

Chapter 2

Review of selected annual reports

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

- Commonwealth Superannuation Corporation
- Indigenous Business Australia
- Central Land Council
- Anindilyakwa Land Council
- Outback Stores Pty Ltd
- Executive Director of Township Leasing

Commonwealth Superannuation Corporation

2.2 The Chairman's introduction by Mrs Patricia Cross notes her commencement in that role on 1 July 2014. She advises that there were strong investment outcomes by the Commonwealth Superannuation Corporation (CSC) during 2013-14, noting that default investment options (which include more than 90 per cent of members) posted returns over 11.0 per cent in 2013-14, well exceeding the investment objective of a real return of the CPI plus 3.5 per cent per annum.¹

2.3 Other achievements for the year under review included:

- the implementation of a personal financial advisory service with experienced financial planners;
- the introduction of a PSSap membership for CSS and PSS members who want to make salary sacrifice contributions or rollover into PSSap;
- a full security review of CSC's information technology functions;
- ongoing discussions with government in respect of PSSap scheme administration; and
- the introduction of social media as an additional communication channel for PSSap members.²

2.4 An area noted as a priority for the year ahead, which both the Chairman and the Chief Executive officer, Mr Peter Carrigy-Ryan, referred to, was the

1 *Commonwealth Superannuation Corporation Annual Report 2013-14*, p. 14.

2 *Commonwealth Superannuation Corporation Annual Report 2013-14*, p. 14.

implementation of the Government's policy to merge ComSuper into CSC in 2015.³

2.5 The report sets out the agency's outcome, objective and the four key performance indicators (KPIs) as listed in the *Finance and Deregulation Portfolio Budget Statements 2013-14*.⁴ While the report does include comprehensive detail of investment performance, it does not include a summary on performance against each KPIs for 2013-14. The committee believes that a clear statement of the agency's effectiveness in achieving its listed KPIs would be a helpful inclusion.

2.6 The report complies with the *Commonwealth Authorities (Annual Reporting) Orders 2011* (Authorities Reporting Orders). It is well set out and makes extensive use of charts and tables, particularly for the presentation of information on the superannuation schemes it manages.

Indigenous Business Australia

2.7 The reviews of Indigenous Business Australia's (IBA) Acting Chair, Mr Anthony Ashby, and Chief Executive Officer, Mr Chris Fry, provide a comprehensive overview of the year and noted overall strong results for IBA programs. Some of the highlighted areas include:

- achievements in the home ownership program with 556 new home loans and engagement with remote communities and emerging markets to facilitate home ownership opportunities;
- supporting employment of 221 Indigenous Australians through the Equity and Investment Program;
- the pilot of a new service delivery model in a regional office to evaluate ways to improve operations and customer interactions; and
- facilitating professional development opportunities, including through the CareerTrackers Indigenous internship program, the IBA scholarship program and the partnership with the Melbourne Business School which enabled 25 Indigenous business leaders to participate in the Murra Indigenous Business Master Class Program.⁵

2.8 It was noted in the overview section that IBA incurred a loss in 2013-14 which was attributed predominantly to non-cash asset revaluations, but recorded a surplus on an operating basis. The Acting Chair stated that:

The loss incurred by IBA in 2013-14 does not affect IBA's cash position nor distributions to its Indigenous investment partners. As a

3 *Commonwealth Superannuation Corporation Annual Report 2013-14*, pp 15 & 17. The Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015 was passed by both Houses of Parliament on 15 June 2015.

4 *Commonwealth Superannuation Corporation Annual Report 2013-14*, p. 32.

5 *Indigenous Business Australia Annual Report 2013-14*, pp 14-21.

result, IBA does not require any additional funding from the Australian Government to cover the loss and remains well placed financially to meet its operating commitments.⁶

2.9 The IBA annual report presents a comprehensive review of the agency's performance for 2013-14. This section of the report clearly sets out how the IBA has performed in relation to its KPIs and deliverables for its programs as set out in the *Families, Housing, Community Services and Indigenous Affairs Portfolio Budget Statement for 2013-14*. However, the inclusion of the relevant program numbers in the annual report, as set out in the PBS, would have assisted the reader to more readily locate the relevant performance information in the report.⁷ KPIs and deliverables are mainly quantitative and include a target, providing a useful basis for measuring and comparing performance over time.

