Condition Index</p> <p>Extent to which landscape condition is maintained - Landscape Condition Index</p> <p>Condition and ageing of engineering systems - Engineering Systems Condition Index</p> <p>Customer satisfaction - High level of building and/or user satisfaction with facilities contracts for cleaning, pest control and sanitary services Number of complaints about cleaning, pest control and sanitary services</p> <p>Visitor satisfaction - Number of complaints about cleaning, pest control and sanitary services</p> <p>1.3.2 IT infrastructure services Customer satisfaction - High level of user satisfaction. Number of user complaints</p> <p>Subprogram 1.4 – Parliamentary Records Services</p> <p>1.4.1 Broadcasting services Customer satisfaction - High level of customer satisfaction. Number of customer complaints</p> <p>1.4.2 Hansard Services Customer satisfaction - High level of customer satisfaction. Number of customer complaints.</p>	<p>in other tours</p> <p>Number of virtual visitors to Parliament House</p> <p>Number of functions and events held in Parliament House (official visits; Parliamentary; non-Parliamentary)</p> <p>Number of visitors to Parliament House (total; participants in general public tours; participants in school tours; participants in other tours</p> <p>Number of virtual visitors to Parliament House</p> <p>Number of functions and events held in Parliament House (official visits; Parliamentary; non-Parliamentary)</p> <p>Visitor satisfaction (Target: 85% satisfaction)</p> <p>Visitor satisfaction with services – visitor services (including tours and information); the Parliament Shop; visitor catering; website; building access and parking.</p> <p>Building occupant satisfaction (Target: 85% satisfaction)</p> <p>Occupant satisfaction with services – IT services; Help Desk; Library; Broadcasting and Hansard; Security; Building maintenance; other services</p> <p>Timeliness targets met in service delivery</p> <p>Percentage of timeliness targets met in service delivery (IT services; help desk; Hansard; research services and publication; information access services; maintenance services)</p>
<p>Program 2 Parliament House Works Program</p>	<p>Extent to which design integrity is preserved - Design Integrity Index</p>	<p>Asset Custodianship Design Integrity Index (target: 90%) Building Condition Index (target: 89-92%) Landscape Condition Index (target: 90%) Engineering Systems Index (target: 90%)</p>

2.24 The omission of program deliverables with measurable targets from this year's PBS significantly reduces the amount of measurable performance information available.

2.25 The Department of Finance and Deregulation *Guidance for the Preparation of the 2013-14 Portfolio Budget Statements* advises that 'deliverables':

- are produced by the program in meeting its objective; and
- are tangible, quantifiable products of a program.¹⁵

2.26 This Guidance also advises that agencies are required to include details of program deliverables:

The aim of program reporting is to provide a transparent and consistent information to Parliament and the public about Government activities. The *Commonwealth Programs Policy and Approval Process* (Program Policy) sets out guidance on establishing programs (www.finance.gov.au/financial-framework/financial-management-policy-guidance/commonwealth-programs-policy.html).

The Program Policy states that "in addition to resourcing information, agencies are required to provide details of the program's objects and non-financial performance, including the deliverables and key performance indicators for each program." This information is required to provide an understanding of a program's purpose, how much funding it requires, what it will deliver to the community or specific target group and a measure of its effectiveness.¹⁶

2.27 The reader is not assisted by the 'Reader's guide' at the front of the DPS annual report which erroneously refers to the performance of deliverables being presented in Part 3 of the report:

DPS' financial performance as well as its performance against the deliverables and key performance indicators set out in the Department's *Portfolio Budget Statements 2013-14* and *Portfolio Additional Estimates Statements 2013-14*.¹⁷

2.28 Notwithstanding the omission of deliverables from DPS' 2013-14 PBS, the Parliamentary Library has chosen to continue to include results against the previous year's listed deliverables and these are presented in the Library's performance report for research services and information access services. The Parliamentary Library is commended for continuing to provide performance data for deliverables despite their removal from the PBS.¹⁸

15 Department of Finance and Deregulation, *Guidance for the Preparation of the 2013-14 Portfolio Budget Statements*, Attachment A, March 2013, p. 23.

16 Department of Finance and Deregulation, *Guidance for the Preparation of the 2013-14 Portfolio Budget Statements*, Attachment A, March 2013, p. 23.

17 *Department of Parliamentary Services Annual Report 2013-14*, p. vi.

18 *Department of Parliamentary Services Annual Report 2013-14*, pp 117 and 121.

2.29 Under the revised KPIs there is a focus on measures relating to visitor services. The core services and facilities provided by DPS to support the occupants of Parliament House and the functioning of Parliament are to be measured by an occupant survey with a target of 85 per cent satisfaction. There are also timeliness measures for some of these services.

