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## Foreign Affairs, Defence and Trade Legislation Committee

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# Preface

## Introduction

1. The Committee is responsible for examining annual reports of departments and agencies within two portfolios: Defence (including the Department of Veterans' Affairs), and Foreign Affairs and Trade.<sup>1</sup>

2. Under Standing Order 25(21), the Committee is required to report on annual reports tabled by 31 October each year by the tenth sitting day of the following year, and on reports tabled by 30 April each year by the tenth sitting day after 30 June of that year.

3. The standing order states:

Annual report of departments and agencies shall stand referred to the legislation committees in accordance with an allocation of departments and agencies in a resolution of the Senate. Each committee shall:

- 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.

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<sup>1</sup> See appendix 1 for a list of all departments and agencies under these portfolios.

## Role of annual reports

4. Annual reports place a great deal of information about government departments and agencies on the public record. Accordingly, the tabling of annual reports continues to be an important element of accountability to Parliament. The information provided in annual reports assists Parliament in the effective examination of the performance of departments and agencies and the administration of government programs. Indeed, as noted in the *Requirements for Annual Reports*:

Annual reports serve to inform the Parliament (through the responsible Minister), other stakeholders, educational and research institutions, the media and the general public about the performance of departments in relation to services provided. Annual reports are a key reference document and a document for internal management. They form part of the historical record.

## Assessment of annual reports

5. The annual reports are examined by the Committee to determine whether they are timely and ‘apparently satisfactory’.<sup>2</sup> The Committee considers whether the reports comply with the relevant requirements for the preparation of annual reports of departments and authorities.

6. The requirements are set down in the following instruments:

- for portfolio departments: *Public Service Act 1999*, subsections 63(2) and 70(2), and the *Requirements for annual reports for departments executive agencies and FMA Act bodies*, Department of Prime Minister and Cabinet, June 2003;
- for Commonwealth authorities and companies: the *Commonwealth Authorities and Companies Act 19*; in particular, the *Commonwealth Authorities and Companies (Report of Operations) Orders 2002*; and
- for non-statutory bodies: the guidelines are contained in the Government response to the report of the Senate Standing Committee on Finance and Government Operations on Non-statutory bodies, Senate *Hansard*, 8 December 1987, vol s124, pp. 2643–45 (requirements were modified in 1987).

Excerpts of the reporting requirements are at appendix 3.

## General comments on the annual reports

7. The following annual reports have been examined by the Committee:

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<sup>2</sup> See appendix 2 for a compliance table of the reports referred to the Committee for scrutiny.



***Defence portfolio***

Army and Air Force Canteen Service, trading as Frontline Defence Services  
Australian Military Forces Relief Trust Fund  
Australian Strategic Policy Institute  
Australian Submarine Corporation  
Australian War Memorial  
Defence Force Remuneration Tribunal  
Defence Force Retirement and Death Benefits Authority  
Defence Housing Authority  
Department of Defence  
Department of Veterans' Affairs, Repatriation Commission and the National Treatment Monitoring Committee  
Military Superannuation and Benefits Scheme  
Repatriation Medical Authority  
Royal Australian Air Force Veterans' Residences Trust Fund  
Royal Australian Air Force Welfare Trust Fund  
Royal Australian Navy Relief Trust Fund  
Veterans' Review Board.

***Foreign Affairs and Trade portfolio***

Australian Agency for International Aid Development (AusAID)  
Australian Centre for International Agricultural Research (ACIAR)  
Australian Safeguards and Non-Proliferation Office (ASNO)  
Australian Trade Commission (Austrade)  
Department of Foreign Affairs and Trade  
Export Finance and Insurance Corporation (EFIC).

***Timeliness in tabling annual reports***

8. Section 63 of the *Public Service Act 1999* requires the Secretary of a Department, after the end of each financial year, to give a report to the Agency Minister for presentation to the Parliament on the Department's activities during the year.

9. The letter of transmittal is to be dated on the day the signatory approves the final text of the report for printing. The Committee noted that several agencies did not have a date on their letter of transmittal, or, did not have a letter of transmittal in the front of the report. Providing these details will assist the Committee in determining if reports comply with the relevant requirements.

10. The *Requirements for Departmental Annual Reports* specify that a copy of the annual report is to be laid before each House of the Parliament on or before 31 October in the year in which the report is given. The annual reports of the

Department of Defence, the Australian Centre for International Agricultural Research and the ASC Pty Ltd were late in being presented to the Senate.<sup>3</sup> It should be noted that the Annual Report of Frontline Defence Services for 2004–05 has not yet been presented to the Parliament and no letter explaining this delay or seeking an extension has been tabled in the Parliament. A table detailing the dates relating to the timeliness of presentation is at Appendix 3.

### ***Comments made in the Senate***

11. The Committee is obliged, under Senate Standing Order 25(21)(d) to consider any remarks made about these reports in the Senate. There were no comments in the Senate on any of these reports.

### ***Matters of significance***

12. In accordance with SO25, the committee is to note any significant matters relating to the operations and performance of the bodies presenting their annual report. The committee draws attention to the financial statements of the Department of Defence contained in its Annual Report which are discussed in greater detail in the following chapter.

### ***Bodies not presenting annual reports to the Senate***

13. The Committee is required to report to the Senate each year on whether there are any bodies that do not present annual reports to the Senate and which should present such reports. The Committee is satisfied that there are no bodies, within these portfolios, which do not meet their reporting requirements to the Senate.

### ***Standard of reports***

14. The Committee found all reports to be generally of a high standard. They effectively described the function, activities and financial positions of the various departments and agencies. The Committee therefore finds all of the annual reports to be ‘apparently satisfactory’. It is unable, however, to comment on Frontline Defence Services’ Annual Report for the period under review which is yet to be presented to the Parliament.



**David Johnston**  
Chair

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3 See appendix 2 for reports tabled on or before the last sitting day of 2005.

# Chapter 1

## Annual reports of departments

### Department of Defence

#### *Timeliness in presenting annual report*

1.2 The Defence Annual Report 2004–2005 was presented to the President of the Senate on 11 November 2005 and tabled in the Senate on 30 November 2005.