2.10 In line with the preferred formatting approach as set out the PM&C Requirements for Annual Reports, the report uses a tabular presentation for most of the performance information, with supporting discussion. Where targets have not been met the report includes explanatory comments. For example, the IBA only achieved three of its five KPIs for the Equity and Investments Program. It was explained that the IBA did not meet its portfolio return for 2013-14 largely because of continued challenges faced by the agency's regional and remote tourism investments with visitor numbers to key markets at subdued levels.⁸

2.11 The report is prepared in accordance with the Authorities Reporting Orders. It includes a comprehensive compliance index to the mandatory reporting requirements under the Orders, in addition to those required by the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act). Although not a requirement, the report's compliance index also includes page references for compliance with the PM&C Requirements for Annual Reports of June 2014 and the Corporate Governance Principles and Recommendations, 2nd edition Australian Securities Exchanges (ASX) Corporate Governance Council. The IBA is commended for its commitment to better practice in its annual reporting with the inclusion of page references for compliance with these additional principles.⁹

Central Land Council

2.12 The overview section of the Central Land Council's (CLC) annual report includes accounts by the Acting Chair, Mr Francis Kelly, and Director, Mr David Ross. The Acting Chair noted his replacement of Mr Maurie Ryan as Chair, stating that the CLC Executive had stood down Mr Ryan as a delegate

6 *Indigenous Business Australia Annual Report 2013-14*, p. 15.

7 *Indigenous Business Australia Annual Report 2013-14*, pp 23-96.

8 *Indigenous Business Australia Annual Report 2013-14*, p. 25.

9 *Indigenous Business Australia Annual Report 2013-14*, pp 256-263.

and called a special council meeting to be held in September 2014.¹⁰ The Director's report also noted Mr Ryan's suspension by the CLC Executive, noting that:

His suspension follows an independent investigation into his behaviour...Despite these distractions the Council has worked hard to efficiently achieve its statutory functions and protect the rights and interests of Aboriginal people living in the bush.¹¹

2.13 These reports note some of the challenges the CLC has dealt with as well as highlighting successes, including the community development program and the ranger program. A highlighted project was the opening of a swimming pool by the traditional owners at Mutitjulu. The Acting Chair noted that:

They planned it and paid for it with their rent money from the Uluru–Kata Tjuta National Park and Aboriginals Benefit Account (ABA) money and they have saved up enough to run it until 2017. That means that, unlike many other communities, they do not have to beg the government to keep their pool open. That is self-determination.¹²

2.14 The report complies with the requirements under the Authorities Reporting Orders, including a compliance index. The compliance index also includes page reference numbers for parts of the report which comply with the requirements under the *Aboriginal Land Rights (Northern Territory) Act 1976* (ALR Act).

Anindilyakwa Land Council

2.15 The Chairman's and Chief Executive Officer's messages at the beginning of the *Anindilyakwa Land Council (ALC) Annual Report 2013-14* both refer to the extensive restructuring processes undertaken during the reporting year to ensure that the ALC is operating efficiently and effectively. It was noted that the new structure implements reforms under the 15 Year Strategic Plan, the Deloitte review of the ALC which was completed in 2013, and subsequent legal advice on previous internal governance and financial arrangements, particularly in relation to the ALC's relationship with the Groote Eylandt and Bickerton Island Enterprises Aboriginal Corporation.¹³

2.16 The Chief Executive Officer, Mr Mark Hewitt, elaborated on the benefits of the new structure:

10 The Central Land Council website notes that Mr Francis Kelly was elected Chairman at a special council meeting on 17 September 2014, replacing Mr Mauri Ryan. See <http://www.clc.org.au/articles/info/the-council/> (accessed 21 July 2015).

11 *Central Land Council Annual Report 2013-14*, p. 6.

12 *Central Land Council Annual Report 2013-14*, p. 4.

13 *Anindilyakwa Land Council Annual Report 2013-14*, pp 13 & 15.

The new operating environment allows ALC to focus on supporting all Aboriginal Corporations operating across the Groote Archipelago, working collaboratively in an Anindilyakwa Chamber of Commerce to better coordinate key investments, programs and projects, matched to organisations strengths.¹⁴

2.17 The report presents information about the ALC's activities and performance against a specified outcome and a set of six outputs. It is an informative report which provides a good summary of the main activities of the ALC for 2013-14.

2.18 The report complies with the requirements set out in the Authorities Reporting Orders, including the inclusion of a compliance index. Also included was compliance index to the reporting requirements under the ALR Act.¹⁵

Outback Stores Pty Ltd

2.19 Outback Stores Pty Ltd is a wholly owned Commonwealth company and prepares its annual report in accordance with requirements of the CAC Act, the *Commonwealth Companies (Annual Reporting) Orders 2011* (Companies Reporting Orders), and the *Corporations Act 2001*.

2.20 The 2013-14 annual report is an informative document and includes the required information under the Companies Reporting Orders, including the mandatory compliance index for ease of reference. The information presented is concise and provides a good overview of the activities, challenges and achievements of the company for the year under review.