2.30 The committee questions the value of relying so heavily on occupant satisfaction surveys as a measure of performance for the core services provided by DPS. For example, Program 1 includes the objective of 'maintain Parliament House as a safe and accessible workplace and public building'. Presumably, this objective relates to the provision of security services. The only KPI relating to security is a target of 85% in a building occupant satisfaction survey. However, it would be expected that the level of performance for the delivery of security services at Parliament House would take into account whether the provision of the service was in line with relevant procedures, policies and legislation. The effectiveness and reliability of security infrastructure and equipment, the number of security incidents and timeliness of responses to such incidents would also presumably be a basis for an assessment of performance in security services. Relying on occupants of Parliament House to provide an assessment of the department's performance in the delivery of this particular service through a client survey appears to be an inadequate measure of performance.

2.31 While client surveys do provide a measure of performance and can provide a useful measure in some types of programs, they should complement the department's own standards and benchmarks of effectiveness and efficiency for a particular service.

2.32 The committee notes that performance results for 2013-14 KPIs relating to building occupant satisfaction and timeliness targets were unable to be presented for a number of items as some areas were not surveyed for the year under review. It was noted at footnote 5 to the KPI table for program 1 that:

DPS conducts a client satisfaction survey once per Parliament, with the survey of the 43rd Parliament taking place in May and June 2012. DPS will survey the 44th Parliament in the 2014–15 year. DPS' proposed increased frequency of measurement of timeliness and satisfaction across a number of service delivery areas was impacted by budgetary constraints in 2013–14 but will be put into effect in 2014–15.¹⁹

2.33 The committee records its concern that performance information was not available for some areas for 2013-14, and would expect to see relevant surveys which provide an assessment of performance to be prioritised, even in a tight budgetary environment.

2.34 In summary, there is no clear explanation articulating the benefits of the revised structure, specifically how it will contribute to more accurate, meaningful and transparent performance information. The committee is concerned that, given its recommendation on the annual report in its previous inquiry requesting more

19 *Department of Parliamentary Services Annual Report 2013-14*, p. 75.

information be provided in the report; and following a review of the form and content of the report, the new structure appears to have resulted in a reduction of the amount, and usefulness, of information available.

Financial performance

2.35 The committee notes the comprehensive discussion on the department's financial performance in this year's annual report.²⁰ This had been identified as a deficiency in recent reports and had been noted as an area for improvement.

2.36 The report indicated that the department received approval from the Minister for Finance to incur an operating deficit of \$6.98 million.²¹ However, by implementing a number of actions to achieve internal cost savings, and with receipt of the \$5.5 million MYEFO supplementation, DPS reduced to the operating deficit to \$4.88 million for 2013-14.²²

2.37 The committee notes that Ms Jenny Teece co-signed the *Statement by the Chief Executive and Chief Financial Officer* on 9 September 2014 attached to the department's financial statements, as the 'Chief Financial Officer'.²³ This statement certifies that the financial statements give a true and fair view of the matters required by the Finance Minister's Orders made under the FMA Act.

2.38 The ANAO Better Practice Guide, *Preparation of Financial Statements by Public Sector Entities* states that the

...CFO has the primary responsibility for preparing the financial statements in accordance with relevant legislative and policy requirements. The CFO will also generally have operational responsibility for the main financial systems that underpin the financial statements.²⁴

2.39 It is noted that in the annual report's summary of the department's senior executive team, Ms Teece is listed as the Acting Chief Operating Officer,²⁵ having joined the department in March 2013, as Assistant Secretary, Strategy and Performance Branch. Evidence to the committee in its inquiry into DPS at the public hearing on 17 November 2014 was that the department had not had a chief financial officer for the previous 12 months and that a contractor, Callida, had been performing that role.²⁶ It would have been preferable for the report to have provided an explanation regarding Ms Teece performing the CFO role.

20 *Department of Parliamentary Services Annual Report 2013-14*, pp 23-25.

21 *Department of Parliamentary Services Annual Report 2013-14*, p. 25.

22 *Department of Parliamentary Services Annual Report 2013-14*, p. 25.

23 *Department of Parliamentary Services Annual Report 2013-14*, p. 161.

24 Australian National Audit Office, *Preparation of Financial Statements by Public Sector Entities*, June 2013, p. 32.

25 *Department of Parliamentary Services Annual Report 2013-14*, p. 19.

26 *Committee Hansard*, 17 November 2014, p. 17.

