

The Senate

Finance and Public Administration
Legislation Committee

Annual reports (No. 1 of 2017)

March 2017

© Commonwealth of Australia 2017

ISBN 978-1-76010-520-4

Senate Finance and Public Administration Committee Secretariat:

Ms Lyn Beverley (Secretary)

Ms Margaret Cahill (Research Officer)

Ms Nicole Baxter (Administrative Officer)

The Senate

PO Box 6100

Parliament House

Canberra ACT 2600

Ph: 02 6277 3530

Fax: 02 6277 5809

E-mail: fpa.sen@aph.gov.au

Internet: www.aph.gov.au/senate_fpa

This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Australia License.



The details of this licence are available on the Creative Commons website: <http://creativecommons.org/licenses/by-nc-nd/3.0/au/>.

Printed by the Senate Printing Unit, Parliament House, Canberra.

Membership of the Committee

Members

Senator James Paterson (Chair)	LP, VIC
Senator Jenny McAllister (Deputy Chair)	ALP, NSW
Senator Kimberley Kitching	ALP, VIC
Senator Bridget McKenzie	NAT, VIC
Senator Dean Smith	LP, WA
Senator Lee Rhiannon	AG, NSW

Table of Contents

Membership of the Committee	iii
Chapter 1.....	1
Introduction	1
Terms of reference.....	1
Allocated portfolios	2
Role of annual reports	2
Reports examined	2
Reports not examined	3
Method of assessment and current annual reporting requirements	4
Timeliness.....	6
Approach to assessing the 2015-16 annual reports	11
Senate debate	13
Non-reporting bodies	13
Assessment of reports.....	13
Chapter 2.....	15
Review of selected reports.....	15
Department of Finance	15
Department of the Prime Minister and Cabinet.....	18
Department of Parliamentary Services.....	22
Australian National Audit Office	32
Indigenous Business Australia	36
ASC Pty Ltd	38
Appendix 1	45
Dates relating to the presentation of reports between 1 May and 31 October 2016	45

Chapter 1

Introduction

1.1 The Senate Finance and Public Administration Legislation Committee (the committee) is responsible for examining the annual reports of the parliamentary departments,¹ and the departments and agencies of the Prime Minister and Cabinet Portfolio and the Finance Portfolio.

1.2 This is the first report on annual reports for 2017 and provides an overview of selected annual reports presented to the Parliament between 1 May and 31 October 2016. Copies of this and other committee reports can be obtained from the Senate Table Office or [online](#) at the committee's web page.

Terms of reference

1.3 Under Senate Standing Order 25(20) the annual reports of certain departments and agencies stand referred to committees for examination and assessment. Each committee is required to:

- (a) examine each annual report referred to it and report to the Senate whether the report is apparently satisfactory;
- (b) consider in more detail, and report to the Senate on each annual report which is not apparently satisfactory, and on the other annual reports which it selects for more detailed consideration;
- (c) investigate and report to the Senate on any lateness in the presentation of annual reports;
- (d) in considering an annual report take into account any relevant remarks about the report made in debate in the Senate;
- (e) if the committee so determines, consider annual reports of departments and budget-related agencies in conjunction with examination of estimates;
- (f) report on annual reports tabled by 31 October each year by the tenth sitting day of the following year, and on annual reports tabled by 30 April each year by the tenth sitting day after 30 June of that year;
- (g) draw to the attention of the Senate any significant matters relating to the operations and performance of the bodies furnishing the annual reports; and
- (h) report to the Senate each year whether there are any bodies which do not present annual reports to the Senate and which should present such reports.

1 As a matter of comity between the Houses of Parliament, neither House inquires into the operations of the other House. For this reason, neither the annual report of, nor the proposed expenditure for, the Department of the House of Representatives is referred to a Senate committee for review.

Allocated portfolios

1.4 In the 45th Parliament, the Senate allocated departments and agencies to committees on 31 August 2016.² In accordance with that resolution, the committee has responsibility for the oversight of the following:

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

Role of annual reports

1.5 Annual reports place a great deal of information about government departments and agencies on the public record in relation to the performance, activities, management and financial position of the reporting body. They are a key document under the Commonwealth performance framework and are 'the primary document through which responsible Ministers report to the Parliament on the actual performance of entities.'³

Reports examined

1.6 During the period 1 May to 31 October 2016, 19 annual reports of bodies or statutory office holders were presented to the Parliament and referred to the committee. The reports examined are categorised as follows:

Non-corporate Commonwealth entities

- Department of the Senate – Report for 2015-16
- Parliamentary Budget Office – Report for 2015-16
- Department of Parliamentary Services – Report for 2015-16
- Australian National Audit Office – Report for 2015-16
- Department of the Prime Minister and Cabinet – Report 2015-16, including the reports of the Aboriginals Benefit Account, Aboriginal and Torres Strait Islander Land Account and the Office of the Registrar of Indigenous Corporations
- Inspector-General of Intelligence and Security – Report for 2015-16
- Commonwealth Ombudsman – Report for 2015-16
- Australian Public Service Commissioner – Report for 2015-16, including the report of the Merit Protection Commissioner
- Office of the Official Secretary to the Governor-General – Report for 2015-16
- Department of Finance – Report for 2015-16

2 *Journals of the Senate, No. 2, 31 August 2016, pp 75-76.*

3 Department of Finance, Resource Management Guide No. 130, *Overview of the enhanced Commonwealth performance framework*, July 2016, p. 7.

-
- Australian Electoral Commission – Report for 2015-16
 - Future Fund Board of Guardians⁴ and Future Fund Management Agency – Report for 2015-16

Corporate Commonwealth entities

- Indigenous Business Australia – Report for 2015-16
- Indigenous Land Corporation – Report for 2015-16
- Central Land Council – Report for 2015-16

Commonwealth companies

- National Australia Day Council Limited – Report for 2015-16
- ASC Pty Ltd – Report for 2015-16

Statutory office holders/offices

- Parliamentary Service Commissioner – Report for 2015-16, including report of the Parliamentary Service Merit Protection Commissioner
- Remuneration Tribunal – Report for 2015-16

Reports not examined

1.7 The committee is not obliged to examine reports on the operation of Acts, policy papers, budget documents or corporate plans. Where a report is referred to two standing committees, the committee has deferred examination of those reports to the committee which has primary oversight of the portfolio where that agency sits. Accordingly, the following documents were also referred to the committee but not examined in this report:

- *Independent National Security Legislation Monitor Act 2010* – Control Order Safeguards: Part 2 – Final report by the Hon Roger Gyles AO QC, April 2016
- Indigenous Business Australia – Corporate Plan 2016-17
- *Stronger Futures in the Northern Territory Act 2012* – Independent Review under section 117 of the Act – Report by KPMG, July 2016
- *Independent National Security Legislation Monitor Act 2010* – Certain matters regarding the impact of amendments to the Counter-Terrorism Legislation Amendment (Foreign Fighters) Bill 2014 – Report by the Hon Roger Gyles AO QC, May 2016
- *Public Interest Disclosure Act 2013* – Review on the operation of the Act – Report by Mr Philip Moss AM, 15 July 2016
- Final Budget Outcome 2015-16

4 It is noted that while the Future Fund Management Agency is a non-corporate Commonwealth entity, section 10(2) of the *Public Governance, Performance and Accountability Act 2013* states that '...the High Court and the Future Fund Board of Guardians are not Commonwealth entities.'

- Clean Energy Finance Corporation – Report for 2015-16 (*Also referred to the Environment and Communications Legislation Committee*)
- Moorebank Intermodal Company Limited – Report for 2015-16 (*Also referred to the Rural and Regional Affairs and Transport Committee*)

Method of assessment and current annual reporting requirements

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

Annual reporting framework

Public Governance, Performance and Accountability Act 2013

1.9 The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) provides the legislative basis for annual reporting of non-corporate Commonwealth entities, corporate Commonwealth entities and Commonwealth companies. A description of these bodies is set out on the Resource Management section of the Department of Finance (Finance) website:

- Non-corporate Commonwealth entity – an entity that is legally and financially part of the Commonwealth, and includes departments of state, parliamentary departments, statutory authorities, and listed entities (a body, person, group of persons or organisation that is prescribed by rules made under the PGPA Act).
- Corporate Commonwealth entity – a body corporate, that is, it has a separate legal personality from the Commonwealth, and includes statutory authorities. It can act in its own right exercising certain legal rights such as entering into contracts and owning property.
- Commonwealth company – a company established by the Commonwealth under the *Corporations Act 2001* that is wholly controlled by the Commonwealth.⁵

1.10 Commonwealth entities are required to prepare an annual report under section 46 of the PGPA Act; and Commonwealth companies are required to prepare an annual report under section 97 (which also refers to requirements under the *Corporations Act 2001*).

1.11 The accompanying rule, Public Governance, Performance and Accountability Rule 2014 (PGPA Rule), sets out the detailed mandatory annual reporting requirements for Commonwealth entities and Commonwealth companies.

Statutory office holders and statutory bodies

1.12 Statutory office holders are engaged or employed under an Act, which may prescribe annual reporting requirements pursuant to the office. It should also be noted

5 See <https://www.finance.gov.au/resource-management/governance/overview/> (accessed 9 January 2017).

that there may be reporting requirements in the enabling legislation for statutory bodies (which may also be a Commonwealth entity).⁶

Non-statutory bodies

1.13 Non-statutory bodies (NSBs) are established by a minister and are not pursuant to a statute. Guidelines for the preparation of annual reports of non-statutory bodies are contained in the government response to the Senate Standing Committee on Finance and Public Administration Report on Non-Statutory bodies, Senate Hansard, 8 December 1987, pp 2632-45.

Summary of reporting requirements

1.14 Below is a summary of the legislative authority and requirements under which annual reports are prepared for different types of bodies:

Non-corporate Commonwealth entities

- PGPA Act, section 46 and the PGPA Rule, Division 3A(A);
- for portfolio departments and executive agencies, the *Public Service Act 1999*, sections 63(2) and 70(2);
- for parliamentary departments, the *Parliamentary Service Act 1999*, section 65;
- for statutory bodies, relevant enabling legislation; and
- other relevant legislative requirements.

Corporate Commonwealth entities

- PGPA Act, section 46 and the PGPA Rule, Division 3A(B);
- for statutory bodies, relevant enabling legislation; and
- other relevant legislative requirements.

Commonwealth companies

- PGPA Act, section 97, which also refers to requirements under the *Corporations Act 2001* and the PGPA Rule, Part 3-3; and
- any other relevant legislative requirements.

Non-statutory bodies

- Annual reporting requirements are contained in the government response to the Senate Standing Committee on Finance and Public Administration Report on NSBs, *Senate Hansard*, 8 December 1987, pp 2632–45.
- The terms of establishment of the NSB may also require it to report in certain ways or to report on certain topics.

6 For example, some Acts that establish statutory bodies have separate reporting requirements under those Acts. For example, section 17 of the *Commonwealth Electoral Act 1918* prescribes specific reporting requirements for the Australian Electoral Commission.

Statutory office holders

- Any requirements in the enabling legislation.

Timeliness

1.15 Standing Order 25(20)(c) requires the committee to investigate and report to the Senate on any lateness in the presentation of annual reports. In assessing the timeliness of the presentation of annual reports, the committee assesses the presentation time against the requirements for different categories of bodies.

Commonwealth entities

1.16 Section 46 of the PGPA Act requires Commonwealth entities (corporate and non-corporate) to prepare an annual report and provide it to the responsible minister by the 15th day of the fourth month after the end of the reporting period for the entity. This section of the Act does not, however, provide for a timeframe for the Minister to present the report to the Parliament.