1.3 The Secretary of Defence, Mr Ric Smith, attributed the late tabling of the report to the delay in finalising the department's opinion on its financial statement. He explained on 2 November 2005 that:

We completed our statements of opinion on them [financial statements] on Friday and could then have proceeded to table the annual report yesterday. But as Senator Hill had been away and I wanted the opportunity to brief him very fully on it and to enable him to question me, which he has done, we have deferred tabling the annual report. It will now be done when it is printed.

1.4 A letter dated 28 October, from Mr Smith to the Minister, was tabled in the Senate on 3 November 2005. Under section 34C(4) of the *Acts Interpretation Act 1901*, Mr Smith sought an extension for the tabling the report on the grounds stated above.

#### *Review of department's performance*

1.5 Mr Ric Smith, Secretary of the Department of Defence, and Air Chief Marshal Angus Houston, Chief of the Defence Force, in their joint review of the year, noted that 2004–2005

...saw a continued strong focus on military operations, procurement reform, and financial management remediation. Particular attention was also accorded to military justice, intelligence reform and issues of Australian Defence Force (ADF) recruitment and retention.<sup>1</sup>

#### *Significant matters relating to the operations and performance of the department*

##### *Defence's financial statements*

1.6 The Committee is required to note any significant matters relating to the operations and performance of the bodies presenting their annual reports. The Committee draws attention to the department's financial statements.

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1 Department of Defence Annual Report 2004–2005, p. 2.

1.7 It is mandatory under section 57 of the *Financial Management and Accountability Act 1997* for the annual report to include a copy of the audited financial statements and the Auditor-General's report thereon. Over recent years, Defence's financial statements have shown significant deficiencies.

*A history of qualified financial statements*

1.8 In 2001, the ANAO found that there were significant internal control issues which cast doubt on the accuracy of Defence's financial statements for the year ending June 2001. For the years ending June 2002, 2003 and 2004, the ANAO similarly reported that the Department's financial statements had significant internal control issues and contained qualifications. The Secretary and the Chief Finance Officer of Defence were not able to meet the financial reporting requirements of the Finance Minister's Orders in 2003–04.

1.9 In its review of the 2003–04 Defence annual report, the Committee noted, with regard to the financial statements, that 'Defence and ANAO have accepted that while some of the problems might be quickly solved, others are more deeply entrenched and will take some years to resolve'.<sup>2</sup>

*Financial statements for year ending 2004–05*

1.10 For the financial year 2004–05, the Secretary and the Chief Finance Officer of Defence were again not able to meet the financial reporting requirements of the Finance Ministers' Orders. The Secretary and CDF, in their review, stated that 'the Secretary and Acting Chief Finance Officer again concluded this year, as in 2003–04, that they could not attest that the overall statements were true and fairly stated'.<sup>3</sup>

1.11 In its most recent audit on Defence's financial statements for the year ending June 2005, the ANAO reported that there were moderate or significant issues reported previously not yet resolved, and further, that there were new moderate or significant issues. The ANAO report stated that the Auditor-General's opinion on the financial statements was qualified, explaining:

The audit qualification arose from a series of significant audit issues that were expressed as limitations on the scope of the audit, covering material aspects of Defence assets and personnel entitlements. This qualification was expressed as an inability to form an opinion...<sup>4</sup>

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2 Department of Defence Annual Report 2003–2004, p. 20.

3 Department of Defence Annual Report 2004–2005, p. 5.

4 ANAO, Audit Report No. 21 2005–2006, Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2005, pp. 101–102 and 104. (See pages 100–116 for a full assessment of Department of Defence's financial statements.)

The qualified audit opinion is attributable to an internal control environment that requires significant and sustained improvement. Shortcomings are evident in a number of key operational and business support systems and processes, in particular logistics and asset management, finance and personnel. In addition, record keeping practices need considerable improvement.<sup>5</sup>

1.12 In summary, ANAO noted:

The internal controls of the Department of Defence (Defence), designed to provide reasonable assurance regarding the reliability of financial reporting, contains significant deficiencies due to weaknesses pertaining to financial management and systems, inadequacies surrounding accounting records, inventory, asset and employee entitlement recording. The deficiencies have resulted in significant uncertainties, which have been expressed as audit scope limitations, in relation to several material balances, including Inventories, Repairable Items (a component of Specialist Military Equipment), Infrastructure, Plant and Equipment, Intangibles, and Employee Leave Provisions.<sup>6</sup>

1.13 The audit report also found that section 48 of the FMA Act had been contravened as Defence's accounts and records did not properly record and explain Defence's transactions and financial position. ANAO determined that it was:

...unable to express an opinion on whether the 2004–05 financial statements of Defence were prepared in accordance with the Finance Minister's Orders made under the FMA Act, and give a true and fair view, in accordance with applicable Accounting Standards and other mandatory financial reporting requirements in Australia.<sup>7</sup>

1.14 The ANAO Report noted that Defence continues to implement a range of improvements to its financial management and business systems and processes, although more work is still required. Defence is currently working through 95 Australian National Audit Office 2003–04 audit findings, and 53 Australian National Audit Office 2004–05 audit findings.

1.15 Important initiatives that have been established include:

- implementation of 16 remediation strategies;

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5 ANAO, Audit Report No. 21 2005–2006, Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2005, p. 104.

6 Department of Defence Annual Report 2004–2005: ANAO, Independent Audit Report to the Minister for Defence, Summary, after p. 346.

7 Department of Defence Annual Report 2004–2005: ANAO, Independent Audit Report to the Minister for Defence, Comparative Information, after p. 346.

- establishment of program offices in the Chief Finance Officer Group and the Defence Materiel Organisation to drive audit remediation strategies and to provide independent advice to the Secretary and the Financial Statements Project Board on achievement of remediation outcomes;
- rigorous monitoring of remediation strategies by the Financial Statements Project Board, augmented by a representative from the Department of Finance and Administration and a private sector accounting specialist; and
- development of a financial controls framework that will standardise financial transactional and management processes across the portfolio to improve the integrity of Defence financial data, budgeting and financial statements.<sup>8</sup>

1.16 The review by the Secretary and CDF emphasised that they considered that the results in terms of cash management, receivables, revenues from government, and specialist military equipment exclusive of repairable items were fairly stated. They also considered that the value of the land and building was fairly stated:

While the overall result remains disappointing, it does reflect improvement on the 2003–04 statements. The total value of the uncertainty has been reduced, and the qualification on land and building values removed. As well, 53 of last year's 95 audit findings were submitted to the Australian National Audit Office (ANAO) for clearance during the period.