2.40 The Parliamentary Librarian provided a good account of financial performance of the Library for the year. An under spend of approximately \$1.434 million was reported: operating expenditure was \$14.583 million (down from the operating budget of \$15.923 million), and the capital expenditure was \$0.672 million (down from the capital budget of \$0.766 million). This was attributed to a downward revision in the formula for staffing on-costs across the department, which resulted in an over allocation per staff member of approximately 6 per cent; changes in the accounting treatment of capitalised salaries for collection related expenses; and a reduction in staffing numbers.²⁷

Information on construction projects

2.41 The report provides a summary of the delivery of building upgrades and projects undertaken during 2013-14. These included the upgrade to the main production kitchen, construction and fit out of the new Parliamentary Budget Office accommodation,²⁸ replacement of the flag pole lighting system and installation of assistive listening devices throughout Parliament House.²⁹

2.42 This summary provides a total value for the capital building projects delivered during the year, which amounted to \$9.459 million, but did not include a breakdown of this figure for each project, nor whether they were completed on budget.³⁰

2.43 The discussion on financial performance includes the departmental and administered capital budget (totalling \$30.2 million) and the departmental and administered expenditure for 2013-14 (totalling \$20.9 million).³¹

Department of Finance

2.44 The Department of Finance's annual report for 2013-14 closely complies with the Requirements for Annual Reports providing a good account of the department's performance and operation for the year under review. Its clear design and layout ensures information is readily accessible. The report contains not only the mandatory information under the Requirements for Annual Reports, but also the suggested inclusions, where applicable.

2.45 The report provides a good overview of the portfolio department and agencies.³² It sets out the changes to the department following the federal election on 7 September 2013 and under the AAO of 18 September 2013, where responsibility for the function 'reducing the burden of government regulation' was transferred from the

27 *Department of Parliamentary Services Annual Report 2013-14*, pp 89-90.

28 This work was funded by the Parliamentary Budget Office, see *Department of Parliamentary Services Annual Report 2013-14*, p. 37.

29 *Department of Parliamentary Services Annual Report 2013-14*, pp 36-37.

30 *Department of Parliamentary Services Annual Report 2013-14*, pp 36-37

31 *Department of Parliamentary Services Annual Report 2013-14*, p. 24.

32 *Department of Finance Annual Report 2013-14*, pp 8-11.

Department of Finance and Deregulation to the Department of the Prime Minister and Cabinet. As a result, the portfolio and department were re-named accordingly.³³

Secretaries foreword and review

2.46 This is the first annual report under the new Secretary, Ms Jane Halton PSM, who commenced her appointment in July 2014. The former Secretary, Mr David Tune AO PSM, contributed to the year in review section of the report, while Ms Halton sets out the priorities for the year ahead in the foreword.

2.47 Notable achievements during the 2013-14 financial year highlighted by Mr Tune included delivery of the 2014-15 budget, establishment of the Medibank Sale Taskforce, establishment of the new Commonwealth Contracting Suite, introduction of personal videoconferencing units for ministers and senior APS officials, and preparation for the introduction of the *Public Governance, Performance and Accountability Act 2013*. Also noted was the impact of the federal election on the department which generated high workloads in certain areas.³⁴

2.48 Ms Halton highlighted key priorities over the coming year. These included assisting in implementing the Government's Smaller Government Agenda, the sale of Medibank Private Limited, and the implementation of the reform strategy for the Air Warfare Destroyer Programme.³⁵

Performance reporting

2.49 Performance information is clearly presented in tabular format for both deliverables and KPIs. In cross-checking this information for compatibility against the KPIs as set out in the 2013-14 PBS and the Portfolio Additional Estimates Statements, it was found that the annual report largely addresses the level of achievement against those targets. However, it was noted that one KPI relating to Program 1.2 – Public Sector Superannuation, as listed in the 2013-14 PBS,³⁶ was not reported on in this year's annual report with no explanation for its omission.³⁷ The Portfolio Additional Estimates Statements 2013-14 for the Finance Portfolio confirms that no changes were made to the KPIs for Program 1.2 since the 2013-14 PBS.³⁸

2.50 The committee was pleased to note that the department continues to use a combination of quantitative and qualitative KPIs to measure achievement of outcomes, including the use of a target for some. This provides a measureable assessment of performance and allows for useful comparison across years. A brief explanatory comment for a number of results, particularly for those KPIs which are partially or not achieved, is a helpful inclusion.

33 *Department of Finance Annual Report 2013-14*, p. 8.

34 *Department of Finance Annual Report 2013-14*, pp 2-6.

35 *Department of Finance Annual Report 2013-14*, pp vii-viii.

36 *Portfolio Budget Statements 2013-14, Finance and Deregulation Portfolio*, p. 33.

37 *Department of Finance Annual Report 2013-14*, p. 39.