1.17 The former guidelines on annual reporting issued by the Department of the Prime Minister and Cabinet (*PM&C Requirements for Annual Reports for Departments, Executive Agencies and Other Non-corporate Commonwealth Entities* (PM&C Requirements for Annual Reports), applying to non-corporate Commonwealth entities, included a timeframe for the responsible Minister to table annual reports before 31 October in the year it was given, and as best practice, before the Senate Supplementary Budget Estimates hearings if they are held before this date.⁷

PGPA Rule

1.18 The former PM&C Requirements for Annual Reports were replaced by the PGPA Rule which is silent on the date a minister is required to present an annual report to Parliament.

1.19 The PGPA Rule states that annual reports for corporate Commonwealth entities, non-corporate Commonwealth entities and Commonwealth companies must comply with the Guidelines for the Presentation of Documents to the Parliament⁸ which is prepared by PM&C.

1.20 The guidelines advise that for all entities:

As per past practice, it is expected that the responsible Minister will present the report to each House of Parliament on or before 31 October. If Senate Supplementary Budget Estimates hearings are scheduled to occur prior to 31 October, it is best practice for annual reports to be tabled prior to those

7 See Department of the Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies and Other Non-Corporate Commonwealth Entities*, 25 June 2015, p. 2.

8 See PGPA Rule, sections 17AB, 17BC and 28C.

hearings. This ensures that annual reports are available for scrutiny by the relevant Senate standing committee.⁹

1.21 The guidelines also refer the reader to the Department of Finance (Finance) website for guidance material detailing the minimum mandatory content requirements for Commonwealth entities' and companies' annual reports under the new Commonwealth performance framework and in accordance with the PGPA Act and PGPA Rule:¹⁰ The material available from this website includes the following:

- *Resource Management Guide No. 135 – Annual reports for non-corporate Commonwealth entities*; and
- *Resource Management Guide No. 136 – Annual reports for corporate Commonwealth entities*.

1.22 These resource management guides include advice in relation to the timetable for tabling annual reports. For non-corporate Commonwealth entities and corporate Commonwealth entities, the guides advise that:

It has been practice for the responsible Minister to present the report to each house of the Parliament on or before 31 October. If Senate Supplementary Budget Estimates hearings are scheduled to occur before 31 October, Ministers have sought to table annual reports prior to those hearings.¹¹

Commonwealth companies

1.23 Under section 97(2) of the PGPA Act, Commonwealth companies are required to prepare an annual report and provide it to the responsible Minister:

(a) if the company is required by the *Corporations Act 2001* to hold an annual general meeting—the earlier of the following:

- (i) 21 days before the next annual general meeting after the end of the reporting period for the company;
 - (ii) 4 months after the end of the reporting period for the company;
- and

(b) in any other case—4 months after the end of the reporting period for the company;

or the end of such further period granted under subsection 34C(5) of the *Acts Interpretation Act 1901*.

1.24 In relation to the tabling of the annual report in the Parliament, section 97(5) of the PGPA Act states that:

9 Department of the Prime Minister and Cabinet, *Guidelines for the Presentation of Documents to the Parliament (including Government Documents, Government Responses to Committee Reports, Ministerial Statements, Annual Reports and other Instruments)*, August 2016, pp 4-5.

10 See <http://www.finance.gov.au/resource-management/performance/> (accessed 22 November 2016).

11 Department of Finance, *Resource Management Guide No. 135 – Annual reports for non-corporate Commonwealth entities*, July 2016, p. 8; and *Resource Management Guide No. 136 – Annual reports for corporate Commonwealth entities*, p. 7.

(5) If the Commonwealth company is a wholly-owned Commonwealth company, or is not required to hold an annual general meeting, the responsible Minister must table the documents in each House of the Parliament as soon as practicable after receiving them. In all other cases, the responsible Minister must table the documents in each House of the Parliament as soon as practicable after the annual general meeting of the company.

1.25 The advice contained in *Resource Management Guide No. 137 – Annual reports for Commonwealth companies*, in regard to the timeframe for the presentation of reports of Commonwealth companies, closely aligns with the requirements under section 97(5) of the PGPA Act set out above.¹²

1.26 However, as noted above, section 28C of the PGPA Rule requires reports of Commonwealth companies to comply with the PM&C Guidelines for the Presentation of Documents to the Parliament, which advise that '[a]s per past practice, it is expected that the responsible Minister will present the report to each House of Parliament on or before 31 October.'¹³ The committee notes the inconsistent instruction on the presentation date for the presentation of annual reports of Commonwealth companies between the PGPA Act and Finance guidance material.

Committee view on the current arrangements for the timeframe for annual reporting

1.27 The committee was concerned with the lack of clarity that existed under the previous arrangements in regard to the timeframe for the presentation of annual reports to the Parliament, in particular, the absence of a legislative basis for the date that annual reports are required to be presented to the Parliament.

1.28 The committee notes that while the PGPA Act prescribes a date for the provision of an annual report of a Commonwealth entity or Commonwealth company to the responsible Minister, it is disappointed that the Act does not provide a clear and definitive timeframe for the presentation of annual reports to the Parliament. As noted above, in the case of Commonwealth entities, the PGPA Act and PGPA Rule are silent on the presentation date to Parliament with direction provided in non-legislatively binding 'guidance' documents. While for Commonwealth companies, section 97(5) of the PGPA Act requires the Minister to present the report 'as soon as practicable' after receiving it, or after the annual general meeting.

1.29 In the committee's view, the consolidation of all annual reporting requirements under the PGPA Act as part of an 'enhanced performance framework' was an opportunity to resolve ambiguous and non-legislated timeframes that existed under the previous reporting regime. However, the new guidance lacks clarity and appears to have further weakened the 31 October reporting requirement 'policy' that

12 Department of Finance, *Resource Management Guide No. 137 – Annual reports for Commonwealth companies*, July 2016, p. 5.

13 Department of the Prime Minister and Cabinet, *Guidelines for the Presentation of Documents to the Parliament (including Government Documents, Government Responses to Committee Reports, Ministerial Statements, Annual Reports and other Instruments)*, August 2016, pp 4-5.

previously existed in the PM&C Requirements for Annual Reports for non-corporate Commonwealth entities. Further, in the case of corporate Commonwealth entities, the earlier confusion which resulted in the need to refer to the *Acts Interpretation Act 1901* has also not been addressed in the new framework.

1.30 Notwithstanding the above issues, the committee acknowledges that there appears to be some exploration by Finance to bring forward the timeline for delivery and tabling of annual reports which would facilitate their availability before the Supplementary Budget Estimates hearings.¹⁴ It is further noted that the Australian National Audit Office agrees with this approach and has committed to work with entities to promote the earlier completion of financial statement audits.¹⁵ Pending resolution of this approach in the future, the committee will delay proposing any recommendation concerning clarification of a timeline for the presentation of annual reports to the Parliament.

Timeliness of reports examined

1.31 The committee considers the timely presentation of annual reports to be an important element in accountability to the Parliament and continues to encourage bodies and statutory officers to endeavour to meet relevant timeframes. Further, the committee encourages agencies and Ministers to ensure that annual reports are presented in sufficient time for examination by Senators before the Supplementary Budget Estimates hearings.

1.32 Appendix 1 lists the annual reports tabled (or presented) in Parliament between 1 May and 31 October 2016, and referred to the committee, with relevant tabling dates. This table includes the date the reports were tabled in the Senate and House of Representatives, and for the purposes of this discussion on timeliness, the earlier date of tabling in either chamber is taken to be the date of presentation to the Parliament. Where applicable, the table also provides the dates the reports were submitted to, and received by, the Prime Minister or the relevant Minister.

1.33 As noted earlier, the presentation of annual reports to the Parliament has two elements with regard to timeliness: the furnishing of the report to the Minister and the presentation of the report to the Parliament.

1.34 In relation to the first element, all reports were submitted to the relevant Minister within required timeframes, except for the Future Fund Management Agency which missed the 15 October deadline, submitting its report on 19 October 2016. As all reports examined in this report were presented to the Parliament by 31 October 2016, they are considered to be presented in a timely manner.

14 See Joint Committee of Public Accounts and Audit, *Report 457 – Development of the Commonwealth Performance Framework – Second Report*, May 2016, pp 8-9.

15 Australian National Audit Office, *Report No. 33 2016-17, Audits of Financial Statements of Australian Government Entities for the Period Ended 30 June 2016*, pp 53-54.

1.35 The committee commends those agencies whose reports were presented in the Parliament in sufficient time for examination by Senators before the Supplementary Budget Estimates 2016-17 hearings which commenced on 17 October 2016:

- Australian National Audit Office (tabled 14 September 2016)
- Department of the Senate (tabled 11 October 2016)
- Parliamentary Budget Office (tabled 12 October 2016)
- Department of Parliamentary Services (tabled 12 October 2016)
- Department of the Prime Minister and Cabinet (tabled 12 October 2016)
- Inspector General of Intelligence and Security (tabled 12 October 2016)
- Commonwealth Ombudsman (tabled 13 October 2016)
- Parliamentary Service Commissioner (presented 14 October 2016)
- Australian Public Service Commissioner (presented 14 October 2016)
- Remuneration Tribunal (presented 14 October 2016)

1.36 The issue of the timing of the tabling of Finance's annual report was the subject of questioning at the Supplementary Budget Estimates hearing during examination of Finance on 18 October 2016. Finance's report was not available before the hearing and was subsequently presented out of session in the Senate on 21 October 2016, having been provided to the Minister on 12 October 2016. Given that Finance is the lead agency with regard to annual reporting requirements and has responsibility for the preparation of guidance material, the failure to meet best practice was noted by the committee:

Senator GALLAGHER: You have been leading the way on the new PGPA Act. According to some of the requirements for annual reports, it basically says, 'Table your reports by 15 October' or provide them to the minister—

Senator Cormann: The 31 October is the time for—

Senator GALLAGHER: Yes, I know. And then it goes on to say, 'However if budget supplementary estimates are before that date it is best practice to table them or to provide them prior to those hearings.' The PM&C annual report is up and available. Why isn't Finance's?

Senator Cormann: The deadline is 31 October. I received it just before the deadline for it to be put to me, and it will be processed as soon as possible.

Senator GALLAGHER: In terms of best practice Finance have not been up to meet the standard as set out in the annual report requirement.

Senator Cormann: I completely disagree with that characterisation. As you say—

Senator GALLAGHER: It is best practice for annual reports to be tabled prior to those hearings. That is what it says in the advice.

Senator Cormann: And the deadline is 15 October and 31 October. I received it not long before 15 October, and it will be tabled well and truly

before 31 October. If you look at the last three or four years, or the last three years for that matter, I think you will find that we have tabled it earlier than that. This time round, the information came close to the 15 October deadline, and it will be tabled consistent with the legal requirements.

Senator GALLAGHER: Just to finish, I do not want to make a big point about it, but it does mean—when you are looking to ask questions on priorities and challenges—that we have to go back to, essentially, June last year to actually see what they are for the department, and things like campaign advertising and government advertising are all a year behind where we are now.

Senator Cormann: If I may, I made that precise point to Senator Wong every year.

Senator GALLAGHER: But I am asking you, Minister.

Senator Cormann: Sure, and what I am saying is that this government complies with the requirements under the legislation.

Senator GALLAGHER: But not best practice, as a lead agency—a central agency.

Senator Cormann: We do the best we can always.¹⁶

1.37 This exchange clearly illustrates the difficulty with relying on guidance material rather than a legislated requirement for the tabling of the annual report. The only legal requirement is to provide the annual report to the Minister by 15 October, which Finance met. While the report was presented to Parliament before 31 October, the suggested date in guidance material, best practice for annual reports to be tabled prior to the hearings was not met on this occasion.

1.38 In examining the timeliness of the presentation of annual reports, the committee also noted the extended time between some reports being submitted to the Minister and presented to the Parliament. For the reports examined, some of the longer time periods between these dates included the reports for Indigenous Business Australia (27 days),¹⁷ Central Land Council (28 days) and ASC Pty Ltd (31 days). It is noted that an extended delay between these two dates may not necessarily result in a contravention of the presentation requirements. Acknowledging that there may be reasons for a short interval, the committee would encourage annual reports to be presented to the Parliament at the earliest opportunity.