We continued to drive to improve and reform our management of assets and liabilities. In June 2005, as part of this drive, we launched the Defence Financial Controls Framework project. This project, under the Chief Finance Officer's leadership, aims to establish a best practice financial controls framework in Defence that results in high quality, repeatable, outcomes that are acceptable by external auditors.<sup>9</sup>

1.17 Defence reported that it resolved some audit findings in 2004–05, but enduring improvements may take some years.<sup>10</sup> The report under review states that the Defence Financial Controls Framework Project is set to a five year time frame. This reflects 'the fundamental nature of the changes to be put in place':

The adoption of a comprehensive financial framework for Defence will require significant cultural and behavioural change for all staff working in the financial domain and for Defence people more widely. Such

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8 Department of Defence Annual Report 2004–2005, p. 41.

9 Department of Defence Annual Report 2004–2005, p. 5.

10 Two strategies have been added since the publishing of the Portfolio Budget Statements 2005–06 (S12—Provisions for Contaminated or Potentially Contaminated Land, Buildings and Infrastructure and S13—Commitments and Accounting for Leases).

fundamental change in an organisation as large as Defence will take at least five years to achieve.<sup>11</sup>

1.18 The Committee appreciates that the Department needs time to redress the problems identified in its financial management and business systems and processes as well as the need for 'significant cultural and behavioural change' for staff working in these areas. Even so, the Committee expects to see marked improvement recorded in next year's annual report. It urges Defence not to relax its endeavours to address the problems identified by ANAO.

1.19 On the positive side, the Committee was pleased to note the section on the progress of the financial statements remediation plans. It provides the reader with an excellent overview of the plans without requiring any technical expertise. Each remediation plan is briefly but clearly described. It also details the activity required to achieve an outcome, the major outcomes achieved during the year, and those planned for the coming year.<sup>12</sup>

### ***Summary***

1.20 This annual report presents the activities of the Department in a clear, concise manner, which helps the reader to locate any issue or subject of interest with a minimum of effort.

1.21 The Committee finds Defence's annual report to be both an informative and a well produced account of the Department's activities over the past year and that it meets all the requirements for departmental annual reports.

### **Department of Foreign Affairs**

1.22 The Department of Foreign Affairs and Trade Annual Report 2004–2005 was presented to the President on 28 October 2005 and tabled in the Senate on 7 November 2005.

1.23 In the Secretary's review, Mr Michael L'Estrange, stated that 'in an increasingly challenging and inter-connected global environment, the Department worked to protect and promote the interests of Australia and Australians internationally during 2004–2005':

A flexible workforce and close coordination with other Australian Government departments and agencies underpinned the department's contributions to strong whole of government outcomes across foreign and trade policy and consular issues.

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11 Department of Defence Annual Report 2004–2005, p. 40.

12 Department of Defence Annual Report 2004–2005, p. 41. Details on Defence's financial management reform can be found at pages 40–55.

...

The international security environment continued to pose serious challenges for the department, as demonstrated by the September 2004 terrorist attack against the Australian Embassy in Jakarta. We continued to implement an extensive program to improve physical security standards at Australian missions in order to protect our overseas posts and the people who visit and work in them. The department strengthened Australia's international counter-terrorism engagement through practical cooperative mechanisms, particularly with regional partners.<sup>13</sup>

1.24 The Secretary also stated that the unpredictable international security environment, combined with increasing numbers of Australians travelling overseas, continued to present challenges for the department's consular service:

In 2004–05 we provided consular assistance to over 25,000 Australians overseas—almost double the number from the previous year. We issued over 1.2 million travel documents—16 per cent more than in 2003–04.

...

To promote safe overseas travel, the department continued to take great care in issuing and revising travel advisories, providing Australians with up-to-date information on security conditions in major destinations. ... We improved our online facilities for dealing with consular and passport enquiries, including by making online passport information more accessible ... and... We made significant progress towards introducing an ePassport using biometric facial recognition technology from October 2005.<sup>14</sup>

1.25 Once again, for ease of reporting, the report of the Department of Foreign Affairs and Trade (DFAT) has been divided into two volumes. Volume 1, which is examined in this chapter deals with the Department of Foreign Affairs and Trade, while volume 2 reports on the Australian Agency for International Development (AusAID).

1.26 As usual the Department has produced a fine report that presents its activities in a clear, concise manner allowing the reader to locate almost all issues or subjects of interest with a minimum of effort.

1.27 The Committee accepts that the report has been prepared in accordance with the guidelines and finds that DFAT has met the reporting requirements for a departmental report.

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13 Department of Foreign Affairs and Trade Annual Report 2004–2005, p. 3.

14 Department of Foreign Affairs and Trade Annual Report 2003–2004, pp. 8–9.



## Department of Veterans' Affairs

1.28 The Department of Veterans' Affairs Annual Report 2004–05 was tabled in the Senate on 11 October 2005.

1.29 The annual report for Department of Veterans' Affairs also includes the annual reports of the Repatriation Commission, the Military Rehabilitation and Compensation Commission (MRCC); and, the National Treatment Monitoring Committee (NTMC). The Secretary of the Department is also the President of the Repatriation Commission, and Chair of both the MRCC and the NTMC.<sup>15</sup>

1.30 In the President/Chair/Secretary's overview, Mr Mark Sullivan, stated that the period under review marked the beginning of a new era in serving Australia veterans. With the profile of Australia's veterans population rapidly changing, DVA is seeking to adapt its service delivery to meet their needs:

The main change is that we are now caring for veterans, war widows/widowers and serving members across several generations, and their needs are radically different.

...

We are caring for older World War II veterans and war widows/widowers with complex health care needs, as well as members of the Australian Defence Force, only now entering the military and facing a very different occupational environment. The changing demographics of the veterans' community, including their greater geographical spread throughout Australia, means DVA needs to alter the way we do our business.<sup>16</sup>

1.31 The committee noted that in order to accommodate the changing needs of the veterans community, DVA is undertaking a review of its service delivery arrangements:

We are looking at how we can operate more efficiently, while continuing to sustain the level of service delivery to which the veterans and defence force communities are accustomed. To this end, the Department has established a working group on service delivery arrangements. The role of this group is to assess the Department's current service delivery arrangements and to develop options and strategies for future arrangements.<sup>17</sup>

1.32 As observed in last year's report, following Government's adoption of recommendations arising from the Clarke Committee's review, the Department

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15 Department of Veterans' Affairs Annual Report 2004–2005, p. 1. See also p. 10 for all portfolio entities covered by this report and their enabling legislation.