38 *Portfolio Additional Estimates Statements 2013-14, Finance Portfolio*, p. 30.

2.51 This section would have been enhanced with the inclusion of comparative information of performance from the previous year or years. However, it is noted that trend information across recent years is presented in a number of other tables throughout the report, for example, relating to staffing statistics, financial performance and environmental performance.³⁹

2.52 It was reported that all deliverables across the three departmental outcomes were met. With regard to KPIs, the department fully met 18 of the 22 KPIs for Outcome 1; fully met nine and partially achieved three of the 16 KPIs for Outcome 2; and met four of the six KPIs for Outcome 3.⁴⁰

2.53 One area of note in this year's report was the performance information relating to the increased workload of the department as a result of the federal election. Under Outcome 1, this included working with the Treasury on the *Pre-Election Economic and Fiscal Outlook* which was released on 13 August 2013. It was also reported that over the caretaker period, Finance costed 76 election commitments which were publicly released on a dedicated website.⁴¹

2.54 Departmental Outcome 3, dealing with ministerial and parliamentary entitlements, was also significantly impacted by the federal election. The report noted the following demands:

- a high workload through the provision of equipment and the streamlining of accommodation arrangements for the Prime Minister's and Leader of the Opposition's travelling teams;
- COMCAR met high demand for car transport across routine and election-related activity;
- heavy demands for advice on entitlements from client service areas, including help desks receiving more than 25,000 requests; and
- management of transitional arrangements for outgoing and incoming parliamentarians, including final entitlements processed and paid to 555 departing staff and over 900 employment contracts processed.⁴²

2.55 Despite the high workload, it was noted that of the two KPIs which were not met this year, those dealing with travelling allowance claims and client enquiries, were very close to the target measure.⁴³ It was also reported that the establishment of the election planning taskforce in 2012 '...ensured a coordinated and efficient effort by the department through regular meetings, consultations and reviews.'⁴⁴

39 It is also noted that performance information from previous years is available from earlier annual reports which are available on the department's website.

40 *Department of Finance Annual Report 2013-14*, pp 25, 45 and 63.

41 *Department of Finance Annual Report 2013-14*, p. 27.

42 *Department of Finance Annual Report 2013-14*, p. 63.

43 *Department of Finance Annual Report 2013-14*, p. 65.

44 *Department of Finance Annual Report 2013-14*, p. 64.

Financial performance

2.56 The ANAO issued an unqualified audit report for the department's financial statements. The audit report indicated at note 36 to the statements, dealing with Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund, 33 payments totalling \$69,000 were made in 2013-14 under the *Parliamentary Entitlements Act 1990* in breach of section 83 of the Constitution.⁴⁵ The ANAO, in its report on *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2014*, noted that all of these payments were recovered and confirmed that this matter is not a qualification or modification to the audit opinion on the financial statements.⁴⁶ In relation to the matter, the ANAO further advised:

Finance has undertaken to continue to monitor its level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible. Amendments to legislation will be progressed with the aim of reducing the risk of future section 83 breaches, where appropriate.⁴⁷

2.57 The department reported an operating deficit of \$97.1 million for the 2013-14 financial year, compared with the 2012-13 result of an operating surplus of \$62.6 million.⁴⁸ Mr Tune in his review commented that the \$97.1 million operating deficit was 'largely as a result of a number of major insurance claims'.⁴⁹ However, the discussion on financial management reported that the 2013-14 result was \$48.5 million more than the revised deficit estimates of \$48.6 million as published in the 2014-15 PBS and was mainly attributed to the write-down of land and buildings.⁵⁰ This was further discussed:

Operating expenses were \$27.0 million higher than in 2012–13. This was primarily due to an increase in Comcover insurance claims and new expenditure in the Coordinated Procurement Contracting Special Account in relation to Internet Based Network Connection Services

Write-down and impairment of assets increased by \$117.8 million due to four key factors: \$42.1 million revaluation decrement for land and buildings; \$58.6 million impairment on receivables; \$8.4 million write-down on investment properties; and \$9.6 million write-off and impairment on software occurring in 2013–14.⁵¹

45 *Department of Finance Annual Report 2013-14*, pp112-113.

46 Australian National Audit Office, Report No. 16 2014-15, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2014*, p. 173.

47 Australian National Audit Office, Report No. 16 2014-15, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2014*, p. 173.

48 *Department of Finance Annual Report 2013-14*, p. 95.

49 *Department of Finance Annual Report 2013-14*, p. 3

50 *Department of Finance Annual Report 2013-14*, p. 95.

51 *Department of Finance Annual Report 2013-14*, p. 95.

Department of the Prime Minister and Cabinet

2.58 The PM&C annual report adheres to the Requirements for Annual Reports and includes a number of suggested items as well as the mandatory requirements.