Approach to assessing the 2015-16 annual reports

1.39 The 2015-16 annual reports are the first reports of Commonwealth entities to include the annual performance statements required under section 39 of the PGPA Act. It is noted that Commonwealth companies are not required to prepare annual performance statements; however, section 27A(2)(b) of the PGPA Rule requires

16 *Committee Hansard*, 18 October 2016, p. 80.

17 Calendar days.

Commonwealth companies to report in their annual reports on the actual performance results achieved against the performance criteria published in their corporate plans.¹⁸

1.40 An entity's annual performance statement reports on the entity fulfilling its purpose(s). It sets out the actual results against the planned performance criteria detailed in both the corporate plans and in the portfolio estimates statements that were prepared for the reporting period. Section 16F of the PGPA Rule sets out the matters to be included in a Commonwealth entity's annual performance statement.

1.41 Therefore, in assessing the 2015-16 annual reports, where possible the committee referred to Commonwealth entities' and companies' corporate plans which set out performance criteria in relation to the body achieving its purpose. This is in addition to referring to the performance measures in the relevant portfolio budget statement as it had done in previous years.

1.42 Under the PGPA Rule, corporate plans are not required to be presented to the Parliament although agencies may choose to do so. For example the *Indigenous Business Australia Corporate Plan 2016-17* was tabled in the Parliament on 31 August 2016 and will be reported against in next year's annual report. However, under section 16E of the PGPA Rule, corporate plans are required to be published on agencies' websites by the last day of the second month of the reporting period of which the plan is prepared. Therefore, for the purpose of examining the annual reports, the corporate plans were accessed via departments' or agencies' websites.

1.43 It was noted that at the time this report was prepared¹⁹ corporate plans for the year commencing 2015-16 could not be located on some agencies' websites with only the most recent corporate plan commencing 2016-17 available. These included the 2015-16 corporate plans for the Australian Electoral Commission, the Commonwealth Ombudsman and the Indigenous Land Corporation. The annual reports for these agencies referred to the 2015-16 corporate plan in their annual performance statement which could not then be accessed on the agency's website for reference.

1.44 While section 16E of the PGPA Rule does not explicitly prescribe that corporate plans be retained on agency websites and not be replaced by updated versions, most agencies appeared to follow this approach; in a similar way that annual reports and portfolio budget/additional estimates statements are maintained on websites from earlier years. The interrelation of these documents form the basis of the Commonwealth performance framework:

The corporate plan, Portfolio Budget Statements and the annual performance statements are the core elements of the enhanced Commonwealth performance framework. The corporate plan is developed at the beginning of the reporting cycle and sets out an entity's strategies for achieving its purposes and how success will be measured. The Portfolio Budget Statements sets out the funding for the entity and how the impact of

18 Department of Finance, Resource Management Guide No. 134 – *Annual performance statements for Commonwealth entities*, July 2016, p. 4.

19 Over the period from December 2016 to February 2017.

that expenditure will be measured. Annual performance statements, which are included as part of the entity's annual report, are produced at the end of the reporting cycle and provide an assessment of the extent to which an entity has succeeded in achieving its purposes...

Many of the minimum content requirements for entities' annual performance statements are linked to content requirements for their corporate plans... This alignment recognises the close relationship between the two elements of the framework. The annual performance statements (which are to be included in each entity's annual report) complete the annual reporting cycle.²⁰

1.45 Therefore, the availability of corporate plans is crucial when examining annual performance statements and annual reports. The committee hopes to see agencies adopt a similar approach to the archiving of corporate plans on their websites as with other important corporate documents such as annual reports and portfolio budget statements. The committee suggests that Finance could address this issue through its guidance and advice to agencies as part of its whole-of-government administration of the Commonwealth Resource Management Framework.

Senate debate

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

Non-reporting bodies

1.47 Standing Order 25(20)(h) requires that the committee inquire into, and report on, any bodies which do not present annual reports to the Senate but should present such reports.

1.48 The committee makes no recommendation for any bodies not presenting an annual report to do so.

Assessment of reports

1.49 Under Standing Order 25(20)(a), the committee is required to examine the annual reports of departments and agencies and report to the Senate on whether they are 'apparently satisfactory'. In its examination of the annual reports referred, the committee found them to be of a satisfactory standard and largely adhere to relevant requirements. In assessing the first group of annual reports under the new performance framework, the committee is generally encouraged by agencies' transition to the new structure and the level and quality of information available. The committee considers the reports examined to be 'apparently satisfactory'.

20 Department of Finance, Resource Management Guide No. 134 – *Annual performance statements for Commonwealth entities*, July 2016, pp 4-5.

Chapter 2

Review of selected reports

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

- Department of Finance
- Department of the Prime Minister and Cabinet
- Department of Parliamentary Services
- Australian National Audit Office
- Indigenous Business Australia
- ASC Pty Ltd

Department of Finance

Secretary's review

2.2 Ms Jane Halton AO PSM, Secretary of the Department of Finance¹ (Finance), provided an informative and concise review for 2015-16. In addition to highlighting significant achievements for the year, the review also sets out the priorities for the year ahead, a summary of the department's financial performance and an acknowledgement of the value of the staff contribution to the department's achievements.²

2.3 Some of the highlighted achievements are set out below:

- successful delivery of the 2016-17 Budget and the Pre-election Economic and Fiscal Outlook (in conjunction with Treasury officers);
- fostered improved public sector practice in a diverse range of areas, including the enhanced Commonwealth performance framework, Senate electoral reform, revised guide for machinery of government changes, and an investment mandate for the Medical Research Future Fund;
- supported broader public sector transformation, including through the National Property Efficiency Program and scoping studies into ownership options for government businesses and assets; and
- public sector leadership in the provision of advice on major reforms, including the youth employment package, the national innovation and science agenda, and investment in infrastructure and defence capability.³

1 Ms Halton resigned from her position as Secretary of the Department of Finance with effect on 14 October 2016.

2 *Department of Finance Annual Report 2015-16*, pp 2-4.

3 *Department of Finance Annual Report 2015-16*, pp 2-3.

Annual performance statement

2.4 This year's annual report includes for the first time an annual performance statement which addresses performance measures set out in the Portfolio Budget Statements (PBS) for the Finance Portfolio and the department's Corporate Plan for 2015-16. Therefore, the performance chapter in this year's report follows a significantly different structure to previous years. The new structure is organised around the corporate plan's purposes, rather than outcomes and programs as in previous reports. The chapter's introduction provides a useful explanation of the new framework to performance reporting and refers the reader to Appendix A which maps the relationship between the purposes and the outcomes and programs.⁴

2.5 It was noted that the development of the department's aspiration and purposes as set out in the corporate plan:

gave clarity to the department's organisational focus, drove cultural change, and supported service delivery to government and the community and better decision-making. Critically, the corporate plan underpinned Finance's performance against its purposes.⁵

2.6 The report's chapter on performance begins with a discussion organised by the organisation's four 'purposes' as specified in the corporate plan. For each 'purpose' there follows a discussion of the activities, performance summary and highlights.

2.7 Following this discussion, the report includes the annual performance statements for the department which were signed off by the accountable authority, in this instance the Secretary. Results against performance criteria are presented for each purpose outlined in the corporate plan. It is noted that of the 39 performance criteria, 35 were achieved, three were partially achieved and one was not achieved. An explanation for the failure to fully achieve three criteria was included and the report advised that the reasons were because:

- their completion was dependent on other entities' actions;
- the difficulty of accurately estimating expenditure across a diverse range of government programs; or
- there was a change in timing due to a government policy decision.⁶

2.8 The criterion not met related to the failure to achieve an 80 per cent level of Comcover fund members having achieved their identified level of risk maturity as measured in the Comcover Benchmarking Program. The discussion advised that the achievement of risk maturity is dependent on entities taking time to build capability and Finance undertook a range of activities to support entities to improve their risk

4 *Department of Finance Annual Report 2015-16*, p. 14.

5 *Department of Finance Annual Report 2015-16*, p. 43.

6 *Department of Finance Annual Report 2015-16*, p. 43.

management capability and identify the level of risk management maturity that is appropriate for them.⁷

2.9 Finance's guidance on the preparation of annual performance statements advise that:

To demonstrate the fulfilment of its purpose(s) entities will need to clearly map (or attribute) the performance information from the Portfolio Budget Statements to the entities' purpose(s). This mapping will service to establish a clear read between the entity's corporate plan, relevant Portfolio Budget Statements, annual performance statements and the annual report, and ensure that the reader can clearly see how (and how well) the entity is fulfilling its purpose(s).⁸

2.10 As performance information is now grouped under each 'purpose' according to the corporate plan, rather than sequentially by outcomes and programs and set out in the PBS, the read between the PBS and the annual report was not as clear as in previous years. However, it is noted that for each performance criterion, a page number reference was included for its location in the corporate plan and/or the PBS. The inclusion of the page reference greatly assisted in reading between the criteria in the source documents and the results in the annual report.

2.11 The performance chapter concludes with an 'Overarching analysis of performance against Finance's purposes' which summarised the changes to the performance framework, the 2015-16 results, and factors impacting on the operating environment. The committee considers the performance information was clear and demonstrated the department's progress in meeting its purposes and achievement of outcomes. The mix of quantitative and qualitative performance measures reflects the diversity of Finance's responsibilities.

Financial performance

2.12 The report's section on financial performance is satisfactory and includes the required information under section 17AF of the PGPA Rule. Finance reported an operating surplus of \$113.5 million in 2015-16 which was largely attributed to favourable external factors affecting property valuations and lower insurance claims for the department. It was noted that this surplus was \$72.8 million more than the revised surplus estimates of \$40.7 million published in the Finance Portfolio PBS for 2016-17.⁹

2.13 The report included a case study outlining a new streamlined approach to preparing the department's financial statements which it described as 'making them less technical and more accessible to non-accountants.'¹⁰ The new template reduced

7 *Department of Finance Annual Report 2015-16*, p. 41.

8 Department of Finance, Resource Management Guide No. 134, *Annual performance statements for Commonwealth entities*, July 2016, p. 4.

9 *Department of Finance Annual Report 2015-16*, pp 4 and 66.

10 *Department of Finance Annual Report 2015-16*, p. 74.

the length of the financial statements from 143 pages in 2014-15 to 79 pages in 2015-16. It was explained that the changes are in line with guidance from the ANAO, Finance's whole-of government reporting requirements, and the Australian Accounting Standards. The report also noted that:

The Australian National Audit Office commended the innovative approach, which achieved efficiencies for the department without affecting the quality of information.¹¹

2.14 Finance's financial statements received an unqualified audit opinion from the ANAO.¹²

General comments

2.15 Finance's 2015-16 annual report is a comprehensive and well-presented report which complies with the new reporting requirements for non-corporate Commonwealth entities under the PGPA Rule. The report is concise and easy to navigate and concentrates on core requirements, keeping extraneous information to a minimum. The report clearly articulates the department's performance against its purposes and is a model report for annual reporting under the new Commonwealth performance framework.

Department of the Prime Minister and Cabinet

Secretary's review

2.16 The Secretary of the Department of the Prime Minister and Cabinet (PM&C), Dr Martin Parkinson AC PSM, provided a comprehensive overview for the reporting period which was described as a busy time for the department since his arrival in January 2016. In particular, he highlighted the recent change of leadership - with two departmental secretaries and two Prime Ministers; in addition to the planning for the general election in July, which involved the preparation for briefing the incoming government. Dr Parkinson noted that the department had 'delivered on all the elements of its core purpose of advising and supporting the government of the day.'¹³

2.17 Some of the highlighted achievements included:

- the launch of PM&C's domestic and family violence policy;
- support for programs that improve gender equality, such as the Male Champions of Change program, and promote individuality and commitment to a diverse and inclusive workplace, such as the Secretaries' Equality and Diversity Council and Talent Council, and the establishment of the Inclusion and Diversity Committee;

11 *Department of Finance Annual Report 2015-16*, p. 74.

