

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
- Australian National Audit Office
- Australian Public Service Commission
- Office of the Official Secretary to the Governor-General

Department of Parliamentary Services

Secretary's review

2.2 This year's annual report of the Department of Parliamentary Services (DPS) was prepared under the leadership of the Acting Secretary, Dr Dianne Heriot. The report generally adheres to the Requirements for Annual Reports and includes suggested as well as mandatory items. The committee appreciated Dr Heriot's forthright and open account of the year in review which highlighted not only the achievements of the department, but also the challenges, including the scrutiny of departmental processes and systems through reviews and audits by parliamentary committees and the Australian National Audit Office (ANAO).

2.3 Dr Heriot did not gloss over the findings of these processes and was frank in her description:

There were highly critical findings by the Australian National Audit Office (ANAO), further review of the performance of the department by the Senate Finance and Public Administration Legislation Committee, and an inquiry by the Senate Standing Committee of Privileges into the use of CCTV material in Parliament House.

...

Many aspects of our work were scrutinised, including record-keeping, asset management, procurement, contract management, leadership and the use of CCTV footage in an internal disciplinary matter. One outcome of the Privileges Committee inquiry into CCTV use was the development by the Presiding Officers of a new code of practice for CCTV. In accordance with the Committee's recommendations, privileges training for DPS staff has been strengthened.

The wide ranging inquiry by the Senate Finance and Public Administration Legislation Committee had not yielded a final report by the end of the financial year, but the two interim reports the committee issued in April and June 2015 signalled serious concerns with key aspects of DPS'

performance. The report on DPS' performance by the ANAO, Performance Audit 2014–15 #24 Managing Assets and Contracts at Parliament House, which was released in February 2015, similarly pointed to significant shortcomings.¹

2.4 Dr Heriot also helpfully outlined how the department was responding to the findings of these reviews:

The department worked hard to respond to the findings of each of the reviews and inquiries. More robust systems were put in place, to improve accountability and transparency, and to ensure that DPS employees better understand their obligations. While there is still some way to go, considerable progress has been made.

In particular, our 2014–15 work involved systematically and progressively responding to the recommendations of the ANAO report.

New procurement and contract management policies, and training modules for staff involved in procurement and contract management, have been developed and introduced. The suite of training now ranges from foundation training to quarterly procurement practitioners' forums which share learnings and reinforce best practice. Further advanced training will be introduced in 2015–16. By early 2015–16 a new Procure to Pay (P2P) system will complete the comprehensive reforms of DPS' procurement processes.

The majority of the ANAO's recommended reforms will have been implemented by December 2015.

A new DPS Risk Management Policy and Framework was also implemented in 2014–15, and work on a new fraud control plan was well advanced by the end of the financial year.

While there have been some sound achievements, there remains a significant program of work ahead to address findings in relation to records and asset management and to build on improvements in procurement and contract management.²

2.5 Notwithstanding the issues noted above, Dr Heriot also outlined the broad range of work carried out by the department in support of the functions of the Parliament and the needs of parliamentarians and their offices throughout 2014-15. Some highlights included:

- support for the 12 new senators who took their seats in July 2014, in addition to four senators who filled casual vacancies;
- installation of assisted listening devices in all but one of the committee rooms making the Parliament more accessible to occupants with a hearing impairment;

1 *Department of Parliamentary Services Annual Report 2014-15*, pp 2 and 4.

2 *Department of Parliamentary Services Annual Report 2014-15*, p. 4.

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- availability of on-demand streaming of parliamentary proceedings and historical footage via smartphone, tablet or computer;
 - new behind-the-scenes tours and special events to coincide with major local events;
 - completion of a Building Condition Assessment Report and a Strategic Asset Management Plan; and
 - commencement of a major program of work to improve physical security at Parliament House.³

2.6 The Secretary's review also remarked that the Senior Executive Service turnover rate within the department continued to be high, noting that four senior staff departed during the year and that the former Secretary, Ms Carol Mills, ceased in that role in April 2015. Dr Heriot further noted that '[s]tability of the leadership team remains a challenge...'.⁴

2.7 The committee notes that the report does not specifically note that Ms Mills' term as Secretary of DPS was terminated. The report's discussion of SES employment only notes the recruitment and departures, including transfers and a resignation.⁵ The committee acknowledges the sensitivities around this action; however, as annual reports are the key reference document relating to the operations and performance of departments each year and also form part of the historical record, it would be expected that it include this detail. The termination of a departmental secretary due to the loss of confidence of a Minister, or in this case, the Presiding Officers, is a relatively rare and significant event, and it would be expected to be recorded in the annual report for that year.