2.21 The Chairman, Mr Stephen Bradley, and the Chief Executive Officer, Mr Steve Moore, in their reports, both noted the company's operating profit of \$123,219 for 2013-14. Also highlighted, was the addition of six new stores to the group during the year.¹⁶

2.22 The financial statements received an unqualified audit report, however, there was an 'emphasis of matter' noted.¹⁷ This matter, referred to in Chapter 1 of this report, concerned the failure of Outback Stores to disclose a related party transaction with the Arnhem Land Progress Aboriginal Corporation for the provision of information technology services since 2009.¹⁸ The Outback Stores report addressed this issue and noted that:

The Outback Stores Board is committed to ongoing improvement in its governance and has also implemented revised practices to manage related-party transaction disclosures to avoid any real or perceived conflicts of interest in future. This includes a separate

14 *Anindilyakwa Land Council Annual Report 2013-14*, p. 15.

15 *Anindilyakwa Land Council Annual Report 2013-14*, pp 99-101.

16 *Outback Stores Pty Ltd Annual Report 2013-14*, pp 6-9.

17 *Outback Stores Pty Ltd Annual Report 2013-14*, p. 40.

18 *Outback Stores Pty Ltd Annual Report 2013-14*, p. 31.

standing agenda item for each Board meeting to declare and review all potential conflicts of interest, specific review and declaration of related party transactions for inclusion in the Annual Report, and an appropriate note will be included in future financial statements for all related party transactions for review by the ANAO.¹⁹

2.23 The committee welcomes these governance reforms and commends Outback Stores Pty Ltd for clearly addressing the issue in its annual report.

Executive Director of Township Leasing

2.24 The Executive Director of Township Leasing is a statutory office holder and the annual report is prepared in accordance with section 20R(1) of the ALR Act. This sections specifies that:

The Executive Director must, as soon as practicable after the end of each financial year, prepare and give to the Minister, for presentation to the Parliament, a report on the operations of the Executive Director during that year.

2.25 The annual report for 2013-14 is an informative document and presents a good account of the operations for the year, including details of revenue and expenditure for 2013-14.²⁰ The report also provides useful background on the establishment of the office and how the township lease model operates.²¹

2.26 The report includes tables of leases held by the Executive Director of Township Leasing in 2013-14 for communities covered by township leases, housing leases, and Commonwealth Asset Leases. Also included was a table setting out the Alice Springs Living Areas (Town Camps) subleases held by the Executive Director in 2013-14.²²

2.27 The review by the Executive Director of Township Leasing, Mr Greg Roche, provides a useful summary of the achievements and challenges of the office in 2013-14. He noted that during the year he provided support to Traditional Owners negotiating prospective township leases, including at Gunbalanya, Yirrkala and Pirlangimpi. This support involves providing information on township leasing, the operation of consultative forums, and how the work of the Office of Township Leasing can assist them to make an informed decision.²³ A noted highlight was the completion of the Wurrumiyanga five year Head Lease Review on 21 March 2014, and the registration of the variation with the Northern Territory Land Titles Office.²⁴

19 *Outback Stores Pty Ltd Annual Report 2013-14*, p. 31.

20 *Executive Director of Township Leasing Annual Report 2013-14*, p. 23.

21 *Executive Director of Township Leasing Annual Report 2013-14*, pp 4-7.

22 *Executive Director of Township Leasing Annual Report 2013-14*, pp 23-28.

23 *Executive Director of Township Leasing Annual Report 2013-14*, p. 2.

24 *Executive Director of Township Leasing Annual Report 2013-14*, pp 2 & 12-13.

2.28 The Executive Director reported that individual private home ownership on Aboriginal land in remote communities in the Northern Territory did not progress significantly in 2013-14. However, he welcomed news that since preparing the report, the Northern Territory Government had announced a home ownership policy to give Territory House tenants in remote communities on Aboriginal land the opportunity to buy their homes, noting that:

In recognition of the advantages of the township leasing model the new policy favours applications from residents in communities covered by a township lease.²⁵

2.29 The Executive Director also took the opportunity in his review to note his concern that there had been no reform to the tenure underlying the Alice Springs Town Camps. He explained that he administers the Town Camps under a sub-lease from the relevant Housing Associations which commits him to facilitate private home ownership, but cannot grant a long-term interest to underpin home ownership for a variety of complex legal reasons. He further noted that:

Both the Northern Territory and the Commonwealth Governments have the capacity to legislate but to date have not done so. I would urge either government, with the informed agreement of the Housing Associations, to legislate so that the Town Camp residents of Alice Springs have the option of private home ownership available to them.²⁶

2.30 This year's report notes the passing of Mr Walter Pirliyamanyirra Kerinaiaua, a Senior Elder of the Mantiyupwi, who is described as the 'Grandfather of Township Leasing'.²⁷ In addition to a tribute to Mr Kerinaiaua, a number of his quotes are featured throughout the report.²⁸

Senator Cory Bernardi Chair

25 *Executive Director of Township Leasing Annual Report 2013-14*, p. 3.

26 *Executive Director of Township Leasing Annual Report 2013-14*, p. 3.

27 *Executive Director of Township Leasing Annual Report 2013-14*, pp 8-9.

28 The report notes that consent of Mr Kerinaiaua's family was obtained to show his photograph and name in the annual report, see p. 9.