12 *Department of Finance Annual Report 2015-16*, p. 66.

13 *Department of the Prime Minister and Cabinet Annual Report 2015-16*, p. v.

- the establishment of a new Indigenous Policy Committee of Cabinet to ensure a whole of government approach to Indigenous policy decision making and program implementation;
- the launch of the Indigenous Procurement Policy, with Finance, which commits the Australian Government to a target of 0.5 per cent of contracts awarded to Indigenous businesses in 2015-16; and
- support to the Prime Minister in establishing the Clean Energy Innovation Fund to support emerging renewable energy technology, and the Northern Australia Infrastructure Facility which was a major initiative of the White Paper on Developing Northern Australia.¹⁴

2.18 Section 17AD(a) of the PGPA Rule, which requires the annual report to include a review by the accountable authority for the period, does not prescribe the content and this is left to the discretion of the accountable authority. Supporting guidance from Finance, suggests some inclusions, including significant issues and developments, an overview of performance and financial results, and the outlook; and for portfolio departments, consideration may also be given to cover some of these areas across the portfolio.¹⁵ The Secretary's review focussed on the achievements of the department during 2015-16 and meets the requirements under the PGPA Rule. The committee also notes that discussion of outstanding issues, obstacles or challenges is also a useful inclusion in the introductory remarks of a report.

Annual performance statement

2.19 The report's performance information was let down by the quality of the corporate plan, which forms the basis of the performance statement. PM&C's Corporate Plan 2015-19 did not include the criteria for measuring performance in achieving the department's purpose. Therefore, the annual report only included results against the performance measures listed in the relevant PBS's and PAES, and not the corporate plan.

2.20 The PGPA Rule requires corporate entities to prepare a corporate plan under section 16E. Item 4(c) requires corporate plans to include how an entity will measure and assess its performance:

Including any measures, targets and assessments that will be used to measure and assess the entity's performance for the purposes of preparing the entity's annual performance statements under section 16F [of the PGPA Rule].¹⁶

2.21 Additionally, the PM&C corporate plan failed to use some terminology set out in the PGPA Rule, for example, describing it's 'purposes' as 'strategic priorities'. While the report did footnote this discrepancy, these types of inconsistencies did not assist in

14 *Department of the Prime Minister and Cabinet Annual Report 2015-16*, pp v-viii.

15 Department of Finance, Resource Management Guide No. 135 - *Annual reports for non-corporate Commonwealth entities*, p. 11.

16 PGPA Rule, section 16E.

reading between the documents. Finance's Resource Management Guide explains the importance of this relationship:

Many of the minimum content requirements for entities' corporate plans are linked to the content requirements for annual performance statements...This alignment recognises the close relationship between the main components of the framework. The annual performance statements report on the actual results achieved in the reporting period against criteria set out in the corporate plan.¹⁷

2.22 PM&C's report did address what it described as 'deficiencies in the department's performance statement for 2015-16' in the annual report and noted that:

In moving towards a more mature model the department's Corporate Plan 2016-20 provides clearly identifiable purposes, revised activities, and approaches to improve how PM&C will measure its performance going forward. A focus for PM&C will be the provision of periodic performance reporting to management throughout the 2016-17 financial year. In delivering these improvements the department will work with both the Department of Finance and the Australian National Audit Office in order to ensure that expectations are fully met.¹⁸

2.23 The results for deliverables and KPIs are set out in the performance statement under two broad headings of 'Prime Minister and Cabinet' and 'Improving the lives of Indigenous Australians'; the latter being one of the department's purposes. A clearer attribution of the results back to the department's purposes and references to the outcomes and programs would have assisted in linking the performance statement back to corporate plan and PBS/PAES, facilitating a clearer read between the documents. However, the report includes an overarching statement that:

During 2015-16, the department achieved its three purposes by meeting the deliverables and KPIs'. This is evidenced by the delivery of a range of outcomes, though feedback received from key stakeholders, positive public comments and internal assessment of the department's outputs.¹⁹

2.24 As noted earlier, Finance's guidance on the preparation of performance statements explains the importance of the annual performance statements to clearly map performance information from the PBS and corporate plan to the achievement of the entity's purpose, facilitating a clear read between the documents.²⁰

17 Department of Finance, Resource Management Guide No. 132, *Corporate plans for Commonwealth entities*, July 2016, p. 5.

18 *Department of the Prime Minister and Cabinet Annual Report 2015-16*, p. 10.

19 *Department of the Prime Minister and Cabinet Annual Report 2015-16*, p. 10.

20 Department of Finance, Resource Management Guide No. 134, *Annual performance statements*, p. 4.

2.25 The annual performance statement includes all the deliverables and KPIs as set out in the relevant PBS/PAES with results.²¹ The report indicated that all KPIs were either met or were 'on track'. The supporting discussion is generally helpful in illuminating the result. However, as the committee has commented previously, the omission of a target does not facilitate an informed assessment of the result.²² That is, if the KPI was met, by how much; and if the result was 'on track', how far off (or on) the target result was it?

2.26 PM&C's Corporate Plan 2016-20, published in August 2016, more closely follows the structure set out in the PGPA Rule and associated guidance material. It clearly sets out the department's purposes and how performance will be measured against the purposes. With the updated corporate plan forming the basis for future annual performance statements, the committee expects to see improvement in PM&C's performance information in next year's annual report.

Financial performance

2.27 The report's section on financial management provides a good summary of financial performance of departmental and administered activities, and meets the requirements of section 17AF of the PGPA Rule. It is noted that in relation to financial performance of departmental activities, the department recorded a technical operating deficit of \$26.2 million; however, recorded an operating surplus of \$1.8 million after excluding non-cash adjustments results, which were summarised as following:

- \$21.1 million in unfunded depreciation and amortisation expenses;
- \$4.6 million in the discounting of employee provision, mainly due to a decrease in the long term Government bond rate;
- \$1.8 million in write-down and impairment of assets expenses, mainly due to the disposal of property, plant and equipment assets; and
- \$0.5 million in losses from asset sales and unwinding of make-good provision.²³

2.28 The ANAO issued an unmodified audit opinion on the department's financial statements.²⁴

21 It was noted that in the case of 'Cities', the deliverable and KPIs are described in the Portfolio Additional Estimates Statements for the Department of the Environment for 2015-16, and in the case of 'Public Data', the deliverable and KPIs are described in the Portfolio Additional Estimates Statements for PM&C for 2015-16. See *Department of the Prime Minister and Cabinet Annual Report 2015-16*, p. 9.

22 Senate Finance and Public Administration Legislation Committee, *Annual reports (No. 1 of 2016)*, March 2016, pp 20-21.

23 *Department of the Prime Minister and Cabinet Annual Report 2015-16*, p. 65.

24 *Department of the Prime Minister and Cabinet Annual Report 2015-16*, p. 65.

Appendix C – Registrar of Indigenous Corporations Report 2015-16

2.29 Appendix C of the annual report contains the 2015-16 report on the Office of Registrar of Indigenous Corporations Report (ORIC). This is the second year of its inclusion and follows the recommendation of this committee for this arrangement following ORIC's move into the PM&C Portfolio.²⁵

2.30 The appendix provides a useful summary of the operations of ORIC for the reporting period, including statistics on registered corporations, provision of services, information and advice, reporting compliance, and formal examinations. Of particular note was the inclusion of funding and expenditure figures for ORIC for 2015-16, where a deficit of \$0.037 million was reported.²⁶ This committee had previously commented on the lack of financial information for ORIC that was publicly available and commends PM&C for including it in this year's report.²⁷ The appendix also includes the staff figure for ORIC at 30 June 2016, and the percentage of staff identifying as Aboriginal and Torres Strait Islander. This inclusion of financial and staffing information enhances ORIC's accountability to the Parliament in relation to its operations and is appreciated by the committee.²⁸

General comments

2.31 The PM&C Annual Report 2015-16 is informative and generally follows the reporting requirements for a non-corporate Commonwealth entity under the PGPA Rule. While the committee acknowledges that the transition to the new performance framework may take time to bed down, it was disappointed at PM&C's progress for the 2015-16 financial year in regard to the development of the Corporate Plan 2015-19. With the publication of the Corporate Plan 2016-20 the committee is optimistic that this will form the basis for stronger performance reporting in future reports.

Department of Parliamentary Services

Secretary's review

Overview

2.32 The 2015-16 annual report for the Department of Parliamentary Services (DPS) includes the first yearly review by the new Secretary, Mr Rob Stefanic, who was appointed to that position on 14 December 2015. The review provides an informative account of the year in review and summarises significant developments and activities in relation to the following areas:

- corporate initiatives to reform processes and governance arrangements;

25 Senate Finance and Public Administration Legislation Committee, *Annual reports (No. 1 of 2015)*, March 2015, p. 11.

26 *Department of the Prime Minister and Cabinet Annual Report 2015-16*, p. 208.

27 Senate Finance and Public Administration Legislation Committee, *Annual reports (No. 1 of 2016)*, March 2016, p. 23.

28 *Department of the Prime Minister and Cabinet Annual Report 2015-16*, p. 208.

- development and delivery of a number of information and communications technology solutions to support the work of the Parliament and parliamentarians;
- maintenance of the building and precincts;
- capital works undertaken and planned in relation to strengthening the physical security of Parliament House;
- the visitor services program; and
- work undertaken during the election period to prepare for the 45th Parliament.²⁹

2.33 The review noted the critical findings of recent reviews and audits concerning the performance of the department, including from this committee, and detailed reforms to processes and governance arrangements which have been implemented in response to these:

The reforms have been important to enable us to be more transparent in the way we conduct our business, more accountable and more strategic in our decision-making. Above all the reforms aid us in being more responsive to the needs of the Parliament and our parliamentarians.³⁰

2.34 The Secretary concluded his remarks by focussing on future directions and outlined a personal review of DPS commenced upon appointment to the position and will aim to achieve better services for parliamentarians and the parliamentary institution and ensure appropriate stewardship of Parliament House.³¹ He advised that:

...my analysis has covered areas such as the effectiveness of the current structure to support the core business of parliament; challenges with staff capability and culture; and opportunities for improvement and innovation.³²

2.35 The 2014-15 annual report noted that in August 2015, the Presiding Officers tasked the Parliamentary Service Commissioner to undertake a review of the capacity of DPS to fulfil its role to serve the Parliament efficiently and effectively.³³ An update on the review was not located in the current report. While the review was the responsibility of the Parliamentary Service Commissioner, follow-up on the status of the review, including DPS involvement, in the 2015-16 annual report would have been useful given its significance to inform the future structure, systems and staffing of the department for the efficient and effective running of the national Parliament.

29 *Department of Parliamentary Services Annual Report 2015-16*, pp 2-4

30 *Department of Parliamentary Services Annual Report 2015-16*, p. 2.

31 *Department of Parliamentary Services Annual Report 2015-16*, p. 5.

32 *Department of Parliamentary Services Annual Report 2015-16*, p. 5.

33 See *Department of Parliamentary Services Annual Report 2014-15*, p. 7. This review was undertaken by Mr Ken Baxter and known as the 'Baxter Review'.

Heritage management

2.36 The Secretary's discussion on heritage management touched on some issues which have been monitored by the committee in recent years. The committee has chosen to look at these in further detail.