Parliamentary Librarian's review

2.8 The Parliamentary Librarian, Dr Dianne Heriot, highlighted the client evaluation survey of library services for the 44th Parliament, noting a high overall satisfaction rate of 93% among Senators, Members and their staff. Dr Heriot advised that this was a pleasing result in light of the previously reported budgetary constraints under which the Library has been operating. However, it was further noted that the evaluation found:

...that behind positive satisfaction ratings there were indications that the impacts of past budget cuts have been felt by all client groups. Ratings for proactivity, for quality and consistency of services had declined since the last evaluation (in 2012); and satisfaction rates among parliamentary staff were less positive than those of senators and members (78 per cent for committee staff and 86 per cent for other parliamentary staff). While the very welcome additional funding provided in the 2014–15 Resource Agreement has enabled the Library to begin to address capacity gaps, this

3 *Department of Parliamentary Services Annual Report 2014-15*, pp 2-6.

4 *Department of Parliamentary Services Annual Report 2014-15*, p. 6.

5 *Department of Parliamentary Services Annual Report 2014-15*, p. 157.

remained a work in progress throughout the reporting period. The benefits of this investment will be realised in 2015–16 and beyond.⁶

2.9 Other areas which were a focus for the Library during 2014-15 were the development of the new strategic plan; progress in digitisation of two million pages of archived information and 1200 hours of electronic media archives; improvements to the delivery of news and media monitoring services by providing access to a much wider range of regional press, online news and regional radio; and assistance to new Senators who commenced in 2014.⁷

Performance information

2.10 The report on performance is arranged by departmental divisions and includes divisional highlights and discussion on activities. At the end of these sections a table of results against key performance indicators (KPIs) is included. The KPIs are similar to the previous year with some minor amendments. They generally reflect the KPIs presented in the Portfolio Budget Statements (PBS) for 2014-15 but have been allocated numbering and had some additional areas included for the building occupant satisfaction measure, including new measures for cleaning, gardens and landscaping, art services and heritage management. Like the 2013-14 PBS, the 2014-15 PBS does not include deliverables⁸ for the department.

2.11 The committee commented in some detail on the department's performance measures in its report *Annual Reports (Report 1 of 2015)*. As the department's performance information is essentially the same as the previous year, the committee reiterates its earlier comments, particularly in relation to the absence of program deliverables and the limitations of relying on the building occupant satisfaction survey as the measure for performance for core services delivered by DPS.⁹

2.12 The report advised that the building occupant/client satisfaction survey was conducted jointly with the ANAO in September 2014.¹⁰ It was noted that this survey invited the 226 parliamentarians, with 33 responding, and did not involve other building occupants. Noting the above comments on the disadvantages of relying on client surveys to measure performance for core services, it was nevertheless pleasing to note that new feedback mechanisms may be incorporated into the performance information in 2015-16; where, in addition to parliamentarians, the survey would include their staff and other building occupants:

6 *Department of Parliamentary Services Annual Report 2014-15*, pp 81-82.

7 *Department of Parliamentary Services Annual Report 2014-15*, pp 82-84.

8 'Deliverables' are produced by the programme in meeting its objective; and tangible, quantifiable products of a programme, see Department of Finance, *Guide to preparing the 2014-15 Portfolio Budget Statements*, p. 24.

9 Senate Finance and Public Administration Legislation Committee, *Annual Reports (No. 1 of 2015)*, pp 16-21.

10 The ANAO was part of the survey to enable it to inform its performance audit. See Department of Parliamentary Services Annual Report 2014-15, p. 74.

...in 2015–16 the department will develop a Client Feedback Policy and Service Charter that outlines what our clients, stakeholders and customers can expect from our service delivery and it will also outline how they interact with the department. In addition, the department is considering a new quarterly survey aimed at obtaining regular feedback from building occupants. The surveys could seek feedback about a number of services or activities including:

- cleaning
- building maintenance
- parliamentary broadcasting and recording
- management of the Parliament House Art Collection
- garden and landscaping
- parking
- heritage
- gym and sporting fields
- security¹¹

2.13 Following the committee's recent inquiries into the performance of DPS, the committee continues to take an active interest in a number of areas and projects within the department. One area of particular interest is heritage management and the development of the department's new heritage framework comprising a conservation management plan and design principles document. The performance report on heritage and design integrity provided background on the development of these documents but does not indicate when they will be completed.¹² Last year's annual report noted that both documents were expected to be completed in 2014-15.¹³ The Secretary's review in this year's report notes that '[b]oth documents are expected to be completed in 2015-16' but does not offer an explanation as to why they were not delivered in 2014-15 as anticipated.¹⁴

2.14 It is noted that the Parliamentary Library continues to report against its KPIs and deliverables relating to research services and information access services over a three year period even though these are not included in the PBS. It is commended for maintaining this performance information and making it available in the department's annual report.¹⁵

11 *Department of Parliamentary Services Annual Report 2014-15*, p. 75

12 *Department of Parliamentary Services Annual Report 2014-15*, p. 45.

13 *Department of Parliamentary Services Annual Report 2013-14*, p. 47.

14 *Department of Parliamentary Services Annual Report 2014-15*, pp 7-8.

15 *Department of Parliamentary Services Annual Report 2014-15*, pp 127-136.

Financial Performance

2.15 The report included a good summary of the department's financial performance which satisfactorily met the requirements under the Requirements for Annual Reports.