16 Department of Veterans' Affairs Annual Report 2004–2005, p. 1.

17 Department of Veterans' Affairs Annual Report 2004–2005, p. 1.

finalised the implementation of various initiatives from the Review of Veterans' Entitlements. This included the introduction of the Defence Force Income Support Allowance, and the provision of rent assistance in addition to the ceiling rate of income support to some 8,000 war widows/widowers.<sup>18</sup>

1.33 Over previous reports on annual reports the Committee has taken an interest in DVA efforts to streamline and improve its information technology infrastructure. The Committee notes a high point in the Department's ongoing investment in IT resources:

During the past year, significant changes to the Department's IT infrastructure have been implemented. DVA has adopted a new Citrix MetaFrame environment. The environment allows for more streamlined processes, and provides the Department with support to maintain high quality services.<sup>19</sup>

1.34 The Committee commends the Department on producing a clear, concise and legible list of tables and appendices detailing the Department's financial position, assets and commitments.

1.35 In conclusion, the Committee finds that the Department of Veterans' Affairs has once again submitted a comprehensive and well designed annual report that meets all the reporting requirements for a Commonwealth department.

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18 Department of Veterans' Affairs Annual Report 2004–2005, p. 3.

19 Department of Veterans' Affairs Annual Report 2004–2005, p. 3.

## Chapter 2

### Annual reports of statutory and non-statutory authorities and government companies

#### Defence portfolio

##### *The Army and Air Force Canteen Service* *[trading as Frontline Defence Services]*

2.1 The *Army and Air Force Canteen Service Annual Report 2003–2004* was presented to the President of the Senate on 13 September 2005. A letter from Frontline Defence Services, advising of a delay in presenting the report, was tabled in the Senate on 8 September 2005. The letter, dated 17 May 2005, to the Minister, the Hon De-Anne Kelly MP, from Mr Robin Hart, Chairman, Frontline Defence Services, stated:

Frontline prepared its annual financial statements for the year ended 30 June 2004 in accordance with the reporting timetable. The audit was performed by Australian National Audit Office and an Unqualified audit report was issued on 21 October 2004. At this time, the Federal election and Ministerial changes prevented the report being submitted, however the audited financial statements were forwarded to your office and distributed with Defence with the quarterly report.

Notwithstanding this situation, I regret that the annual report had not been completed. Administrative issues in 2005 have unfortunately overtaken the completion of the report. Please be assured that the matter is now receiving the highest priority and will be finalised during this week.

2.2 The report is tabled in accordance with section 9 of the *Commonwealth Authorities and Companies Act 1997*.

2.3 The Army and Air Force Canteen Service (AAFCANS) was established under the Army and Air Force Canteen Service Regulations 1959. The Board adopted the trade name 'Frontline Defence Services' ('Frontline') in 1997 as part of a major business realignment.<sup>1</sup> It is a statutory authority 'formed to provide goods, facilities and services to, or entertainment and recreation of, designated members of the Defence family'. Under the regulations, Frontline returns its profits or surplus to bases for the provision or improvement of welfare and amenities for Defence personnel.<sup>2</sup>

2.4 The financial year 2003–2004 was a challenging one for Frontline. The Chairman reported that:

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1 Army and Air Force Canteen Service Annual Report 2002–2003, pp. 2, 4, 24.

2 Army and Air Force Canteen Service Annual Report 2002–2003, p. 1; and, Army and Air Force Canteen Service Annual Report 2003–2004, p. 4.

Frontline recorded revenues of \$33,228k and a net operating deficit of \$1,207k. Cash generated by the business over the period was \$571k.

....

The business faced many planned and unexpected hurdles during the year, including:

- The winding up of overseas operations (East Timor and Solomon Islands)
- Deployment of troops to areas not serviced
- Low levels of personnel on base during most of 2003–2004
- The identification and write off of \$316k in bad debts relating to previous years.

...Despite recording a net deficit, disbursements of \$150,000 were paid out of surplus funds.<sup>3</sup>

2.5 The Chairman goes on to report that the Board responded to the 'hurdles' by introducing new revenue-generating initiatives and cost-cutting programs. These included:

- the launch of Frontline Online, the new internet sales site,
- the rationalisation of several outlets, in consultation with base commanders,
- the formation of strategic alliances to expand the range of products and services offered; and
- conduct and analysis of customer surveys.<sup>4</sup>

2.6 The Chairman concluded his remarks by emphasising that Frontline continues to operate under unique conditions... 'regulations and stakeholders expectations require it to operate on a competitive, commercial basis. Nevertheless, Frontline also has a responsibility to provide services in locations and circumstances that are not commercially viable'.<sup>5</sup>

2.7 The 2003–2004 report is an informative account of the operations and performance of Frontline Defence Services. The Committee finds that this report fulfils all requirements outlined in the guidelines for statutory bodies.

### *Annual report 2004–05*

2.8 The Committee notes that the annual report for the current period under review has not been received within the required tabling time line. The Committee is unaware of any explanation as to why this report is late and finds this to be unsatisfactory.

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3 Army and Air Force Canteen Service Annual Report 2003–2004, p. 10.

4 Army and Air Force Canteen Service Annual Report 2003–2004, p. 10.

5 Army and Air Force Canteen Service Annual Report 2003–2004, p. 5.

### *Australian War Memorial*

2.9 The Australian War Memorial Annual Report 2004–2005 was tabled in the Senate on 11 October 2005. The Australian War Memorial (AWM) is a statutory authority within the Veterans' Affairs portfolio and functions in accordance with the requirements of the Australian War Memorial Act 1980 and the Commonwealth Authorities and Companies (CAC) Act 1997.<sup>6</sup>

2.10 'The purpose of the Australian War Memorial is to commemorate the sacrifice of those Australians who have died in war.'<sup>7</sup>

2.11 In the Chairman's Report, Mr Adrian Clunies-Ross, reported that the Australian War Memorial's main focus in the first half of 2005, was the construction of a new administration building and preliminary planning for the development of new galleries:

Construction of this building began in March and on completion in early 2006, staff will relocate to it to make way in the main building for expanded gallery space. This stage of gallery redevelopment will result in the redesign of the Korea, Vietnam and Peacekeeping galleries and with related exhibitions will cover Australia's involvement in overseas commitments from 1946 to present.<sup>8</sup>