2.37 Following the committee's two inquiries into the performance of DPS in the 43rd and 44th Parliaments, an area of ongoing interest to the committee is the heritage management of Parliament House. In particular, in the committee's final report of its second inquiry which was tabled in September 2015, it expressed its disappointment and frustration at the lack of progress in regards to the Conservation Management Plan (CMP) and Design Principles (DP) documents which form the basis of the heritage framework and which were originally announced in October 2012.³⁴ In the course of that inquiry, DPS also advised that the development of the CMP and the DP would take precedence over the completion of *The Architect's Design Intent for Parliament House, Canberra: Central Reference Document* (CRD).³⁵ At the conclusion of that inquiry, the committee recommended that:

...DPS dedicate the necessary resources to have the final Conservation Management Plan and the Design Principles completed by 30 October 2015 and take the necessary steps to have the Centre Reference Document completed by 30 September 2017.³⁶

2.38 In the committee's previous examination of the DPS Annual Report for 2014-15, it noted the department's failure to complete the CMP and DP within expected timeframes, and the absence of an explanation in the annual report.³⁷

2.39 In the Secretary's review in this year's annual report, the status of these documents, which remained incomplete, is addressed:

Following my appointment, I intended to expedite the finalisation of the Conservation Management Plan (CMP) and Design Principles (DP) documents. As at 30 June 2016, attempts were being made to seek to resolve a series of issues with the consultants engaged to produce the CMP and DP, following concerns raised by Mr Giurgola's moral rights representatives.³⁸

2.40 Given the continued delay with these documents, the inclusion of a more detailed explanation and an updated timeframe for the delivery of the documents would have been expected in the annual report.

34 Senate Finance and Public Administration Legislation Committee, *Department of Parliamentary Services – Final Report*, September 2015, p. 23.

35 Senate Finance and Public Administration Legislation Committee, *Department of Parliamentary Services – Final Report*, September 2015, pp 20-22.

36 Senate Finance and Public Administration Legislation Committee, *Department of Parliamentary Services – Final Report*, September 2015, p. 24.

37 Senate Finance and Public Administration Legislation Committee, *Annual reports (No. 1 of 2016)*, March 2016, p. 15.

38 *Department of Parliamentary Services Annual Report 2015-16*, p. 3.

2.41 On 12 October 2016 the committee received information from DPS in advance of the Supplementary Budget Estimates 2016-17 hearings advising that the CMP and DP have been terminated. The advice did not include detail on the reasons for the termination:

Following consultation with the original designers of Parliament House (and moral rights holder's representatives), the Conservation Management Plan and Design Principles projects have been terminated. It will be beneficial to direct resources to resuming and completing the Central Reference Document as the 'single source of truth' on the design intent for Australian Parliament House.³⁹

2.42 DPS further advised that the CRD will now be prioritised:

The...CRD project was discontinued in May 2004 and remains incomplete. Finalising the CRD will be a priority for DPS. DPS has contracted Ms Pamille Berg to revise the existing chapters and complete the remaining chapters, and work recommenced in July 2016. Given Ms Berg's other professional commitments, it is anticipated that this project will take three years to complete. As each chapter is completed, it will be promulgated to ensure there is no delay to informing works on the building. Priority has been given to chapters that are likely to facilitate planned capital works projects. The CRD will provide a strong and permanent foundation for a detailed design integrity framework.⁴⁰

2.43 Further information on the CMP and the DP was sent to the committee on 16 February 2017, prior to the Additional Estimates 2016-17 hearings. This information provided minimal further detail on the decision to terminate the development of these documents:

In 2016, work on the...CMP and the...DP was ceased for the following reasons:

- Having conducted consultation with the original designers (who also administer Mr Giurgola's moral rights under the Copyright Act), it has been determined that the draft CMP in its current form will not service its intended to [sic] purpose to facilitate effective management of the design integrity of Australian Parliament House. The DP document cannot stand alone.
- DPS wrote to the two consultancy firms advising them of its intention to bring the project to an end. The project is now closed.⁴¹

39 Department of Parliamentary Services - Information provided on 12 October 2016 in response to the recommendations of the Finance and Public Administration Legislation Committee Final Report on Department of Parliamentary Services, September 2015, p. 4.

40 Department of Parliamentary Services, Information provided on 12 October 2016 in response to the recommendations of the Finance and Public Administration Legislation Committee Final Report on Department of Parliamentary Services, September 2015, p. 4.

41 Department of Parliamentary Services, Information provided on 16 February 2017 in response to the recommendations of the Finance and Public Administration Legislation Committee Final Report on Department of Parliamentary Services, September 2015, p. 4.

2.44 As these developments occurred after the 2015-16 annual reporting period, the committee expects to see a comprehensive explanation in the next annual report outlining the reasons why the development of these documents has so greatly diverged from their required purpose and, ultimately, resulted in their termination. Particularly as the committee has heard evidence to the contrary from DPS over recent years indicating that these projects were progressing well. In November 2014, the committee was advised:

Significant progress has been made on the development of a conservation management plan and design principles documents to support the management of Parliament House's heritage and moral rights obligations.⁴²

2.45 In March 2015, the committee was advised:

...we will be pretty far advanced by the middle of this year in having completed design principles and a conservation management plan.⁴³

2.46 The committee looks forward to DPS's next annual report to assist the committee in better understanding the discrepancy between the positive picture of the development of the CMP and DP presented to the committee and the seemingly abrupt decision to terminate these projects.

2.47 The Secretary in his review in the 2015-16 annual report also commented on the status of the CRD:

Importantly, I have recommenced the project to complete the Central Reference Document (CRD), which was discontinued in 2004. When complete, the CRD will provide a comprehensive account of the architect's intent in the design of the building and its surroundings, and will provide text to guide the daily management of APH.⁴⁴

2.48 However, from the evidence received by the committee, it would appear that DPS was still considering the CRD and attempting to engage the provider to progress the project, but with the CMP and DP taking priority. The committee heard from DPS at the Budget Estimates hearing on 25 May 2015 that:

We have previously said on a number of occasions there is a need to complete the central reference document. The discussion that I had with Pamille Berg early in May was again about appraising her of that piece of work and discussing how we will take it forward. We have funds allocated to progress that piece of work. At the moment we are focusing on the design principles and the conservation management plan. As resources are freed up we will be completing the CRD as well.⁴⁵

42 Mr Neil Skill, First Assistant Secretary, Building and Asset Management, Department of Parliamentary Services, *Committee Hansard*, 17 November 2014, p. 3.

43 Mr Garry Gordon, Assistant Secretary, Strategic Asset Planning and Performance Branch, Department of Parliamentary Services, *Committee Hansard*, 16 March 2015, p. 31.

44 *Department of Parliamentary Services Annual Report 2015-16*, p. 3.

45 Mr Garry Gordon, Assistant Secretary, Strategic Asset Planning and Performance, Department of Parliamentary Services, *Committee Hansard*, 25 May 2015, p. 143.

2.49 On 4 October 2015, Dr Dianne Heriot, while acting as Secretary of DPS, confirmed that discussions were still underway:

Completion of the CRD is a highly specialised task. DPS has had initial discussions with the preferred provider, who has indicated they would not be available to commence work on the project until next financial year.⁴⁶

2.50 The committee is pleased to note that, in line with the committee's recommendations in 2012 and 2015,⁴⁷ the completion of the CRD has finally been prioritised and that work has recommenced, but is nonetheless disappointed by the wasted time and resources directed towards the CMP and DP and which delayed progress on the CRD. The lost time and opportunities are particularly resonant given the sad passing of the principal architect of Parliament House, Mr Romaldo Giurgola AO, on 16 May 2016.

2.51 Further, given the rationale for prioritising the CMP and DP above the CRD in earlier evidence to the committee, a fuller explanation for this turnaround in approach is needed. For example, the committee previously heard about the advantages of the CMP and DP and the limitations of the CRD as a management tool:

[The CRD] does not include conservation policies and strategies, or management guidelines. While it was originally felt that the CRD could be used as a management document, its structure and narrative style is not suited for this purpose.

[DPS] has engaged heritage expertise to prepare a Conservation Management Plan (CMP). The CMP will...apply heritage best practice principles to the management of the heritage values of Parliament House (which include the design values of the building). A CMP is the recognised industry best-practice tool to manage the heritage values of a place. The CMP will help deliver a holistic and integrated approach to the medium and long term management and conservation of Parliament House. The principal architect of Parliament House, Mr Romaldo Giurgola AO, is being consulted during this process.

The development of the CMP is considered the highest priority for managing the heritage of Parliament House. DPS has allocated funds to the development of the CMP, rather than completion of the CRD, as the CMP will provide clear management guidance. DPS does not intend to complete the CRD at this stage. However, the CRD will be one of the primary source documents used to develop the CMP, as well as remaining as a valuable resource document.

46 Department of Parliamentary Services, Information provided to the Committee by DPS on 14 October 2015 in response to the recommendation of the Finance and Public Administration Legislation Committee Final Report on Parliamentary Services, p. 3.

47 See Senate Finance and Public Administration Legislation Committee, *The performance of the Department of Parliamentary Service – Interim report*, June 2012, p. 60; and Senate Finance and Public Administration Legislation Committee, *Department of Parliamentary Services – Final report*, September 2015, p. 24.

DPS has also engaged recognised expertise to develop a set of Design Principles for Parliament House. The Design Principles are to be generated from the work of, and discussions with Mr Giurgola. These Principles will be [sic] central in informing CMP policies and recommendations; and will provide a concise, permanent reference source of the vision and key concepts in the design of Parliament House.

The CMP and Design Principles documents will provide a source of reference material and guidance that will allow streamlined decision-making and enable greater efficiencies in managing maintenance and capital works activities while appropriately managing heritage values of Parliament House. The CMP will also provide recommendations on how to manage changes to the building as work practices of the Parliament of Australia evolve.⁴⁸

2.52 Even though it appears that the decision to abandon the CMP and DP was taken shortly after completion of the annual report, the committee would expect to see a more fulsome explanation of the 'issues' alluded to in the annual report.

2.53 The Secretary noted in the annual report that the work on the CRD, and that of a new Archive unit, will be managed by the Parliamentary Librarian 'given the Library's expertise in research and information retrieval'.⁴⁹ The committee will continue to closely monitor DPS's updates on this project which it recommended be provided before each round of estimates hearings.

Parliamentary Librarian's review

2.54 The Parliamentary Librarian, Dr Dianne Heriot, provided an informative review of the operations and budget of the Parliamentary Library in the last financial year, and an overview of the outlook for 2016-17. She advised that 2015-16 was a busy year for the Parliamentary Library, noting that its services were utilised by every senator and member, and that support was provided through over 13,000 completed requests for individually commissioned information and analysis. It was noted that this number was unusually high for an election year.⁵⁰

2.55 Dr Heriot also noted that in 2015-16 the Library issued 267 new or refreshed research publications and there were more than 6.7 million online uses of the Library's in 2015-16.⁵¹

2.56 The digital delivery of services and products continued to be a focus for the Library in 2015-16. Dr Heriot revealed that as at 30 June 2016 over 41.2 per cent of the Library collection was available in digital form, highlighting the impressive

48 Senate Finance and Public Administration Legislation Committee, Inquiry into Department of Parliamentary Services, 44th Parliament, *Submission No. 1, Department of Parliamentary Services*, p. 1.

49 *Department of Parliamentary Service Annual Report 2015-16*, p. 3.

50 *Department of Parliamentary Services Annual Report 2015-16*, p. 88.

51 *Department of Parliamentary Services Annual Report 2015-16*, p. 88.

statistic that there were 4.44 million uses of the Library's online collections and databases during 2015-16.⁵²

Annual performance statement

2.57 DPS' first annual performance statement is comprehensive and well structured. The statement reflects the performance criteria set out in the DPS PBS 2015-16 and the DPS Corporate Plan 2015-19. The DPS PBS 2015-16 includes KPIs but, as noted in previous years, does not include deliverables. The inclusion of a reference to the criterion source aided facilitating a clear read between the documents. In transitioning to the new performance framework, DPS reviewed the existing KPIs as set out in its previous PBS and its Corporate Plan includes an introduction to the new performance information:

The new targets for the KPIs were established after an extensive process of review and analysis of our previous performance. The department considers these targets acceptable as they reflect the targets known to the parliament and are realistic performance expectations over the coming years. The targets will be reviewed on an annual basis with adjustments made as necessary to be in line with benchmarking with other cultural institutions and ensure DPS is delivering high quality services.⁵³

2.58 The committee is pleased to see the inclusion of targets for all KPIs to provide a clear basis to measure achievement of each criterion. The reliance on the occupant satisfaction survey for some DPS services, for example security, is noted. The committee reiterates its view set out in earlier reports,⁵⁴ that while an occupant survey is clearly an important and valuable measurement tool, benchmarking against professional standards may also be beneficial.