2.16 DPS recorded an operating surplus of \$10.9 million (excluding unfunded depreciation) in 2014-15 and follows two years of financial deficits.¹⁶ The surplus was attributed to the following causes:

- flow-on effects of the savings measures implemented in 2013-14 to minimise the operating deficit...;
- fewer voluntary redundancies than planned with 11 of the planned 24 completed during 2014-15; and
- delays in the implementation the Australian Parliament House Security Upgrade Budget Measure.¹⁷

2.17 It was noted that DPS received 'significant investment' in the 2014-15 budget to improve services. The report discussed how the additional resources were being utilised:

...DPS has improved its financial and procurement policies and processes. This included the development, in the latter part of the financial year, of a new procurement framework, new Accountable Authority Instructions, an updated financial delegation manual, a new Capital Management Governance Framework, new financial reports to all executives and upgrades to the Enterprise Resource Management System.

These improvements address weaknesses identified in reviews of the department and will better position DPS to deliver sustainable services and a significant capital program over the next four years.¹⁸

2.18 The Parliamentary Librarian also provided a discussion on the budget and financial performance of the Parliamentary Library in 2014-15. Dr Heriot noted that funding for the Parliamentary Library is set out in the Resource Agreement between herself and the Secretary of DPS which is provided for under section 38G of the *Parliamentary Service Act 1999* to help ensure the independence of the Library. There was under-expenditure of budgeted funds in 2014-15. The Library's Resource Agreement provided for an operating budget \$16.348 million and a capital budget of \$1.240 million; and actual expenditure was \$15.729 million in operation funding and \$1.532 in capital funding. This was attributed primarily to employee costs where recruitment was slower than anticipated.¹⁹

2.19 The department received an unqualified audit report from the ANAO on its financial statements.

16 *Department of Parliamentary Services Annual Report 2014-15*, pp 4-5.

17 *Department of Parliamentary Services Annual Report 2014-15*, p. 20.

18 *Department of Parliamentary Services Annual Report 2014-15*, p. 18.

19 *Department of Parliamentary Services Annual Report 2014-15*, pp 92-93.

External Scrutiny

2.20 The report's section on significant development in external scrutiny was comprehensive. This section included details of the improvements which had been implemented as a result of the six recommendations from the ANAO performance audit concerning DPS's management of assets and contracts. The full terms of reference for both the Committee's inquiry into DPS and the Senate Privileges Committee inquiry into the use of CCTV material in Parliament House were also included in this section.²⁰

New reporting requirements for 2014-15

2.21 The annual report goes some way to address the new requirement on the number of Indigenous employees, but does not fully cover the information required. It provides a percentage of the representation of Indigenous employees across the department as at 30 June 2015 only; however, it does not include the number of ongoing and non-ongoing employees as at 30 June, for the current and preceding year who identify as Indigenous.²¹

2.22 The other new requirement for the 2014-15 annual report concerning procurement initiatives to support small business was adequately covered in the annual report.²²

Department of Finance

2.23 Finance has again produced an informative and high quality annual report which closely aligns with the reporting requirements, including 'suggested' as well as 'mandatory' information. Information is clearly presented and the report is easy to navigate. The comprehensive glossary is a helpful inclusion.

Secretary's overview

2.24 The Secretary of the Department of Finance, Ms Jane Halton AO PSM, noted that the 2014-15 year was her first in that role. Her overview provides a useful summary of the key achievements throughout the year, which included the provision of support to government to formulate and deliver the 2015-16 budget. Other highlighted achievements of the department by the Secretary included:

- working with Commonwealth entities and companies to assist them in understanding new duties and responsibilities under the *Public Governance, Performance and Accountability Act 2013*;
- design, development and implementation of the enhanced Commonwealth performance framework;
- development and implementation of the Australian Government charging framework to improve consistency of charging activities;

20 *Department of Parliamentary Services Annual Report 2014-15*, pp 148-151.

21 *Department of Parliamentary Services Annual Report 2014-15*, p. 161.

22 *Department of Parliamentary Services Annual Report 2014-15*, p. 166.

- the conduct of the pilot phase of the Efficiency Through Contestability Program;
- the launch of the Australian Government Organisations Register;
- the launch of govCMS to provide a new whole-of-government website delivery service to Commonwealth, state and local Australian government entities; and
- support to the 2014 G20 Leaders' Summit and associated meetings, including through COMCAR services.²³

2.25 The review also noted significant changes to the Finance Portfolio through privatisation, mergers and closures facilitated by the department throughout the year. These involved the sale of Medibank Private in November 2014, the merger of ComSuper with the Commonwealth Superannuation Corporation on 1 July 2015, and closure of Albury-Wodonga Development Corporation and the Australian River Co. Limited during the year.²⁴

2.26 The Secretary's review also outlined the department's financial performance and priorities for the coming year.²⁵

Performance reporting

2.27 The department's report on performance presents a concise and thorough review of how the department has performed during the year in relation to its deliverables and KPIs. The department has developed a detailed and comprehensive set of deliverables and KPIs. The KPIs are a mix of qualitative and quantitative measures and the inclusion of some targets aids in the assessment of achievement.