2.12 The Chairman stated that the Uhrig report, relating to statutory authorities and office holders, was of interest to Council. In light of 'a strong mutually supportive relationship between the Council, the Director, the Minister and Government ... it would be desirable to see these arrangements continue'. He went on to say that the present arrangements ... 'have been proved over time and the Memorial will work closely with the Department of Veterans' Affairs as they conduct the review in 2005–06'.<sup>9</sup>

2.13 The Committee is pleased to note the results of an ANAO follow-up audit to their 1998 *Safeguarding the National Collections* audit. The Memorial was found to have implemented all the recommendations of the previous audit and to exhibit best practice in a number of areas. The Memorial also introduced a new procurement framework due to the establishment of the Australia–United States free trade agreement.<sup>10</sup>

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6 Australian War Memorial Annual Report 2004–2005, pp. 1, 15, 69–72.

7 Australian War Memorial Annual Report 2004–2005, p. 15.

8 Australian War Memorial Annual Report 2004–2005, p. 7.

9 Australian War Memorial Annual Report 2004–2005, p. 7.

10 Australian War Memorial Annual Report 2004–2005, p. 7.

2.14 The Committee also notes that the Council was satisfied with the results attained by the Finance, Audit, and Compliance Committee. It is convinced that 'the financial matters are tightly controlled, appropriately recorded and satisfy government requirements'. The Chairman stated that that was 'borne out by both internal and external audits which, during the course of the year, have invariably recorded very favourable results'.<sup>11</sup>

2.15 The Committee finds that the War Memorial's Annual Report provides a comprehensive coverage of the organisation's activities during 2004–2005. It is an informative and well produced document, which allows the reader to easily access information. The Committee concludes that this report complies with all reporting requirements for statutory authorities.

### ***Defence Housing Authority***

2.16 The *Defence Housing Authority Annual Report 2004–2005* was presented to the President of the Senate on 28 October 2005 and tabled in the Senate on 7 November 2005. The report is submitted in accordance with section 43 of the *Defence Housing Authority Act 1987* and the *Commonwealth Authorities and Companies Act 1997*.<sup>12</sup>

2.17 The Defence Housing Authority was established in 1988, as a statutory authority, 'to provide adequate and suitable housing for members of the Australian Defence Force and their families, officers and employees of the Department of Defence and their families; and other persons, in order to meet the operational needs of the Australian Defence Force and the requirements of the Department of Defence'.<sup>13</sup> In 1992 DHA also became a government business enterprise (GBE). DHA also provides housing and relocation services to members of the Australian Customs Service (ACS).<sup>14</sup>

2.18 The Chairman, Mr Jones, and Managing Director, Mr Lyon, reported that the 2004–05 financial year was both challenging and rewarding for DHA, stating that DHA introduced significant business and process improvements designed to strengthen the organisation's financial management as well as increase the quality and value of services provided to clients:

We also endured a downturn part-way through the year in key residential markets, particularly in Sydney and Canberra regions. Despite the downward market change, we achieved good sales for the reporting period.

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11 Australian War Memorial Annual Report 2004–2005, p. 8.

12 Defence Housing Authority Annual Report 2004–2005, pp. 74–75.

13 Defence Housing Authority Annual Report 2004–2005, p. 74.

14 Defence Housing Authority Annual Report 2004–2005, p. 7.

We met all of contractual key performance indicators (KPIs), with one exception being that ADF members would like a great choice of homes, Managing this expectation in future years will require a careful balance of vacancy rates against the provision of greater choice for our customers.<sup>15</sup>

2.19 Mr Jones and Mr Lyons reported that DHA's financial performance for the year was strong, achieving earnings before interest and tax of \$82.3 million. This compares favourably with \$74.2m for last year. Some of DHA's most notable achievements were:

- a joint venture partnership at Lyons in Darwin, which will result in over 300 new homes;
- a new service delivery model was introduced, designed to improve customer service and the number of houses pre-allocated;
- completion of 451 properties at a cost of \$155 million, and acquired 520 properties at a cost of \$241 million; and
- arranged physical uplifts of 30,809 ADF members.<sup>16</sup>

2.20 The Committee notes that the section on DHA's key achievements reflect the four strategies of: delight the customer; value for money for clients; meet commercial responsibilities; and, achieve operational excellence. This section describes in dot point form, objectives and outcomes for the year. A more detailed description of activities is contained in the relevant chapter.<sup>17</sup>

2.21 The Committee finds this report to be well designed and comprehensive in its coverage of the Defence Housing Authority's activities. In particular, the Committee notes the statutory reporting compliance index<sup>18</sup>, which gives the reader a tightly structured and comprehensive overview of the organisation's compliance with legislation. The report complies with all reporting requirements for statutory bodies.

### ***Other reports***

2.22 Other Defence portfolio authorities, agencies and/or companies which had their annual reports examined by the Committee, but were not otherwise commented upon in this edition, include:

- Australian Military Forces Relief Trust Fund Annual Report 2004–2005
- Australian Strategic Policy Institute Annual Report 2004–2005
- ASC Limited Annual Report 2005

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15 Defence Housing Authority Annual Report 2004–2005, p. 18.

16 Defence Housing Authority Annual Report 2004–2005, pp. 18–19.

17 Defence Housing Authority Annual Report 2004–2005, pp. 7, 10–14.

18 Defence Housing Authority Annual Report 2004–2005, pp. 132–133.

- Defence Force Remuneration Tribunal Nineteenth Annual Report 2004–2005
- Defence Force Retirement and Death Benefits Scheme Authority Annual Report 2004–2005
- Military Superannuation and Benefits Scheme Board Annual Report 2004–2005
- Repatriation Medical Authority Ninth Annual Report 2004–2005
- Royal Australian Air Force Veterans' Residences Trust Fund Annual Report 2004–2005
- Royal Australian Air Force Welfare Trust Fund Annual Report 2004–2005
- Royal Australian Navy Relief Trust Fund Annual Report 2004–2005
- Veterans' Review Board Annual Report 2004–2005.

2.23 The Committee considers that all the annual reports of the above-mentioned organisations fully met their respective reporting requirements.