2.59 The performance statement presents results for each criterion and comparative results for three financial years in a tabular format. This is followed by methodology, where relevant, and an analysis of results, including discussion of factors impacting on the achievement or otherwise of results.

2.60 The performance statement concludes with an analysis of performance against the department's 'purpose'.⁵⁵ It notes that DPS achieved 11 of the total of 19 KPIs in the PBS and Corporate Plan. This is set out in a single table with a useful summary of all KPIs with the 2015-16 target, 2015-16 results, including a tick or cross indicating achievement or failure, and the differential. This is followed by a discussion of issues which impacted on DPS not achieving some KPIs for each of the department's programs and some of the initiatives undertaken to address these and improve performance in 2016-17. For Program 1 – Parliamentary Services, the report notes:

52 *Department of Parliamentary Services Annual Report 2015-16*, p. 89.

53 *Department of Parliamentary Services Corporate Plan 2015-19*, p. 10.

54 Senate Finance and Public Administration Legislation Committee, *Annual Reports (No. 1 of 2015)*, March 2015, p. 20.

55 *Department of Parliamentary Services Annual Report 2015-16*, pp 41-47.

While there have been some sound achievements, DPS acknowledges there is more work to be done to improve our performance, including consideration of measures applied.

In addition to performance improvement, there were areas in which DPS did not perform to required levels and as a result did not achieve the targets for these measures. In each of these areas, specific activities have been undertaken or are underway to address the underlying issues that contributed to the failure to achieve the identified performance targets.⁵⁶

2.61 In relation to Program 2 – Parliament House Works Program, the failure to achieve the four KPIs for this program in 2015-16 is noted and an explanation of the factors impacting on the department's ability to meet the KPI targets was provided:

These include the impact of the unexpected recall of Parliament in the autumn recess following prorogation and the earlier budget sitting, on the maintenance timetable, and the construction related to the building security works which has had a range of impacts across APH. As a result, a number of planned programs of work were not able to progress. Lead times required to reschedule, particularly contracted work, meant these works were subsequently unable to be completed before the end of the financial year. Once the required arrangements were in place, the tempo of maintenance works under way was significantly increased.⁵⁷

Parliamentary Library performance

2.62 The Annual Performance Statement's criterion 4 measures the percentage of the Parliamentary Library's KPIs set out in the annual Library Resource Agreement that have been achieved against a target of 90 per cent. The report notes that '[the] Parliamentary Library Service metric is an index to captures [sic] all of the service standards or key performance indicators for the Parliamentary Library that are approved by the Presiding Officers in the Library's Annual Resource Agreement'.⁵⁸ The Performance Statement reported a result of 93.3 percent for 2015-16.

2.63 The analysis that follows notes that the Library met the majority of its KPIs in 2015-16 with the 'key' exception being the result of 93 per cent for the client satisfaction which was only slightly below the target of 95 per cent.⁵⁹

2.64 Part 5 of the annual report which contains the Parliamentary Librarian's review, included a detailed performance report which used indicators to assess quality, quantity and price of services. Comparative results over four years were presented in tabular format for deliverables, KPIs and price indicators, with supporting discussion.⁶⁰

56 *Department of Parliamentary Services Annual Report 2015-16*, p. 45.

57 *Department of Parliamentary Services Annual Report 2015-16*, p. 46.

58 *Department of Parliamentary Services Annual Report 2015-16*, p. 30.

59 *Department of Parliamentary Services Annual Report 2015-16*, p. 31.

60 *Department of Parliamentary Services Annual Report 2015-16*, pp 129-140.

Financial performance

2.65 The annual report provided a comprehensive summary of financial performance. It noted that DPS recorded an operating loss of \$19.7 million in 2015-16 which it attributed as being:

primarily caused by \$19.1 million in depreciation and amortisation, which is not funded through revenue appropriations but rather through the department's capital budget. \$0.6 million of the remaining loss was due to the movement in the bond rate, which increased the department's leave liability, and a minor overspend in supplier expenses.⁶¹

2.66 The result compares to an operating surplus of \$10.9 million (excluding unfunded depreciation) in 2014-15 which followed two years of deficits.⁶²

2.67 The Parliamentary Librarian provided a comprehensive summary of the Parliamentary Library's financial performance in 2015-16. The Parliamentary Library is funded through a Resource Agreement between the Parliamentary Librarian and the Secretary of DPS⁶³ which Dr Heriot explained maintains the Parliamentary Library's independence. The 2015-16 Resource Agreement provided the Library with an operating budget of \$16.428 million and a capital budget of \$2 million. The actual expenditure for the financial year was reported as \$16.36 million in operational funding and \$1.854 million in capital. The Librarian advised that the final end of year result was closely aligned to the available budget, but noted there was significant internal variation to the anticipated expenditure, where employee costs were under-spent by 5 per cent (\$0.710 million) and operational funds not needed for employee costs were redirected to the information resources budget.⁶⁴

2.68 She advised that the 2015-16 Agreement 'provided stable operational funding to support the Library's operations' and 'will continue to be closely managed to ensure resources are deployed to greatest effect.'⁶⁵

2.69 The department received an unqualified audit opinion from the ANAO on its financial statements.⁶⁶

General comments

2.70 The DPS annual report is an informative document which aligns with the reporting requirements of a non-corporate Commonwealth entity under the performance framework. The annual performance statement was strong, with results against measures clearly presented with useful supporting discussion.

61 *Department of Parliamentary Services Annual Report 2015-16*, p. 12.

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

63 In accordance with section 38G of the *Parliamentary Services Act 1999*.

64 *Department of Parliamentary Services Annual Report 2015-16*, pp 96-97.

65 *Department of Parliamentary Services Annual Report 2015-16*, p. 89.

66 *Department of Parliamentary Services Annual Report 2015-16*, pp 168-169.

Australian National Audit Office

Auditor-General's review

2.71 The foreword by the Auditor-General, Mr Grant Hehir, provides a useful overview of the agency's activities and achievements in 2015-16, including the change program the organisation is undergoing. He notes issues which impacted on performance and discusses the outlook for the year ahead. In particular he highlighted the following areas of focus for the agency during the year:

- implementing changes to improve communication capabilities and facilitate better access to information, including the re-design of reports, taking a digital first approach, and supporting a new website and more outreach activities;
- restructuring to improve business practices and efficiency, by creating opportunities for auditors to leverage effort between financial and performance audit work;
- creation of a new senior role focusing on professional standards and relationships; and
- negotiation of a new enterprise agreement.⁶⁷

2.72 The Auditor-General noted that the office did not meet its target number of performance audits during the reporting period and commented on the impact of the double dissolution of the 44th Parliament and the organisation's change program, noting that:

Normal work continued in the caretaker period and while the ANAO has taken the opportunity to recalibrate our work program, the change processes...have meant that we would not have met our target of 49 performance audits in 2015-16 even if Parliament had not been dissolved.⁶⁸

2.73 The Auditor-General also set out particular areas of attention in the year ahead. These included improving the efficiency and effectiveness of the financial statements audit program through exploration of new data tools and expanding the communication processes of audit findings.⁶⁹

2.74 The review also discussed some particular areas of interest to the committee in relation to the timeframe for annual reporting and the auditing of annual performance statements prepared under the new performance framework.

2.75 The committee was pleased to note the Auditor-General's general support for the introduction of an earlier annual reporting date for entities, which would impact on the ANAO's timeframe for the completion of financial audits of entities. The committee notes the Joint Committee of Public Accounts and Audit (JCPAA) in its inquiry into the Development of the Commonwealth Performance Framework

67 *The Auditor-General Annual Report 2015-16*, p. 7.

68 *The Auditor-General Annual Report 2015-16*, p. 8.

69 *The Auditor-General Annual Report 2015-16*, p. 9.

explored this issue and reported that bringing the delivery and tabling dates forward for annual reports was under active consideration by Finance; and was considered feasible by the Auditor-General in regard to the earlier completion of audits of financial statements.⁷⁰ The Auditor-General noted his support for this approach:

The ANAO supports the Department of Finance's endeavour to have future annual reports tabled in a more timely manner and will continue to work with entities to ensure earlier audit completion. The implementation of a reduced disclosure regime for Australian Government entities could also enhance the ability of entities to complete their financial statements in a shorter timeframe.⁷¹

2.76 While the committee welcomes the ANAO's commitment to consider ways to accommodate earlier annual reporting, it would however look closely at any changes leading to 'a reduced disclosure regime for Australian Government entities' and their implications.

2.77 The Auditor-General in his review also discussed the issue of auditing the new annual performance statements. As the review sets out, under Division 1A of the *Auditor-General's Act 1997*, audits of annual performance statements can only be undertaken when requested by either the Minister for Finance or the responsible minister. Therefore, the Auditor-General explained that:

This means that without such a request the Parliament receives a lower level of assurance over the quality of performance statements included in annual reports than it does over financial statements where an audit opinion is mandatory.⁷²

2.78 The JCPAA also discussed this issue at a public hearing on its current inquiry into the Commonwealth Performance Framework on 23 November 2016 where it was noted by Finance that, while there is not currently a routine independent assurance audit of the annual performance statements, the governance arrangements bring the performance information under the internal audit regime:

Those documents are issued under the authority of the accountable authority, whether that is a chief executive or whether it is a board, and there are obligations on the audit committees of those organisations to examine the processes by which those things are produced. If you like, the chain of assurance is up to the accountable authority, who signs, with the support of the audit committees that primarily comprise independents and are chaired by independents.⁷³

70 Joint Committee of Public Accounts and Audit, *Report 457 Development of the Commonwealth Performance Framework – Second Report*, May 2016, pp 8-9.

71 *The Auditor-General Annual Report 2015-16*, p. 10.

72 *The Auditor-General Annual Report 2015-16*, p. 8.

73 Mr Stein Helgeby, Deputy Secretary, Governance and APS Transformation, Department of Finance, *Joint Committee of Public Accounts and Audit Hansard*, 23 November 2016, p. 5.

2.79 The Auditor-General cautioned the JCPAA at that hearing that a routine auditing function of annual performance statements may be difficult to implement at this early stage of the new framework:

The nature of audit work is to provide assurance over the veracity of information. While that can be done reasonably—not easily but directly with respect to quantitative information, because you can look at the quality of the systems that underpin the construction of the performance information—as we are moving to this mixture between qualitative and quantitative information, that is where it is quite important that the qualitative statements have an evidence base underpinning them. I think there will be a bit of time before you get to the robustness in the performance statements around that.⁷⁴

2.80 Given the above evidence, the committee was pleased to note that the Auditor-General in his review advised of progress in relation to this issue:

The ANAO has developed methodology to audit performance statements, which will be tested through performance audits of selected entities in the coming year.⁷⁵

2.81 The committee looks forward to future advice from the Auditor-General on the results of the implementation of this auditing methodology.

Annual performance statement

2.82 The ANAO's first annual performance statement is well structured and presents a clear picture of the agency's performance in 2015-16. The ANAO's purpose as defined in its 2015-16 Corporate Plan⁷⁶ is stated up front and an analysis of performance against the purpose follows. It was noted that the ANAO had achieved its purpose and discussed some of the internal and external factors which impacted on results for 2015-16.⁷⁷

2.83 The ANAO's performance information is thorough. Results are presented against performance criteria outlined in the relevant PBS and the corporate plan. It was noted that the corporate plan's performance measures included a target. These measures were similar to the deliverables and KPIs from the PBS, in addition to some new criteria. Like Finance's performance statement, the statement helpfully included page references to the relevant source document for each performance criterion which assisted in navigating between the documents. Results are presented for each criterion followed by a discussion, including how the criterion was measured and an explanation where the target was not achieved. It was noted that of the 16

74 Mr Grant Hehir, Auditor-General, *Joint Committee of Public Accounts and Audit Hansard*, 23 November 2016, pp 5-6.

75 *The Auditor-General Annual Report 2015-16*, p. 8.