Portfolio overview

2.59 A mandatory requirement for portfolio departments under the Requirements for Annual Reports is the inclusion of an outline of the structure of the portfolio. The report includes an overview of the portfolio structure as at 30 June 2014 and states that there is one department of state, six statutory agencies and 12 Commonwealth companies and authorities (CAC).⁵²

2.60 The list of CAC bodies incorrectly includes 'Northern Territory Land Councils' as one of the 12 CAC bodies, which it is not. There are four Northern Territory land councils, which are included in the list: the Anindilyakwa Land Council, the Central Land Council, the Northern Land Council and the Tiwi Land Council.

2.61 The portfolio overview does not include statutory office holders within the portfolio. To ensure a comprehensive overview is presented, it would be useful to include the statutory office holders in the overview of the portfolio. These are understood to be the Executive Director of Township Leasing, the Aboriginal Land Commissioner, the Registrar of Indigenous Corporations, and the Independent National Security Legislation Monitor.⁵³

2.62 The Remuneration Tribunal is an independent statutory office, which also sits within the PM&C Portfolio and is also omitted from the overview.

2.63 The reader should be confident that the department's annual report provides an accurate and complete overview of the portfolio. It is regrettable that this was deficient in the 2013-14 annual report, though the committee acknowledges the significant changes to the portfolio during the year under review.

Secretary's overview

2.64 The then Secretary, Dr Ian Watt AO, provided a comprehensive overview of the year in review. Of particular note were the challenges posed to the department from mid-2013 which saw a succession of three Prime Ministers, a federal election, a change of government and subsequent changes to departmental functions following amendments to the AAO. He advised that Department of the PM&C responded well to this challenge and noted that:

There has been a significant effort across the Department to support these changes and adapt to a workforce that grew from 798 staff in one location at 30 June 2013 to 2,467 in 110 locations at 30 June 2014, while still

52 *Department of the Prime Minister and Cabinet 2013-14*, p. 1.

53 A list of Indigenous portfolio bodies and statutory office holders appears later in the report at page 68.

continuing to focus on our core role of providing expert support and policy advice directly to Government.⁵⁴

2.65 Other areas highlighted included assisting the government in the implementation of its key election commitments, Australia's presidency of the G20 Forum and preparations for the G20 Leaders summit in Brisbane on 15 November 2014, assistance in the transition to the new Governor-General in March 2014, coordination of the program and visit of Their Royal Highnesses, the Duke and Duchess of Cambridge, and coordination of the Government's first Repeal Day on 26 March 2014.⁵⁵

Performance information

2.66 The secretary notes in his overview that most KPIs and deliverables were met. The exceptions were one KPI relating to Higher Education Vocational Education and Training, and five deliverables across three programmes, including Indigenous Capability and Development, the Supplementary Recurrent Assistance VET Programme, and the Indigenous Employment Programme.⁵⁶

2.67 A full list of the departmental deliverables was not included in the annual report. The report presented results against the KPIs as listed in the PBS and the PAES for Outcome 1 and in a similar approach to last year, are essentially qualitative. The KPIs for Outcome 2 – Indigenous, are mostly quantitative. The PM&C Portfolio PAES 2013-14 noted that:

The deliverables for Indigenous programmes transferred to PM&C remain unchanged from what was published in the 2013-14 Portfolio Budget Statements of the relevant departments that transferred programmes to PM&C.

These will be reviewed and updated in PM&C's 2014-15 Portfolio Budget Statements due to be released in May 2014.⁵⁷

2.68 The performance results for the KPIs for Outcome 1 are presented in a similar format to the previous report, that is, within tables with a tick indicating the KPI was met. The results for Outcome 2 are also presented this way, but usefully include detail of specific achievements against each KPI.

Financial performance

2.69 The department recorded an operating surplus of \$12.3 million on its core operations for the 2013-14 financial year. This result is clarified by an explanation of core ordinary departmental operations which exclude G20, unfunded depreciation and amortisation expenses, assets received free of charge and revaluations of assets and

54 *Department of the Prime Minister and Cabinet 2013-14*, p. 6.

55 *Department of the Prime Minister and Cabinet 2013-14*, pp 6-7.

56 *Department of the Prime Minister and Cabinet 2013-14*, p. 6.