## **Foreign Affairs and Trade portfolio**

### ***Australian Agency for International Development (AusAID)***

2.24 The Australian Agency for International Development Annual Report 2004–2005 was received by the Deputy President of the Senate on 28 October 2005, and tabled in the Senate on 7 November 2005.

2.25 AusAID administers Australia's overseas aid program. According to the annual report, the objective of the aid program is to 'advance the national interest by assisting developing countries to reduce poverty and achieve sustainable development'.<sup>19</sup>

2.26 AusAID advises the government on development policy and manages Australian development cooperation programs focused on achieving broad-based growth, stability and effective governance, particularly in our region. In this way, AusAID contributes to the formulation and implementation of Australia's broader foreign policy framework. It is an administratively autonomous agency within the Foreign Affairs and Trade portfolio. The Director General reports directly to the Minister for Foreign Affairs and the Parliamentary Secretary on all aspects of aid policy and operations.<sup>20</sup>

2.27 In the Director General's review, Mr Bruce Davis, stated that in 2004–2005, events across the world and closer to home significantly shaped the Australian

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19 Australian Agency for International Development Annual Report 2004–2005, p. 9.

20 AusAID Annual Report 2004–2005, pp. 9, 10.



Government's overseas aid program. He noted that while there has been unprecedented progress made in reducing poverty, particularly in Asia, major challenges to global development remain.<sup>21</sup>

2.28 The Director General listed four priorities for the Australian aid program in 2004–2005:

- responding to the Indian Ocean Tsunami and other humanitarian and emergency situations in Bangladesh, Sudan and Southern Africa,
- improving security, governance and services in Solomon Islands and Papua New Guinea,
- Working with partner government and donors to address transnational threats such as HIV/AIDS and other pandemics, organised crime and food security, and
- Developing long-term innovative approaches to the challenges faced by fragile states in our region and beyond.<sup>22</sup>

2.29 With regard to AusAID as a whole, the Director General stated that:

Corporately, the agency had developed a strong partnership culture, embracing contestability and specialisation and involving other government departments, academic institutions, other donors, the private sector and civil society. AusAID is also embarking upon significant upgrades in its computing and communications systems to meet the challenges of more devolved program management and varied modes of aid delivery. Rigorous accountability processes, while changing, remain a core agency focus.<sup>23</sup>

2.30 Of interest to the Committee was the section 'Effectiveness against outcomes' which explains AusAID's performance information framework. AusAID aggregates information on the quality and quantity of aid program activities to assess performance of the agency's outcomes. In November 2004, the agency adopted a simplified monitoring toolbox (SMT) as the principal monitoring and reporting tool for the annual report. It is now the main component of broader monitoring and evaluation framework for country and regional programs.

2.31 The agency uses other tools, including the non-government brief and the multilateral assessment framework, to measure performance and global programs. The report states that the quality indicators in the performance information framework specify a target of 75 per cent or more of funded activities or organisations with a

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21 AusAID Annual Report 2004–2005, p. 3.

22 AusAID Annual Report 2004–2005, p. 3.

23 AusAID Annual Report 2004–2005, p. 3.

rating of satisfactory overall or higher. This approach is consistent with that adopted by the World Bank which has the same target.<sup>24</sup>

2.32 Since the tabling of the portfolio budget statements for 2004–2005, AusAID has created a new outcome and output. It covers the implementation of the Australian government's \$1 billion, five year commitment to the Australia–Indonesia Partnership for Reconstruction and Development (AIPRD). By the end of the financial under review, more that \$175 million of AIPRD grant funding had been allocated to activities in Indonesia. Total expenditure was \$8.7 million.<sup>25</sup>

2.33 The Committee finds that AusAID's annual report provides a comprehensive coverage of the organisation's activities during 2004–2005. As usual the Committee considers it to be of high quality: informative and well produced. The Committee concludes that this report complies with all reporting requirements for non-statutory authorities.

### ***Australian Trade Commission (Austrade)***

2.34 The Australian Trade Commission Annual Report 2004–2005 was presented to the President of the Senate on 14 October 2005 and tabled in the Senate on 7 November 2005.

2.35 Australian Trade Commission is a statutory authority responsible to the Minister for Trade and the Australian Government under the *Australian Trade Commission Act 1985*, *Commonwealth Authorities and Companies Act 1997*, and the *Export Market Development Grants Act 1997*. It is governed by a Board whose members are drawn from business and government. The annual report states that 'Austrade contributes to community wealth by helping more Australians succeed in export and international business'.<sup>26</sup>

2.36 In his *Managing Director's report*, Mr Peter O'Byrne stated that during 2004–05 two new major free trade agreements came into effect: one with the United States, the other with Thailand...

A core activity throughout the year was helping Australian businesses take advantage of the opportunities arising from free trade agreements. To help Australian companies gain the benefits, the Australian government invested additional resources to appoint 30 new export facilitators dedicated to the US market. Many of these have already been appointed... A specialist selling-to-government team was established in Austrade's Washington office to assist exporters tap into the \$200 billion US government procurement market.

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24 AusAID Annual Report 2004–2005, pp. 16–17.

25 AusAID Annual Report 2004–2005, p. 17.

26 Australian Trade Commission Annual Report 2004–2005, see inside cover, and p. vi.

In Thailand, Austrade actively targeted specific sectors where opportunities have been opening up as a result of the Thailand–Australia free trade agreement. One major activity was a series of seminars highlighting the agreement held in Australian capital cities and regions.<sup>27</sup>

2.37 Mr O’Byrne also commented that several other government initiatives have been implemented to help businesses understand and benefit from all FTA opportunities.<sup>28</sup>

2.38 Some highlights for the year for Austrade were:

- assisting to 4358 clients to achieve export deals worth \$18.364 billion;
- administering the payment of 3277 grants under the export market development grants scheme (EMDG), which reimburses companies for eligible export promotion expenditure;
- registering the interest of 900 Australian businesses willing to assist in tsunami reconstruction projects; and
- Austrade recognised as the 'best trade promotion organisation' from a developed country, at the inaugural World Trade Promotion Organisation awards, held in Malta in October 2004.<sup>29</sup>

2.39 The Committee is satisfied with Austrade's tables which describe its performance and outcomes for the year and its descriptions of accountability and corporate governance requirements.<sup>30</sup>

2.40 The Committee finds that Austrade's annual report provides a comprehensive coverage of the organisation's activities during 2004–2005. In keeping with previous examinations, the Committee considers this annual report to be informative and produced in a manner that allows the reader easy access to information. The Committee concludes that this report complies with all reporting requirements for non-statutory authorities.