76 It is noted that the ANAO 2015-19 Corporate Plan was able to be found by a general internet search but there did not appear to be a link to it on the ANAO website. Only the current 2016-20 Corporate Plan could be located on the ANAO website.

77 *The Auditor-General Annual Report 2015-16*, pp 29-30.

performance criteria eight were achieved, and of those not achieved, some were very close to the target.

Financial performance

2.84 An informative and concise report on the ANAO financial performance was included, meeting the requirements under section 17AF of the PGPA Rule. This section began with details of the office's funding sources and revenue, noting that in addition to the departmental and special appropriations funding, the office receives revenue from the provision of audit-related services, rental income, grant funding and other miscellaneous sources which are accounted for as revenue and retained for use by the ANAO. However, the revenue received for fees charged for the provision of audits of financial statements of Commonwealth entities and companies is accounted for as administered funds and paid directly into Consolidated Revenue.⁷⁸

2.85 The agency reported an operating net deficit of \$0.401 million for 2015-16, which it explained was:

driven by a \$0.814 million adjustment being made to long service leave expenses as a result of the movement in the 10-year government bond rate from 3 per cent to 2 per cent.⁷⁹

2.86 This result compares to operating surpluses of \$0.925 million (2014-15) and \$0.444 million (2013-14) for the two preceding years.⁸⁰

2.87 The discussion of financial performance also summarised expense and revenue impacts over the year and provided a comparison of financial performance to the previous year.⁸¹

2.88 The ANAO's financial statements received an unmodified opinion by the independent auditor appointed under Clause 1 of Schedule 2 of the *Auditor-General Act 1997*.⁸²

General comments

2.89 The 2015-16 annual report of the ANAO has been reduced by 50 pages from the previous year: from 146 to 96 pages. This significant reduction in length appears to be largely due to the absence of some of the previously included appendices for the summary of performance reports tabled and the addresses by the Auditor-General for the year in review. In the 2014-15 annual report these appendices totalled 29 pages. The ANAO website has the facility to list performance reports tabled by financial year and the ability to bring up a summary of each. The website also has a similar helpful function for the Auditor-General's speeches. The committee believes this is a

78 *The Auditor-General Annual Report 2015-16*, p. 47.

79 *The Auditor-General Annual Report 2015-16*, p. 48.

80 *The Auditor-General Annual Report 2014-15*, p. 62.

81 *The Auditor-General Annual Report 2015-16*, p. 48.

82 *The Auditor-General Annual Report 2015-16*, p. 23.

satisfactory alternative to making this information publicly available rather than in the annual report.

2.90 The committee also notes the absence of case studies and photographs in this year's report which has contributed to the reduced length. The 2015-16 report is efficiently designed to maximise information per page without detracting from the standard of presentation or ability to navigate the report. The committee commends this approach which facilitates ease of navigation while fulfilling the most important purpose of the annual report in conveying the required information under the PGPA Rule.

2.91 The annual report includes the mandatory compliance index for the requirement under the PGPA Rule which assisted in examining the report. However, it was noted that there were some errors in the page references for some items. For example, the letter of transmittal was incorrectly referenced as being on page 90 instead of page 3; and information relating to sections 17AG(2)(b)(i)-(iii) of the PGPA Rule dealing with the fraud control certification were listed as being on page 91 when they appear to be on page 21 of the report.

2.92 Overall, the committee commends the 2015-16 annual report of the ANAO which it considers to be clear, concise and compliant with the relevant reporting requirements for non-corporate Commonwealth entities.

Indigenous Business Australia

Chair's review

2.93 The Chair of Indigenous Business Australia (IBA), Mr Eddie Fry, provided an introductory review in the annual report which highlighted improvements to IBA's three programs in 2015-16.

2.94 He noted that, under the Equity and Investments Program, the IBA launched the Indigenous Prosperity Funds and continued to grow the Indigenous Real Estate Investment Trust. He noted that:

Overall, the program generated more than \$23 million in financial benefit to Indigenous Australian through financial returns, salaries and wages, training benefits and procurement.⁸³

2.95 In regard to the Business Development and Assistance Program, Mr Fry noted that the number of business loans provided was 49 which was lower than expected. He explained that this result was impacted by changes within the internal enterprise network to align with customers' needs and the business life cycle. He also highlighted that under this program, 593 Indigenous people were in jobs created or supported by IBA business loan customers.⁸⁴

2.96 Within the Indigenous Home Ownership Program, Mr Fry advised that the temporary measures to address housing affordability issues faced by IBA customers

83 *Indigenous Business Australia Annual Report 2015-16*, p. 7.

84 *Indigenous Business Australia Annual Report 2015-16*, p. 7.

which were put in place in March 2015, including an additional interest rate discount, were continued into 2015-16 and would be superseded by policy changes from 1 July 2016. Mr Fry also highlighted the introduction of the Remote Indigenous Home Loan product which aims to improve opportunities for home ownership in remote areas.⁸⁵

Annual Performance Statement

2.97 As a corporate Commonwealth entity, the IBA is required to prepare a corporate plan and annual performance statement under the new performance framework. The *IBA 2015-16 Corporate Plan Strategy towards 2019* is available on the IBA website and is well structured and set out in accordance with the requirements of section 16E of the PGPA Rule.

2.98 The IBA's performance measures as set out in the corporate plan are essentially the same as the KPIs and deliverables in the PM&C Portfolio PBS 2015-16, except for some additional new measures which have been helpfully noted. The annual performance statement clearly sets out performance results against these measures in a tabular format for each of the three programs. To assist in navigation, each table provides a page reference to the source document, the result against the target, and a final 'Achieved' column with a tick or cross providing a quick reference on whether the target was met.⁸⁶

2.99 The committee notes that, across the three programs, the IBA met or exceeded 13 criteria out of a total of 21. Each program includes an informative analysis of the performance results, including discussion of contributing factors for some measures not being met in 2015-16. The performance statement concludes with a brief overall analysis of performance against the IBA's purposes.⁸⁷ The committee was impressed with IBA's informative and concise annual performance statement which meets the requirements of section 16F of the PGPA Rule.

Financial performance

2.100 The IBA annual report provides a useful overview of the agency's financial performance for the year under review, including the operating result, income and expenditure and asset holdings. IBA's consolidated operating result for 2015-16 was a surplus of \$18.5 million, and compares to a surplus of \$12.1 million for the previous year. It is further noted that valuation losses forming part of other comprehensive income amounted to \$2.2 million, making the total comprehensive income a surplus of \$16.4 million.⁸⁸

2.101 The report also noted that total income had increased from \$191.5 million in 2014-15 to \$225.1 million in 2015-16 and was attributed mainly to the sale of goods and services. IBA's total expenses were \$206.3 million in 2015-16, an increase from

85 *Indigenous Business Australia Annual Report 2015-16*, p. 7.

86 *Indigenous Business Australia Annual Report 2015-16*, pp 9-15.

87 *Indigenous Business Australia Annual Report 2015-16*, p. 16.

88 *Indigenous Business Australia Annual Report 2015-16*, p. 94

the previous year's expenses of \$179.1 million. IBA's total assets at 30 June 2016 were valued at \$1.3 billion, which was a significant increase of \$62 million from the previous year, and was primarily attributed to the increase in the value of the home loan portfolio.⁸⁹

2.102 The report's financial 'snapshot' also provided a useful discussion of the impact of the broader economic context on the organisation's financial position, particularly in relation to the downward trend in interest rates during 2015-16. In relation to the Reserve Bank of Australia's cutting of the benchmark cash rate by 25 basis points in May 2016 to 1.75 per cent, the report noted:

These rates have impacted interest incomes from the home loan and business loan portfolios but have generally had a positive impact on IBA's concessional rate loan valuations discounts. IBA's investment portfolio has increased with the establishment of the Indigenous Prosperity Funds and increase in property values. Industrial and retail portfolios have remained steady while tourism has continued to decline.⁹⁰

2.103 The report also provided a breakdown of consolidated annual income which is a mix of departmental receipts from the Australian Government and self-generated revenue. In 2015-16 it was noted that IBA received \$34 million in departmental receipts and \$190 million in self-generated revenue.⁹¹

2.104 IBA received an unqualified audit opinion on its 2015-16 financial statements.⁹²

ASC Pty Ltd

Compliance with reporting requirements for Commonwealth companies

2.105 The ASC Pty Ltd (ASC) is a proprietary company limited by shares registered under the *Corporations Act 2001* where all shares issued in the capital of ASC are owned by the Minister for Finance. As a wholly owned government company the ASC is subject to the PGPA Act.⁹³ Section 5(2) of the PGPA Rule also identifies the ASC as a government business enterprise, in addition to its status as a Commonwealth company. Therefore, the annual report of the ASC is required to be prepared in accordance to Part 3-3 of the PGPA Rule 2014 which prescribes requirements for annual reports of Commonwealth companies and includes disclosure requirements for government business enterprises.

2.106 The 2016 annual report's letter of transmittal states that the report has been prepared in accordance with the PGPA Act and approved by the Board. However, the report does not strictly adhere to the structure and content for reports of

89 *Indigenous Business Australia Annual Report 2015-16*, p. 94.

90 *Indigenous Business Australia Annual Report 2015-16*, p. 94.

91 *Indigenous Business Australia Annual Report 2015-16*, p. 96.

92 *Indigenous Business Australia Annual Report 2015-16*, pp 98-99.

93 *ASC Pty Ltd Annual Report 2015-16*, p. 20.

Commonwealth companies under the PGPA Rule. The ASC's 2016 annual report closely follows the format and structure of the 2015 annual report and has not been updated to reflect the new reporting requirements. It is noted that previous reports of the ASC also failed to closely adhere to the superseded reporting requirements under the *Commonwealth Companies (Annual Reporting) Orders 2011*.⁹⁴ The omission of the mandatory compliance index for annual reporting requirements in this, and previous, annual reports of the ASC has not assisted in checking reports for all mandatory inclusions.

2.107 The ASC appears to have failed to publish on its website a corporate plan beginning from the 2015-16 financial year as one could not be located. Finance guidance on the preparation of corporate plans for Commonwealth companies is applicable to corporate plans that begin on or after 1 July 2015, and advise that '[f]rom the 2015-16 financial year onwards, companies must publish their corporate plans on their websites by 31 August each year'.⁹⁵ The ASC 'Statement of Corporate Intent 2016-21' is available on the ASC website and even though it is not called a 'corporate plan', the document states that it has been prepared in accordance with section 95(1) of the PGPA Act and the PGPA Rule.

2.108 It is noted that Commonwealth companies are not required to prepare an annual performance statement as are Commonwealth entities. However, Finance guidance notes that:

Under section 27A of the PGPA Rule, companies are **still** required to report in their annual reports, on the actual performance results achieved against the performance information outlined in their corporate plans.⁹⁶

2.109 The failure of the ASC to publish a corporate plan beginning from the 2015-16 financial year, therefore meant the 2015-16 annual report was not able to report against the plan's performance measures to demonstrate achievement of its purpose.

2.110 The committee notes that other Commonwealth companies did manage to make better progress in transitioning to the requirements under the new performance framework. For example, the Aboriginal Hostels Limited, a wholly owned Commonwealth company within the PM&C Portfolio and under the committee's oversight, prepared a corporate plan for 2015-19 which is available on its website and prepared its 2015-16 annual report in accordance with the PGPA Rule including a compliance index. The committee further notes another Commonwealth company identified as a GBE under section 5 of the PGPA Rule, Moorebank Intermodal Company Limited, has prepared a corporate plan for 2015-19 and the annual report in accordance with the requirements under the PGPA Rule.