2.28 A summary overview of performance for each outcome is presented followed by highlights of significant activities and achievements in 2014-15. The introductory discussion for each outcome notes that all deliverables were achieved and provides an overview of the results for the KPIs. Out of the total number of 46 KPIs across the three outcomes, 39 were fully met. The summary overview of performance for each outcome includes a comparison of aggregate results of KPIs from the previous year.

2.29 Following this are the performance information tables presenting a list of deliverables and the results for each of the KPIs. The tables provide information on whether the KPI was achieved and in many cases includes supporting commentary which is particularly helpful as an explanation for those KPIs which were not achieved or only partially achieved.

2.30 Where performance information had changed, this was noted and an explanation provided. For example, the amendment to the deliverable and KPI for

23 *Department of Finance Annual Report 2014-15*, pp 3-5.

24 *Department of Finance Annual Report 2014-15*, p. 4.

25 *Department of Finance Annual Report 2014-15* pp 6-7.

'International governance and cooperation' under Program 1.1 had been amended and was noted in the report as required under the Requirements for Annual Reports.²⁶

Financial performance

2.31 The Secretary noted in her review that the department's financial position is sound, and is operating within its appropriations.²⁷ The report indicated that the department recorded an operating surplus of \$56.4 million for the 2014-15 financial year compared to an operating deficit of \$97.1 million last year.²⁸ The surplus was attributed to:

The effective management of both its departmental specific budget funded operations and special accounts covering whole-of-government activities such as the Commonwealth's procurement arrangements and property portfolio.²⁹

2.32 The department's audited financial statements received an unqualified audit opinion from the ANAO.³⁰

External scrutiny

2.33 The report's section dealing with significant developments in external scrutiny was comprehensive and included details of all ANAO reports involving the department, a full list of the details of engagement with parliamentary committees, and details of substantial legal actions. This section also helpfully notes that the department was not impacted by reports or decisions of other the external oversight bodies, such as the Commonwealth Ombudsman and the Australian Information Commissioner.³¹

New reporting requirements for 2014-15

2.34 Finance has included the necessary information for the new mandatory requirements concerning the Indigenous employment and small business procurement in this year's report.³²

Department of the Prime Minister and Cabinet

2.35 This is the first annual report of the new Secretary of the Department of the Prime Minister and Cabinet (PM&C), Mr Michael Thawley AO.³³ Some of the areas highlighted by the Secretary in his overview included the department's role in

26 *Department of Finance Annual Report 2014-15*, pp 32-33.

27 *Department of Finance Annual Report 2014-15*, p. 7.

28 *Department of Finance Annual Report 2014-15*, p. 82.

29 *Department of Finance Annual Report 2014-15*, p. 7.

30 *Department of Finance Annual Report 2014-15*, pp 92-93.

31 *Department of Finance Annual Report 2014-15*, pp 66-70.

32 *Department of Finance Annual Report 2014-15*, pp 90 & 238.

33 Mr Thawley announced his resignation in November 2015 and was replaced as Secretary by Dr Martin Parkinson PSM on 23 January 2016.

supporting Australia's G20 Presidency, the relocation of the Government to north-east Arnhem Land for almost a week in September 2014 and coordination of major economic reform projects. Under the department's responsibility for Indigenous Affairs, the Secretary noted the conduct of the first open grant round under the Indigenous Advancement Strategy (IAS), and results from the Remote School Attendance Strategy. He further noted that the policy priorities over the coming year will focus on economic reform and national security.³⁴

2.36 The committee notes the comprehensive overview of the Prime Minister and Cabinet Portfolio structure in this year's report, which includes a list of all non-corporate Commonwealth entities, corporate Commonwealth entities, Commonwealth companies, and other statutory office holders and bodies within the portfolio as at the time of reporting.³⁵

Performance

2.37 This year's report on performance sets out the departmental objectives as listed in the PBS, followed by the results for the KPIs. The discussion of performance is presented against each of the nine deliverables as set out in the PBS, rather than by the departmental group, as has been the case in recent reports. This is a welcome approach to the structure of the performance section of the report which now aligns more closely with the performance information set out in the PBS, providing a clearer read between the documents.

2.38 The KPIs for Program 1 - Prime Minister and Cabinet, are qualitative and are set out in a tabular format indicating that each KPI was met. The KPIs for Program 1 are essentially the same as the previous year; however, three additional KPIs for Program 1 have been included this year to reflect the additional departmental responsibilities as a result of the amendments to the Administrative Arrangements Order after the federal election in 2013 which added the responsibilities of deregulation and women's policy. The department met all the KPIs for Outcome 1.