57 *Prime Minister and Cabinet Portfolio Additional Estimates Statements 2013-14*, p. 41.

employee liabilities. It was further advised that the Statement of Comprehensive Income discloses a technical operating deficit of \$6.6 million.⁵⁸

2.70 The audit report of the financial statements noted that payments totalling \$116,702 under section 64(3) of the *Aboriginal Land Rights (Northern Territory) Act 1976* (ALR Act) were made in 2013-14 in breach of section 83 of the Constitution.⁵⁹

2.71 The ANAO noted in its report on *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2014* that:

The breaches are of a technical nature and were not a result of a system or control break-down. PM&C advised it was pursuing a legislative amendment to the ALR Act to address the issue.⁶⁰

Inspector-General of Intelligence and Security

2.72 The annual report of the Inspector-General of Intelligence and Security (IGIS) for 2013-14 provides a concise overview of operations and performance for the year. The report has been prepared in accordance with section 35 of the *Inspector-General of Intelligence and Security Act 1986* and complies with the Requirements for Annual Reports.

Inspector-General's review

2.73 The Inspector-General's review highlights the office's challenges in adapting to changes to the operations and powers of intelligence agencies while maintaining an oversight role that is effective, credible and transparent.⁶¹

2.74 The review outlined the completed inquiries during the year which examined:

- the attendance of legal representatives at Australian Security Intelligence Organisation (ASIO) interviews;
- the actions of ASIO, the Australian Federal Police (AFP) and the then Department of Immigration and Citizenship (DIAC) in respect of an Egyptian irregular maritime arrival who was placed in immigration detention and was the subject of an Interpol red notice
- the use of weapons and self-defence techniques in Australian Secret Intelligence Service staff.⁶²

2.75 The Inspector-General also outlined the IGIS's responsibilities under the new *Public Interest Disclosure Act 2013*, which commenced on 15 January 2014, and the office's role in establishing the new framework.⁶³

58 *Department of the Prime and Cabinet Annual Report 2013-14*, p. 89.

59 *Department of the Prime and Cabinet Annual Report 2013-14*, p. 96.

60 Australian National Audit Office, Report No. 16 2014-15, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2014*, p. 248.

61 *Inspector-General of Intelligence and Security Annual Report 2013-14*, p. 3.

62 *Inspector-General of Intelligence and Security Annual Report 2013-14*, p. 4.

Performance information

2.76 The performance report sets out the program deliverables and KPIs as set out in the PBS for 2013-14. The office's performance indicators do not include targets. The discussion which follows provides an informative description of the agency's activities and performance.⁶⁴ The inclusion of an explicit statement or table summarising whether each/all of the deliverables and KPIs were fully met would be a useful inclusion.

2.77 The performance discussion provided accounts of the three inquiries which were completed during 2013-14, which are noted above, and included a summary of the findings, recommendations and agencies' progress on their implementation. A detailed summary of complaints and contacts to the Office of the IGIS was also included, along with a review of the office's timeliness on these processes. The section on performance also included a review of the IGIS's role in Freedom of Information and archives matters, the number and trends concerning inquiries and complaints, effecting change in agencies as a result of IGIS recommendations, and an overview of inspections carried out by the office. A summary of inquiries and complaints is presented in tabular form at Annex 1 of the report.

2.78 One area of particular note was the increase in the number of complaints received,⁶⁵ which rose from 375 in 2012-13 to 504 in 2013-14. Of the 504 complaints received, 487 were about visa-related security assessments (361 complaints about visa-related security assessments were received in 2012-13). It was noted that 'visa-related security assessment complaints have consistently represented 96-98 per cent of all complaints made to IGIS since 2011-12.'⁶⁶ The IGIS noted that there were no readily discernible factors driving the increase in the 2013-14 for this category of complaint and that she does 'not regard the year-on-year increase as being statistically relevant or a cause for undue concern.'⁶⁷

2.79 In response to the recent volume of visa-related security assessment complaints the IGIS advised:

...during the 2013–14 reporting period my office made a number of refinements to our inspection activities in regards to visa security assessment complaints, with a view to improving our understanding of the visa application process at both Immigration and ASIO and focusing on areas of potential concern based on any trends which emerge from our complaints-handling function.⁶⁸

63 *Inspector-General of Intelligence and Security Annual Report 2013-14*, p. 4.

64 *Inspector-General of Intelligence and Security Annual Report 2013-14*, pp 7-32.

65 Office of the IGIS considers a matter to be a 'complaint' if it concerns a credible allegation about illegality or impropriety in relation to an action of an intelligence agency, see *Inspector-General of Intelligence and Security Annual Report 2013-14*, p. 15.

66 *Inspector-General of Intelligence and Security Annual Report 2013-14*, p. 15.

67 *Inspector-General of Intelligence and Security Annual Report 2013-14*, p. 16.

68 *Inspector-General of Intelligence and Security Annual Report 2013-14*, p. 16.