### ***Other reports***

2.41 Other Foreign Affairs and Trade portfolio authorities and/or agencies which had their annual reports examined by the Committee but were otherwise not commented upon in this edition, include:

- Australian Centre for International Agricultural Research Annual Report 2004–2005

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27 Australian Trade Commission Annual Report 2004–2005, p. iv.

28 Australian Trade Commission Annual Report 2004–2005, p. iv.

29 Australian Trade Commission Annual Report 2004–2005, inside front cover.

30 Australian Trade Commission Annual Report 2004–2005, pp. 6, 24–42; 52 and 56.

- Australian Safeguards and Non-Proliferation Office Annual Report 2004–2005
- Export Finance and Insurance Corporation Annual Report 2005.

2.42 The Committee considers that all the annual reports of the abovementioned organisations fully met their respective reporting requirements.

# Appendix 1

## Annual reports referred to the Committee

### Defence portfolio

#### *Departments*

Department of Defence

Department of Veterans' Affairs, Repatriation Commission and the National Treatment Monitoring Committee (NATMOC)

### Statutory authorities

Army and Air Force Canteen Service Board of Management

Australian Military Forces Relief Trust Fund

Australian Strategic Policy Institute Limited

Australian War Memorial

Commonwealth Ombudsman and Defence Force Ombudsman

Defence Force Remuneration Tribunal

Defence Force Retirement and Death Benefits Authority

Defence Housing Authority (DHA)

Judge Advocate General

Office of the Inspector-General of Intelligence and Security (*not tabled*)

Military Superannuation and Benefits Board of Trustees No 1

Repatriation Medical Authority (RMA)

Royal Australian Air Force Veterans' Residences Trust Fund

Royal Australian Navy Relief Trust Fund

Veterans' Review Board (VRB)

### Non-statutory authorities and government companies

Australian Submarine Corporation Pty Limited (ASC)

***Foreign Affairs and Trade portfolio*****Department**

Department of Foreign Affairs and Trade

**Statutory authorities**

Australia–Indonesia Institute

Australia–Japan Foundation

Australian Centre for International Agricultural Research (ACIAR)

Australian Safeguards and Non–Proliferation Office

Australian Trade Commission (Austrade)

Export Finance and Insurance Corporation (EFIC)

**Non–statutory authorities and government companies**

Australia–China Council

Australia–India Council

Australia–Korea Foundation

Australian Agency for International Development (AusAID)

## Appendix 2

### Compliance table of the annual reports referred to the Committee for scrutiny for the period 2004–2005

<i>Scrutiny of reports tabled by 31 October 2005</i>				
Department/agency	Enabling legislation and timeliness	Date on letter of transmittal	@ Date report submitted to minister (if known) % Date report received by minister (if known)	* Date report presented to President; # Date tabled in the Senate
<i>Departments</i>				
Defence	<i>Public Service Act 1999</i> , s63 (1). To be tabled by 31 October.	04 Nov 05		Statement pursuant to section 34C(4) of the <i>Acts Interpretation Act 1901</i> , seeking an extension to table a report, was tabled 03 Nov 05  * 11 Nov 05 # 30 Nov 05
Foreign Affairs and Trade	<i>Public Service Act 1999</i> , s63 (1). To be tabled by 31 October.	12 Oct 05		* 28 Oct 05 # 07 Nov 05

### ***Scrutiny of reports tabled by 31 October 2005***

Department/agency	Enabling legislation and timeliness	Date on letter of transmittal	@ Date report submitted to minister (if known) % Date report received by minister (if known)	* Date report presented to President; # Date tabled in the Senate
<b><i>Departments</i></b>				
Veterans' Affairs  Incorporating the reports of ...  Repatriation Commission and  The National Treatment Monitoring Committee (NATMOC)	<i>Public Service Act 1999</i> , s63 (1). To be tabled by 31 October.  <i>Veterans' Entitlement Act 1986</i> , s215  <i>Veterans' Entitlement Act 1986</i> , s90A  [Both reports to be tabled by 31 October.]	24 Aug 05	@ 10 Oct 05 % 10 Oct 05  @ 10 Oct 05 % 10 Oct 05  @ 10 Oct 05 % 10 Oct 05	# 11 Oct 05   # 11 Oct 05  # 11 Oct 05



<b><i>Scrutiny of reports tabled by 31 October 2005</i></b>				
<b>Department/agency</b>	<b>Enabling legislation and timeliness</b>	<b>Date on letter of transmittal</b>	<b>@ Date report submitted to minister (if known) % Date report received by minister (if known)</b>	<b>* Date report presented to President; # Date tabled in the Senate</b>
<b><i>Defence—statutory authorities</i></b>				
Army and Air Force Canteen Service, trading as <i>Frontline Defence Services</i>	Established by regulations under the <i>Defence Force Act 1903</i> ; and, <i>Commonwealth Authorities and Companies Act 1997</i> , s9. Minister to table within 15 days of receiving report (by 31 Oct).	No letter of transmittal.		Statement pursuant to section 34C(7) relating to the delay in presentation of a report for 2003–2004, was tabled 08 Sep 05.  # 13 Sep 05
Australian Military Forces Relief Trust Fund	<i>Services Trust Funds Act 1947</i> ; and, <i>Commonwealth Authorities and Companies Act 1997</i> , s9. Minister to table within 15 days of receiving report (by 31 Oct).	23 Sep 05		* 25 Oct 05  # 07 Nov 05
Australian Strategic Policy Institute	<i>Commonwealth Authorities and Companies Act 1997</i> , s9. Minister to table within 15 days of receiving report (by 31 Oct).	23 Sep 05	@ 22 Sep 05 % 28 Sep 05	# 11 Oct 05
Australian War Memorial	<i>Commonwealth Authorities and Companies Act 1997</i> , s9. Minister to table within 15 days of receiving report (by 31 Oct).	13 Sep 05	@ 25 Aug 05 % 25 Aug 05	# 11 Oct 05