94 See Senate Finance and Public Administration Legislation Committee, *Annual Reports (No. 2 of 2014)*, pp 17-18.

95 Department of Finance, Resource Management Guide No. 133, *Corporate plans for Commonwealth companies*, July 2016, p. 6.

96 Department of Finance, Resource Management Guide No. 134, *Annual performance statements for Commonwealth entities*, July 2016, p. 4.

2.111 Noting that the ASC now has in place a Statement of Corporate Intent for 2016-21, which summarises its corporate plan, the committee hopes to see the next annual report of the company prepared in accordance with the relevant requirements under the PGPA Rule, with the inclusion of the compliance index.

2.112 Notwithstanding the absence of a compliance index for the reporting requirements under the PGPA Rule, the report was examined for compliance with the relevant information required. The report generally included the information required; however, the absence of a compliance index means that when an item is not located the reader is left uncertain on whether it was omitted because there was a 'nil' return for that item. For example, section 28E(m) requires information on particulars of judicial decisions or decisions of administrative tribunals made that had a significant effect on the operations of the company; and section 28E(n) requires particulars of any report on the company during the reporting period by parliamentary committees or statutory oversight officers or bodies. The absence of any reference to these items implies that there were no relevant decisions about, or reports on, the ASC, but a clear statement to that effect would assist in ensuring clarity on this item.

Performance information

2.113 The ASC reported a strong performance for the 2015-16 financial year, recording an after tax profit of \$26.6 million.⁹⁷ This compares to a \$21.9 million after tax profit for the previous year, and a \$3.8 million loss in 2014.⁹⁸

2.114 The Chairman, Mr Bruce Carter, highlighted the completion of the HMAS *Farncomb's* two-year full-cycle docking ahead of the contract date, which he noted was the first Collins Class submarine to do so as part of the new maintenance regime. He noted that '[t]his achievement demonstrates how defence and industry can work together to achieve the Government's objectives.'⁹⁹

2.115 The Chairman also provided an update on progress with the Air Warfare Destroyer Project where he advised that shipbuilding was progressing at a rapid pace with several milestones met:

Ship 01's main engines and generators were "lit off" - meaning the ship is now selfpowered and commenced sea trials in September 2016. Ship 02 completed hull consolidation on 17 December 2015 and as at 4 July 2016 was 72% complete. This means it will be at an advanced state of completion for its planned launch in December 2016. Ship 03's keel was laid in on 19 November 2015 and all off-site blocks have been delivered to ASC for consolidation and outfit.¹⁰⁰

97 *ASC Pty Ltd Annual Report 2016*, p. 4.

98 *ASC Pty Ltd Annual Report 2015*, p. 4.

99 *ASC Pty Ltd Annual Report 2016*, p. 4.

100 *ASC Pty Ltd Annual Report 2016*, p. 5.

2.116 He further noted the future projects which present opportunities for the ASC, including the Australian build of the Future Submarines, Offshore Patrol Vessels and Future Frigates.¹⁰¹

2.117 In relation to the future submarine project the Chief Executive Officer, Mr Stuart Wiley, advised that the ASC welcomed the selection of DCNS as the winner of the competitive evaluation process for the Future Submarine Project and advised that the ASC has:

...started working collaboratively with DCNS to share our unique understanding of Australia's submarine requirements and conditions and are well-positioned to assist with this project from the earliest possible stages.

ASC's experience, track record, people and facilities will assist to achieve regionally superior submarines. We have the largest and most capable submarine platform workforce in Australia that will be critical to ensuring a seamless transition into two classes of operational submarines and delivering an enduring and potent submarines force for the nation.¹⁰²

2.118 The Chief Executive Officer ASC Shipbuilding, Mr Mark Lamarre, also discussed progress in Air Warfare Destroyer Project, in addition to highlighting shipbuilding productivity improvements achieved through the company's Five Point Plan. He noted that as at 30 June 2016, the ASC achieved a 38 per cent cost improvement on Ship 02 compared to Ship 01; and more than 30 per cent improvement on Ship 03 from Ship 02. He noted that higher productivity was achieved on follow on ships through a:

...keen focus on providing our tradespeople the material and documentation they require at the right time in the correct configuration, an ardent focus on applying lessons learnt, and by applying a strategy of moving workscope from the water to earlier stages of construction.¹⁰³

2.119 The report included more detailed discussion on the Collins Class Submarine Program and the Hobart Class Air Warfare Destroyer Program. The report also included reports on infrastructure development, the company's safety and environmental performance, a broad overview of workforce statistics and training programs, and corporate governance.

2.120 It was noted that the corporate governance section of the report included limited detail on executive remuneration: excluding superannuation and performance incentives, it was indicated that five employees received remuneration of \$300,000 or above, and 10 employees received remuneration below \$300,000.¹⁰⁴

101 *ASC Pty Ltd Annual Report 2016*, p. 5.

102 *ASC Pty Ltd Annual Report 2016*. p. 7.

103 *ASC Pty Ltd Annual Report 2016*, p. 9.

104 *ASC Pty Ltd Annual Report 2016*, p. 22.

2.121 The committee notes that the NBN Co Limited, a similar category of body to the ASC under the section 5 of the PGPA Rule, that is, a Commonwealth company and a GBE, has provided a detailed 'remuneration report' in its 2015-16 annual report:

The purpose of the Remuneration report is to set out the principles and the remuneration strategy nbn [sic] applies to remunerate key management personnel...

The report also aims to demonstrate how the remuneration policy is aligned to our goals and strategic imperatives, enabling performance-based reward and supporting the retention of high calibre Executives to achieve our goals by 2020 and beyond.¹⁰⁵

2.122 The NBN report discloses detailed information on the remuneration of both the non-executive directors and senior executives within the organisation for the current and previous financial year. The information provides a breakdown which includes where relevant, directors' fee, the base salary and fees, short-term incentives, non-cash benefits, superannuation contributions, long service leave and termination benefits.¹⁰⁶

2.123 The committee commends this comprehensive and transparent approach and would hope to see the ASC follow this example in future annual reports.

2.124 It is further noted that on 18 February 2017, the Minister for Finance announced measures to increase transparency and accountability in executive remuneration for GBEs:

I have written to all Chairs of government business enterprises to remind them that in setting executive remuneration they needed to be conscious of community expectations in relation to remuneration practices for government owned businesses as well as their requirements to attract effective leaders for their organisations in a competitive market environment.

They have also been asked to provide greater transparency of their executive remuneration arrangements in their future Annual Reports.

All government business enterprises have been asked to make public all relevant information in relation to its executive remuneration arrangements for the 2015-16 reporting period.¹⁰⁷

2.125 The committee welcomes the government's action and looks forward to the release of the required information by GBEs by 28 February 2017¹⁰⁸ and increased transparency in future annual reports.

105 *NBN Annual Report 2015-16*, p. 56.

106 *NBN Annual Report 2015-16*, pp 66-67.

107 Senator the Hon Mathias Cormann, Minister for Finance, Media Release, MC 3/17, *Transparency and accountability in executive remuneration for government businesses*, 18 February 2017.

Senator James Paterson
Chair

108 This date was reported in an article in the *Australian Financial Review*, 'Malcolm Turnbull expands executive pay crackdown', 19 February 2017, <http://www.afr.com/news/politics/mathias-cormann-issues-executive-pay-directive-20170219-gug927> (accessed 20 February 2017).

Appendix 1

Dates relating to the presentation of reports between 1 May and 31 October 2016

PARLIAMENT				
Report	Submitted to Minister	Received by Minister	Tabled in the Senate or presented out of sitting (*)	Tabled in the House of Representatives
Department of the Senate – Report for 2015-16	-	-	11/10/16	-
Parliamentary Budget Office – Report for 2015-16	-	-	12/10/16	12/10/16
Department of Parliamentary Services – Report for 2015-16	-	-	12/10/16	12/10/16
Parliamentary Service Commissioner – Report for 2015-16, including report of the Parliamentary Service Merit Protection Commissioner	-	-	14/10/16*	-
PRIME MINISTER AND CABINET PORTFOLIO				
<i>Independent National Security Legislation Monitor Act 2010</i> – Control Order Safeguards: Part 2 – Final report by the Hon Roger Gyles AO QC, April 2016	20/04/16	20/04/16	31/08/16	-
Indigenous Business Australia – Corporate Plan 2016-17	28/07/16	08/08/16	31/08/16	31/08/16
Australian National Audit Office – Report for 2015-16	01/09/16	09/09/16	14/09/16	14/09/16
Department of the Prime Minister and Cabinet - Report 2015-16, including the reports of the Aboriginals Benefit Account, Aboriginal and Torres Strait Islander Land Account and the Office of the Registrar of Indigenous Corporations	07/10/16	07/10/16	12/10/16	12/10/16
Inspector-General of Intelligence and Security – Report for 2015-16	29/09/16	04/10/16	12/10/16	12/10/16
<i>Stronger Futures in the Northern Territory Act 2012</i> – Independent Review under section 117 of the Act – Report by KPMG, dated July 2016	15/07/16	15/07/16	12/10/16	12/10/16
Commonwealth Ombudsman – Report for 2015-16 (Also forwarded to the Legal and Constitutional Affairs Legislation Committee)	07/10/16	10/10/16	07/11/16	13/10/16
<i>Independent National Security Legislation Monitor Act 2010</i> – Certain matters regarding the impact of amendments to the Counter-Terrorism Legislation Amendment (Foreign Fighters) Bill 2014 – The Hon Roger Gyles AO QC – Report, May 2016	02/05/16	02/05/16	07/11/16	13/10/16

Australian Public Service Commissioner – Report for 2015-16, including the report of the Merit Protection Commissioner	30/09/16	04/10/16	14/10/16*	17/10/16
Remuneration Tribunal – Report for 2015-16	22/09/16	23/09/16	14/10/16*	17/10/16
National Australia Day Council Limited – Report for 2015-16	17/10/16	18/10/16	27/10/16*	07/11/16
Office of the Official Secretary to the Governor-General – Report for 2015-16	14/10/16	18/10/16	31/10/16*	07/11/16
Indigenous Business Australia – Report for 2015-16	20/09/16	22/09/16	07/11/16	17/10/16
Indigenous Land Corporation – Report for 2015-16	27/09/16	29/09/16	07/11/16	17/10/16
Central Land Council – Report for 2015-16	23/09/16	29/09/16	07/11/16	20/10/16
<i>Public Interest Disclosure Act 2013</i> – Review on the operation of the Act – Report by Mr Philip Moss AM, dated 15 July 2016	15/07/16	15/07/16	07/11/16	20/10/16
FINANCE PORTFOLIO				
Report	Submitted to Minister	Received by Minister	Tabled in the Senate or presented out of sitting (*)	Tabled in the House of Representatives
Final Budget Outcome 2015-16	16/09/16	16/09/16	10/10/16	10/10/16
Department of Finance – Report for 2015-16	12/10/16	12/10/16	21/10/16*	07/11/16
Australian Electoral Commission – Report for 2015-16	06/10/16	06/10/16	24/10/16*	07/11/16
Future Fund Board of Guardians and Future Fund Management Agency – Report for 2015-16	19/10/16	19/10/16	27/10/16*	07/11/16
ASC Pty Ltd – Report for 2015-16 (<i>Also referred to the Foreign Affairs, Defence and Trade Legislation Committee</i>)	27/09/16	29/09/16	28/10/16*	07/11/16
Clean Energy Finance Corporation – Report for 2015-16 (<i>Also referred to the Environment and Communications Legislation Committee</i>)	17/10/16	17/10/16	31/10/16*	07/11/16
Moorebank Intermodal Company Limited – Report for 2015-16 (<i>Also referred to the Rural and Regional Affairs and Transport Committee</i>)	30/09/16	21/10/16	31/10/16*	07/11/16