Financial performance

2.80 The report includes a concise summary of financial performance for 2013-14. The agency ended the year with a surplus of \$226,333; this compares to a \$37,423 surplus for 2012-13.⁶⁹

2.81 The financial statements received an unqualified audit report from the ANAO.

Office of the Official Secretary to the Governor-General

2.82 The annual report of the Office of the Official Secretary of the Governor-General is prepared in accordance with subsection 19(1) of the *Governor-General Act 1974* and closely adheres to the Requirements for Annual Reports. It includes the mandatory inclusions, as well as suggested items, where applicable.

Official Secretary's review

2.83 The Official Secretary's review provides a brief overview of 2013-14, highlighting the office's role in overseeing the transition of Governors-General which saw His Excellency General the Honourable Sir Peter Cosgrove AK MC (Retd) sworn in as Australia's 26th Governor-General on 28 March 2014. The report noted that the new Governor-General undertook a busy program of outreach and engagement which the office facilitated. The office also provided support to the outgoing Governor-General, the Honourable Dame Quentin Bryce AD CVO, which included a full program of outreach, farewell calls and events.⁷⁰

2.84 Other activities noted by the Official Secretary included:

- significant property projects at Vice-Regal buildings to repair, restore and refurbish degraded and damaged elements of the properties;
- hosting Family Picnic Day in September 2013 - the largest ever community event at Government House; and
- managing the changes to the Constitution of the Order of Australia to reflect the reintroduction of Knights and Dames within the Order.⁷¹

2.85 The Official Secretary also noted that the work of the office was carried out with reduced overall staffing and tight fiscal restraints.⁷² However, it was noted that for the forthcoming year:

Continued budgetary pressures will necessitate ongoing close monitoring of expenditure and a small reduction in overall staff numbers, however core vice-regal business will be unaffected.⁷³

69 *Inspector-General of Intelligence and Security Annual Report 2013-14*, pp 32.

70 *Office of the Official-Secretary to the Governor-General Annual Report 2013-14*, p. 2.

71 *Office of the Official-Secretary to the Governor-General Annual Report 2013-14*, p. 2.

72 *Office of the Official-Secretary to the Governor-General Annual Report 2013-14*, p. 2.

73 *Office of the Official-Secretary to the Governor-General Annual Report 2013-14*, p. 3.

Design

2.86 The report is attractively designed; however the layout features very wide top and left margins, limiting the amount of text per page. Even though this year's report is more restrained in its use of photographs and case studies than last year's, it still runs to nearly the same length as the previous report which may be attributable to this design feature. The committee had previously noted a trend in 'highly designed' annual reports which may be overly lengthy because of overgenerous layout and design.⁷⁴ Notwithstanding this design aspect of the report, its concise content which focusses on the essential inclusions required of an annual report is commended.

Performance information

2.87 The report on performance provides a clear and informative review of the office's achievements in 2013-14. The report includes the office's objectives and KPIs, as set out in the 2013-14 PBS. The KPIs are a combination of qualitative and quantitative measures, with the quantitative KPIs including a target as a benchmark for performance. Performance results are set out in tabular format with a supporting discussion. Only one KPI was not met or exceeded, and this was by only a margin of one per cent. Trend information for the six quantitative KPIs which have a target measure is also presented in a table with comparative results over the previous four years.⁷⁵

Financial performance

2.88 The report provides a summary of the organisation's financial performance for the year in review, indicating a modest operating surplus after adjustments for depreciation and amortisation.⁷⁶ This compared with a break-even result for the previous year.⁷⁷ The financial statements received an unqualified audit report from the ANAO.

Commonwealth Ombudsman

2.89 The annual report of the Commonwealth Ombudsman for 2013-14 is a clear and informative document. It is prepared in accordance with section 19(1) of the *Ombudsman Act 1976* and adheres to the Requirements for Annual Reports. It was noted that both social inclusion outcomes and spatial reporting were included in the report's compliance index to the Requirements for Annual Reports; however both reporting requirements were removed from the latest version and were not a requirement in the 2013-14 annual report.

74 Senate Finance and Public Administration Legislation Committee, *Report on Annual Reports (No. 1 of 2013)*, p. 11.

75 *Office of the Official-Secretary to the Governor-General Annual Report 2013-14*, pp 12-13.

76 *Office of the Official-Secretary to the Governor-General Annual Report 2013-14*, p. 9.

77 *Office of the Official-Secretary to the Governor-General Annual Report 2012-13*, p. 11.