2.39 Outcome 2, Indigenous, is delivered through five streams (six programs) under the new Indigenous Advancement Strategy. The KPIs and deliverables for programs under Outcome 2, have been updated and are set out in tables by program, providing a clear read between the information presented in the PBS and the report. While most of the KPIs are quantitative, they do not include targets, which would enhance this information to provide a measurable basis to assess performance of the department in meeting a program's objective.

2.40 For example, the KPIs for Program 2.5 - Remote Australia Strategies, are set out in the report as follows:

34 *Department of the Prime Minister and Cabinet Annual Report 2014-15*, pp v-vii.

35 *Department of the Prime Minister and Cabinet Annual Report 2014-15*, p. 1.

It is noted that following the amendment to the Administrative Arrangements Order 21 September 2015 the Digital Transformation Office moved from the Communication and Arts Portfolio to the Prime Minister and Cabinet Portfolio.

KPI 1	Met
Number of standardised tenancy agreements in place in relation to houses located on Indigenous land	✓
Since NPARIH commenced, 9277 standardised tenancy agreements have been put in place in relation to houses located on Indigenous land.	
KPI 2	Met
Number of community based Indigenous Advancement Strategies developed	✓
The Department continued to actively engage with communities and stakeholders to guide the practical action taken in communities to address the Government's priority areas of education, employment and community safety.	
KPI 3	Met
Number of new home owners on Indigenous land	✗
The Department's focus was on addressing the impediments to Indigenous home ownership on Indigenous land. The Department worked with Indigenous Business Australia and relevant jurisdictions to implement policies to help reduce the barriers to home ownership on Indigenous land. Work aimed to reform the delivery of Indigenous home loans in remote areas, develop and implement policies to allow the sale of social housing policies and provide advice to potential home owners to assist individuals to make informed decisions. Despite these efforts, there was only one additional Indigenous home ownership outcome	

2.41 The KPIs for Program 2.5 are all quantitative; however, without a target figure to indicate a measure of success or failure, the reader is left to wonder how the result of 'met' or 'not met' was assessed. Notwithstanding this, the department is commended for establishing a comprehensive performance framework for Outcome 2 and for presenting results for the KPIs in the annual report in a clear and accessible manner. The explanatory comments supporting the result for each KPI in the performance tables is a particularly helpful inclusion.

2.42 The performance information is set out in a similar format to that for Outcome 1, that is, a discussion for each deliverable and the results for KPIs in a table format with an indication if the measure had been met. Of the total number of 19 KPIs for Outcome 2, 14 were met, two 'were on track', one was 'not on track', and two were not met.

2.43 Both the performance report and the Secretary's overview noted the conduct of the first IAS grant round in 2014-15 which funded 996 organisations to deliver over 1350 projects at a value of \$1 billion.³⁶ The strategy and grant round processes were subsequently the subject of some criticism, including in relation to the consultation processes. On 19 March 2015, the Senate referred the IAS tendering processes to the Senate Finance and Public Administration References Committee for inquiry and report. Acknowledging difficulties with the processes, the department subsequently announced in evidence before the References Committee that post implementation reviews of the grant funding round and the program guidelines would be conducted:

36 Department of the Prime Minister and Cabinet Annual Report 2014-15, pp vi and 22.

It is acknowledged that the transition to the new arrangements has been a significant shift and for a number of organisations very difficult. For some organisations the IAS funding round may have been the first time they have had to formally apply for funding in a national funding process. As noted previously, following the announcement of the outcomes on 4 March the government committed to ensuring that there were no unintended gaps resulting from the funding round. On 27 May the minister announced a number of additional grants aimed at providing longer funding agreements and ensuring that the service delivery gaps were filled. Feedback received directly by the department and through submissions to the inquiry process has indicated that there was a mixed level of awareness and understanding of these new arrangements. The department acknowledges this and, as I think has already been mentioned, has started a process to review the funding round process and the guidelines. The reviews are twofold. There is an external review and there is also an internal departmental review. We have started to write to people out in the sector and also key leaders in the area to consider what we will be doing in the post-implementation review of the funding round. The review will consider processes, administration and communication around the funding round. The review of the IAS guidelines will include consideration of matters such as program descriptions, linkages to the outcomes and additional information that could be included in any guidelines in the future.³⁷

2.44 While the References Committee had not yet reported on its inquiry into the IAS, nor had the departmental reviews been reported on at the time of the completion of the annual report, it is still expected that the annual report would note that difficulties were experienced in the first grant round of this strategy and the action taken in response to those criticisms. While an annual report should document achievements and successes, the committee expects it to also be a frank account of challenges experienced by departments and agencies during the year and their response to them. Agencies are reminded that a mandatory requirement of annual reports is the inclusion of significant developments in external scrutiny during the year in review.³⁸ While the PM&C annual report does include a section on external scrutiny, it does not mention the Senate FPA References Committee inquiry into the tendering processes for the IAS, which could be seen as a significant development in external scrutiny of the department.³⁹

Financial performance

2.45 The department's financial statements received an unqualified opinion by the ANAO.⁴⁰ The report's discussion on financial performance provides an account of the

37 Ms Eliza Carroll, Associate Secretary, Indigenous Affairs, Department of the Prime Minister and Cabinet, Senate Finance and Public Administration References Committee, *Committee Hansard*, 29 June 2015, p. 45.