Commonwealth Ombudsman's foreword

2.90 The Commonwealth Ombudsman (CO) in his foreword to the annual report highlighted the office's enhanced integrity role under the *Public Interest Disclosure Act 2013* which established the Public Interest Disclosure Scheme on 15 January 2014, as noted earlier. These include:

- providing assistance and education to agencies and officials subject to the scheme;
- determining standards for agencies to abide by in dealing with public interest disclosures; and, where appropriate
- investigating disclosures.⁷⁸

2.91 The report later includes a comprehensive overview of the scheme and summary of its operation since commencement.

2.92 The CO also provided examples of two recent major investigations, including the release of the report of an investigation into service delivery complaints about the Department of Human Services Centrelink program, and an ongoing inquiry into agency complaint management.⁷⁹

2.93 Other areas noted in the foreword were anticipated functional changes to the CO's responsibilities announced in the 2014 Budget, complaint trends, and the office's increased engagement with the Office of the IGIS as well as an updated memorandum of understanding between the two agencies.⁸⁰

Performance information

2.94 The report clearly sets out the office's objectives, program deliverables and KPIs as listed in the 2013-14 PBS. These have been updated from those in the 2012-13 report. The revised KPIs provide a more definite measure of whether a particular component of the program is being met against a benchmark. The two sets of KPIs are set out comparatively below.

2012-13 KPIs	2013-14 KPIs
improved administration following the Ombudsman's reports and investigations	<i>Qualitative</i> handling of investigated complaints meets internal and external service standards
improved complaint handling within agencies	
improved compliance with legal requirements by enforcement agencies in the	
	inspections conducted and reports produced in accordance with legislative and other requirements

78 *Commonwealth Ombudsman Annual Report 2013-14*, p. vii.

79 *Commonwealth Ombudsman Annual Report 2013-14*, pp viii-ix.

80 *Commonwealth Ombudsman Annual Report 2013-14*, pp viii-ix.

<p>use of covert powers</p> <p>timely inspection reports that identify areas for improvement⁸¹</p>	<p>Ombudsman recommendations monitored for implementation within agencies</p> <p><i>Quantitative</i></p> <p>investigations, reports and submissions to Parliament and Government completed and timely</p> <p>inspections and reports completed within statutory timeframes.</p>
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2.95 The 2013-14 KPIs refer to meeting 'internal and external service standards', inspections and reports are produced 'in accordance with legislative and other requirements', and completing work within 'statutory timeframes'. These KPIs provide for a requirement to meet particular standards rather than those from the previous year which only required 'improved' performance or compliance. Each deliverable and KPI is addressed separately within the report with a summary of the office's work that has contributed to each.

Financial performance

2.96 The office reported an operating surplus of \$38,000 (excluding depreciation and amortisation and the impact of the asset revaluation) which compared to an operating surplus of \$457,000 the year before. It was noted that the operating surplus for this year was achieved in a period of tightening resources where the office's appropriation was reduced by \$283,000.⁸²

General Comments

2.97 In examination of the 2013-14 annual reports the committee found some variation among agencies in the approach to reporting on program performance, both in the content available in the PBS and what is subsequently reported on in the annual report. While most agencies adhere to the Department of Finance guidance on the preparation of the PBS with regard to the required program performance information, some take a modified approach.

2.98 To ensure that transparent and consistent information is available to Parliament and the public about departmental and agency programs, the committee encourages agencies to closely follow the guidance issued to the Department of Finance for the preparation of PBS. Additionally, when reporting on actual program performance in their annual report, agencies are reminded to include all information specified in the PM&C Requirements.

2.99 The committee notes that changes aimed at strengthening the performance framework are planned under stage 2 of the Department of Finance's Performance Management Reform Agenda, following the passage of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). This will focus on improving

81 *Commonwealth Ombudsman Annual Report 2012-13*, p. 9.

82 *Commonwealth Ombudsman Annual Report 2013-14*, p. 24.

the quality of planning, performance information and evaluation within government to improve government accountability to ministers, the Parliament and the public.⁸³ Included under the new framework are two new elements of performance information required under the PGPA Act: a requirement for Commonwealth entities to prepare a corporate plan and annual performance statements. The Department of Finance has indicated that the new performance framework aims to deliver:

- improved guidance on KPIs and other measurement approaches;
- clarity of options for improving data over time;
- improved alignment with other performance frameworks; and
- options to leverage internal data to support strategic decision making.⁸⁴

2.100 The committee looks forward to the implementation of the proposed enhancements to the performance framework to assist not only agencies in developing quality and meaningful performance information, but also the Parliament in scrutinising that information.

Senator Cory Bernardi
Chair

83 See <http://www.pmra.finance.gov.au/> (accessed 18 February 2015).

84 Department of Finance, *Strengthening the Commonwealth Performance Framework – Slide presentation*, <http://www.pmra.finance.gov.au/legislation-pgpa-act/>, p. 22 (accessed 18 February 2015).