38 Requirement for Annual Reports, p. 9.

39 *Department of Prime Minister and Cabinet Annual Report 2014-15*, p. 42.

40 *Department of Prime Minister and Cabinet Annual Report 2014-15*, pp 64-65.

department's operating result and includes a statement of financial position. The department recorded an operating surplus of \$8.1 million, noting that the Statement of Comprehensive Income discloses a technical operating deficit of \$17.5 million which includes:

- G20 operating surplus of \$5.2 million
- unfunded depreciation and amortisation expense and asset write downs totaling \$28.2 million
- a \$1.8 million revaluation of employee liabilities due to changes in the long term bond rate and on-costs.⁴¹

Appendices

2.46 The report includes four appendices, each of which provides an annual report or background information on entities within the PM&C Portfolio, including those supported by the department:

- Aboriginals Benefit Account Annual Report 2014-15
- Aboriginal and Torres Strait Islander Land Account Annual Report 2014-15
- Office of the Registrar of Indigenous Corporations Annual Report 2014-15
- National Australia Day Council

2.47 In particular, the committee notes the inclusion of the annual report for the Office of the Registrar of Indigenous Corporations in this year's report, in response to the committee's recommendation from its first report of 2015 (as noted in Chapter 1 of this report). This one page summary is a welcome inclusion, and provides statistics on reporting compliance, formal examinations, provision of corporate governance training and products, LawHelp and prosecution. However, information on the office's funding and expenditure details, which the committee had previously noted were not publicly available, were not provided and would be a useful inclusion to aid in the organisation's transparency.⁴²

New reporting requirements for 2014-15

2.48 The report includes the required information for the new mandatory requirements concerning the Indigenous Employment and small business procurement.⁴³

Australian National Audit Office

2.49 This is the first annual report of the new Auditor-General, Mr Grant Hehir, who commenced in the role on 11 June 2015. The 2014-15 annual report is a concise and comprehensive account of the year and largely complies with the Requirements for Annual Reports.

41 *Department of Prime Minister and Cabinet Annual Report 2014-15*, p. 57.

42 *Department of the Prime Minister and Cabinet Annual Report 2014-15*, p. 217.

43 *Department of the Prime Minister and Cabinet Annual Report 2014-15*, pp 44 & 51.

2.50 Mr Hehir's overview provides a balanced account of achievements and challenges facing the office during the year. He noted that the ANAO had achieved 'solid ratings' in the survey of members of Parliament. In particular, the office attained 91 per cent satisfaction for both the responsiveness of staff and the integrity of the office; and achieved an overall satisfaction rating of 84 per cent, slightly lower than the previous result of 86 per cent in 2011-12. The areas identified for improvement included, better articulation of the ANAO's contribution to improving public sector administration, the communication of findings, and liaison with members of Parliament through the committee system.⁴⁴

2.51 He noted the challenges facing the financial statement audit teams as a result of machinery of government changes resulting in some delays in completion of audits; however, added that he was confident that the 2014-15 financial statements would, nonetheless, be prepared, audited and reported on time.⁴⁵

2.52 The ANAO delivered an operating surplus this year of \$0.925 million, an increase from the 2013-14 surplus of \$0.444 million. This was attributed to lower than anticipated expenditure due primarily to lower salary expenses resulting from staff vacancies during the year.⁴⁶

Performance

2.53 The report includes a summary of 'Results at a Glance', a tabular presentation of results against the agency's performance information for deliverables and KPIs clearly setting out the target and result for each. It is noted that out of a total of 13 performance measures, nine were met or were exceeded.⁴⁷

2.54 The performance measures reported on in the annual report, reflect those presented in the PM&C PBS for 2014-15, providing a clear read between the documents.

2.55 The performance report also included the results from surveys of stakeholders, noted above, including client surveys and feedback from Parliament. The report notes that feedback from stakeholders is an important mechanism for providing an understanding of the effectiveness of current practice and informs the development of new audit practices and approaches.⁴⁸

New reporting requirements for 2014-15

2.56 In relation to the two new requirements included in the latest Requirements for Annual Reports, the report includes the number of staff who identify as Indigenous as at 30 June 2015; however does not include the figure for the preceding year, as

44 *Australian National Audit Office Annual Report 2014-15*, p. 2.

45 *Australian National Audit Office Annual Report 2014-15*, p. 2.

46 *Australian National Audit Office Annual Report 2014-15*, p. 9.

47 *Australian National Audit Office Annual Report 2014-15*, p. 10.

48 *Australian National Audit Office Annual Report 2014-15*, p. 29.

required under item 12(8) of the Requirements.⁴⁹ It is also noted that this item is not listed in the compliance index at the back of the report.

2.57 The other new reporting obligation requiring the inclusion of details of procurement initiatives to support small business, could not be located in the report. As noted in Chapter 1 of this report, there are three elements to this requirement: the first requires the inclusion of a statement that refers readers to the statistics on SMEs on the Department of Finance's website. This could not be located in the report. The second part of the requirement requires the inclusion of a statement in the annual report which refers readers to the on-time payments performance results on Treasury's website and only applies to bodies that are considered 'material' in nature. According to the Department of Finance Public Governance, Performance and Accountability Act 2013 agency flip chart the ANAO is not considered a 'material' entity and therefore this element appears not to apply to it.

2.58 The third element, requiring a brief statement on the ways in which the agency's procurement practices support SMEs could not be located. The compliance index lists this requirement 'Procurement initiatives to support small business', but does not include a page reference number.⁵⁰

Australian Public Service Commissioner

2.59 The annual report of the Australian Public Service Commissioner incorporates the report of the Merit Protection Commissioner. This is the first annual report of the Hon John Lloyd PSM who was appointed as the Public Service Commissioner in December 2014.

2.60 The 2014-15 report is a more streamlined document than the previous year, running to 144 pages, 58 pages fewer than the 2013-14 report. This reflects, in part, a more condensed performance section. It is an informative and concise report which meets the Requirements for Annual Reports and includes the suggested as well as mandatory requirements.

2.61 It was noted that the Internet address for the report inside the title page of the report under contact details,⁵¹ which is required under the Requirements for Annual Reports, takes the user to a page which requires a username and password for access.

Public Service Commissioner's review

2.62 The Commissioner's review notes that during 2014-15 the agency has focussed on initiatives to deliver a smaller, more flexible Australian Public Service (APS), including:

- modernising and streamlining the industrial relations framework;
- managing a reduction in APS staffing numbers; and

49 *Australian National Audit Office Annual Report 2014-15*, p. 46.

50 *Australian National Audit Office Annual Report 2014-15*, p. 133.

51 See <https://www.apsc.gov.au/annualreport> (accessed 22 January 2016).

- developing the leadership cadre of the APS.⁵²

2.63 The review also included the priorities in the coming year which the Commissioner noted included a focus on modernising the APS employment framework; improving the capability of human resource managers; performance management, learning, development and talent management; and APS workplace bargaining.⁵³

2.64 The Commissioner included a brief summary of the agency's performance in 2014-15. It noted that the agency met its deliverables and KPIs for 2014-15, and achieved its Outcome within its budgeted resources. A clear statement summarising the agency's performance in relation to its performance framework set out in the 2014-15 PBS at the beginning of the report is a useful inclusion.⁵⁴

Performance report

2.65 The Commission has developed detailed performance information which is set out in the PBS for the PM&C Portfolio for 2014-15. The performance review section of the report generally includes the performance information as listed in the PBS. As noted above, the Public Service Commissioner in his introductory remarks, advised that the Commission had met all of its deliverables and KPIs in 2014-15. In examination of the performance section of the report, it was noted that one KPI, relating to the number of reviews finalised on behalf of the Merit Protection Commissioner, was not met. Some KPIs are set out in tabular format with a result for the 2014-15 year listed, as well as a result from the preceding year. However, others are listed in a dot point format without a specific result or comment addressing each one.⁵⁵

Financial performance

2.66 In addition to the Commissioner's note in his introductory review advising that the agency operated within its resources during the year, the report also includes a section on funding and financial performance. This section provides a summary which advises that a small surplus of \$0.05 million was achieved by the Commission for 2014-15 and which notes that it includes the effects of the government's net cash funding arrangement where depreciation and amortisation expenses are no longer funded by an appropriation. It was further noted that excluding these factors, the Commission delivered an operating surplus of \$1.1 million. The surplus was attributed to prudent management of financial resources.⁵⁶

52 *Australian Public Service Commissioner Annual Report 2014-15*, p. 2.

53 *Australian Public Service Commissioner Annual Report 2014-15*, p. 3.

54 *Australian Public Service Commissioner Annual Report 2014-15*, p. 3.

55 *Australian Public Service Commissioner Annual Report 2014-15*, pp 10-11.

56 *Australian Public Service Commissioner Annual Report 2014-15*, p. 7.

New reporting requirements for the 2014-15

2.67 The annual report has satisfactorily addressed the two new requirements for the 2014-15 annual reports concerning Indigenous employment and procurement initiatives supporting small business. The relevant sections in the report included all the necessary information. Of note was the significant change in the number of employees who identified as Indigenous in the last two years: from sixteen in 2013-14 to nine in 2014-15.⁵⁷

Merit Protection Commissioner Annual Report 2014-15

2.68 The Merit Protection Commissioner is responsible for the delivery of review and fee-for-service functions set out in the *Public Service Act 1999* and the Public Service Regulations and comprise the functions of independent reviews of employment decisions and fee-for-service activities, including Independent Selection Advisory Committees.⁵⁸

2.69 The annual report of the Merit Protection Commissioner for 2014-15 is informative and provides a good account of the year's activities and outcomes, the outlook for 2015-16 and the governance arrangements applying to the role of the Merit Protection Commissioner. The report includes statistics and discussion of the office's performance in regard to review processes during 2014-15, including volume and timeliness measures across different categories.

2.70 The report includes nine text boxes which contain brief case studies or feedback comments, similar to last year's report. While the committee prefers that annual reports not include excessive extraneous information to the core requirements of annual reports, it found that the inclusion of these items enhanced the report on this occasion. The inclusion of some actual examples of reviews that the office had undertaken with identifying information removed, assisted in illuminating the work of the office.

Office of the Official Secretary to the Governor-General

2.71 The annual report of the Office of the Official Secretary of the Governor-General is informative and meets the Requirements for Annual reports including the mandatory, as well as suggested items, where applicable.

Official Secretary's review

2.72 The Official Secretary's review provides an overview of the program of outreach and engagements by the Governor-General and Lady Cosgrove throughout 2014-15 facilitated by the office. The report highlights the significant ceremonial activities and engagements during the year including the services to mark the 100th anniversary of the ANZAC landings at Gallipoli. The review also highlights the number of community engagements undertaken throughout Australia and noted that one-third of the events the Governor-General attended were located in rural, regional

57 *Australian Public Service Commissioner Annual Report 2014-15*, pp 41-42, 96.

58 *Australian Public Service Commissioner Annual Report 2014-15*, p. 107.

or remote locations.⁵⁹ It was noted that the office launched an official Facebook page to increase opportunities for the Governor-General to communicate with the Australian public.⁶⁰

2.73 In the Official Secretary's outlook for 2015-16 it was noted that on-going budgetary pressures remained and expenditure will continue to be closely monitored 'to ensure core vice-regal business remains unaffected.'⁶¹ However, also highlighted in this section was the allocation of additional funding in the 2015-16 Budget for a new property program and to meet the increased demand for medals and insignia for the Australian honours and awards program.⁶²

Design

2.74 The annual report's design is similar to the previous year and again features large top and left margins. As the committee has previously commented, this format limits the amount of text per page resulting in a lengthier report.⁶³

Performance information

2.75 The performance report provides a concise review of the office's productivity throughout 2014-15. The report includes the KPIs and objectives as set out in the PM&C Portfolio PBS 2014-15,⁶⁴ however, does not include a list of the deliverables.

2.76 The committee notes the KPIs in the PBS 2014-15 have been modified from the previous year and the changes include the targets for processing times on nominations for Honours and Awards being replaced by a general satisfaction measure. However, the annual report continues to report against the earlier KPIs and presents results against them for 2014-15 as well as the previous three years.⁶⁵ The committee hopes to see this information available in the future even though these KPIs are no longer contained in the PBS.

2.77 The office has included a brief statement confirming the office performed well against its performance framework:

In relative performance terms the Office performed well in delivering both components of our outcome—support for the Governor-General's program and administration of the Australian honours system—exceeding all performance indicators.⁶⁶

59 *Office of the Official Secretary to the Governor-General Annual Report 2014-15*, pp 2-8.

60 *Office of the Official Secretary to the Governor-General Annual Report 2014-15*, pp 3 and 27.

61 *Office of the Official Secretary to the Governor-General Annual Report 2014-15*, p. 3.

62 *Office of the Official Secretary to the Governor-General Annual Report 2014-15*, p. 3.

63 Senate Finance and Public Administration Legislation Committee, *Annual reports (No. 1 of 2015)*, p. 3.

64 See Table 1, *Office of the Official Secretary to the Governor-General Annual Report 2014-15*, p. 12.

65 *Office of the Official Secretary to the Governor-General, Annual Report 2014-15*, p. 13.

66 *Office of the Official Secretary to the Governor-General Annual Report 2014-15*, p. 9.

2.78 The inclusion of performance results or a summary of results against each of the agency's deliverables and KPIs as listed in Table 1 - Performance Indicators for Program 1 would enhance the presentation of performance information in the report.⁶⁷

Financial performance

2.79 The report provides an overview of the office's 2014-15 financial performance, which resulted in a small operating surplus after adjustments for depreciation and amortisation.⁶⁸ The report contains an unqualified audit report on the office's financial statements from the ANAO.⁶⁹

New reporting requirements for 2014-15

2.80 The office has reported against both new reporting requirements concerning Indigenous employment and small business procurement. However, the committee noted that the office has not included the number of on-going and non-going employees who identify as indigenous from 2013-14 and has only included the figure for 2014-15. Further, the section on small business procurement does not include all required elements, including the reference to the Department of Finance's website.⁷⁰

Senator Cory Bernardi
Chair

67 *Office of the Official Secretary to the Governor-General, Annual Report 2014-15*, p. 12.

68 *Office of the Official Secretary to the Governor-General Annual Report 2014-15*, p. 9.

69 *Office of the Official Secretary to the Governor-General Annual Report 2014-15*, pp 9 and 59.

70 *Office of the Official Secretary to the Governor-General Annual Report 2014-15*, pp 48 and 130.