<b><i>Scrutiny of reports tabled by 31 October 2005</i></b>				
<b>Department/agency</b>	<b>Enabling legislation and timeliness</b>	<b>Date on letter of transmittal</b>	<b>@ Date report submitted to minister (if known) % Date report received by minister (if known)</b>	<b>* Date report presented to President; # Date tabled in the Senate</b>
<b><i>Defence—statutory authorities</i></b>				
Defence Force Remuneration Tribunal	Established in 1984 under Part IIIA, Division 2 of the <i>Defence Act 1903</i> (by 31 Oct).	21 Oct 05		* 25 Oct 05 # 07 Nov 05
Defence Force Retirement and Death Benefits Authority	<i>Defence Force Retirement and Death Benefits Act 1973</i> , ss16(2). To be tabled by minister as soon as practicable (by 31 Oct).	10 Oct 05		* 28 Oct 05 # 07 Nov 05
Defence Housing Authority	<i>Defence Housing Authority Act 1987</i> ; and, the <i>Commonwealth Authorities and Companies Act 1997</i> . Minister to table within 15 days of receiving report (by 31 Oct).			* 28 Oct 05 # 07 Nov 05
Military Superannuation and Benefits Board of Trustees No 1	<i>Military Superannuation and Benefits Act 1991</i> , s26(3). Minister to table 15 days after receiving report (by 31 Oct).	04 Oct 05		* 28 Oct 05 # 07 Nov 05
Repatriation Medical Authority (RMA)	<i>Veterans' Entitlement Act 1986</i> , s196B To be tabled by 31 October.	Letter of transmittal not dated.		# 13 Sep 05

### *Scrutiny of reports tabled by 31 October 2005*

Department/agency	Enabling legislation and timeliness	Date on letter of transmittal	@ Date report submitted to minister (if known) % Date report received by minister (if known)	* Date report presented to President; # Date tabled in the Senate
<b><i>Defence—statutory authorities</i></b>				
Royal Australian Air Force Veterans' Residences Trust Fund	<i>Royal Australian Air Force Veterans' Residences Act 1953</i> , s10A To be tabled by 31 October.	Letter not dated.		* 25 Oct 05 # 07 Nov 05
Royal Australian Air Force Welfare Trust Fund	<i>Services Trust Funds Act 1947</i> ; and, <i>Commonwealth Authorities and Companies Act 1997</i> , s9. Minister to table within 15 days of receiving report (by 31 Oct).	23 Sep 05		* 25 Oct 05 # 07 Nov 05
Royal Australian Navy Relief Trust Fund	<i>Services Trust Funds Act 1947</i> ; and, <i>Commonwealth Authorities and Companies Act 1997</i> , s9. Minister to table within 15 days of receiving report (by 31 Oct).	23 Sep 05		* 25 Oct 05 # 07 Nov 05
Veterans' Review Board	<i>Veterans' Entitlement Act 1986</i> , subsection 215(4). To be tabled by 31 October.	05 Oct 05		* 20 Oct 05 # 07 Nov 05

<b><i>Scrutiny of reports tabled by 31 October 2005</i></b>				
<b>Department/agency</b>	<b>Enabling legislation and timeliness</b>	<b>Date on letter of transmittal</b>	<b>@ Date report submitted to minister (if known) % Date report received by minister (if known)</b>	<b>* Date report presented to President; # Date tabled in the Senate</b>
<b><i>Foreign Affairs &amp; Trade—statutory authorities</i></b>				
Australian Centre for International Agricultural Research (ACIAR)	<i>Australian Centre for International Agricultural Research Act 1982</i> , s39. To be tabled by 31 October.	30 Sep 05		# 08 Nov 05 <i>[Late tabling]</i>
Australian Safeguards and Non-Proliferation Office	<i>Nuclear Non-Proliferation (Safeguards) Act 1987</i> , s51 and <i>Chemical Weapons (Prohibition) Act 1994</i> , s94. To be tabled by 31 October.	13 Oct 05		* 21 Oct 05 # 07 Nov 05
Australian Trade Commission (Austrade)	<i>Australian Trade Commission Act 1985</i> , s92; and, <i>Commonwealth Authorities and Companies Act 1997</i> , s9 To be tabled by 31 October.	15 Sep 05		* 14 Oct 05 # 07 Nov 05
Export Finance and Insurance Corporation (EFIC)	<i>Commonwealth Authorities and Companies Act 1997</i> , s9. Minister to table within 15 days of receiving report (by 31 Oct).	No letter of transmittal	@ 30 Sep 05 % 04 Oct 05	# 11 Oct 05

<b><i>Scrutiny of reports tabled by 31 October 2005</i></b>				
<b>Department/agency</b>	<b>Enabling legislation and timeliness</b>	<b>Date on letter of transmittal</b>	<b>@ Date report submitted to minister (if known) % Date report received by minister (if known)</b>	<b>* Date report presented to President; # Date tabled in the Senate</b>
<b><i>Defence and FA&amp;T—Non-statutory authorities and government companies</i></b>				
Australian Agency for International Development (AusAID) [FA&T]	<i>Public Service Act 1999</i> , s63 (1). To be tabled by 31 October.	12 Oct 05		* 28 Oct 05 # 07 Nov 05
ASC Pty Ltd <i>Formerly known as Australian Submarine Corporation Pty Limited</i> [DEF].	<i>Commonwealth Authorities and Companies Act 1997</i> , s9. Minister to table within 15 days of receiving report (by 31 Oct).  On 11 June 2004, ASC was proclaimed as a government business enterprise under the CAC Act.	No letter of transmittal		# 08 Nov 05 <i>[Late tabling]</i>



## Appendix 3

### Reporting requirements and guidelines

#### Departmental reports<sup>1</sup>

##### *Authority for requirements*

These annual report requirements are prepared pursuant to subsections 63(2) and 70(2) of the *Public Service Act 1999* and were approved by the Joint Committee of Public Accounts and Audit on 4 June 2003.

##### *Commencement and reporting period*

The requirements apply for annual reports for financial years ending on or after 30 June 2003.

##### *Application*

- (1) The requirements apply to annual reports for departments of state pursuant to subsection 63(2) and for executive agencies pursuant to subsection 70(2) of the *Public Service Act 1999*. As a matter of policy, they also apply to prescribed agencies under section 5 of the *Financial Management and Accountability Act 1997 (FMA Act)*.
- (2) In most cases the term ‘department’ is used in these Requirements to refer to all departments and agencies that will be preparing annual reports under these requirements. Similarly, ‘secretary’ is used to refer to a departmental secretary or to an agency head of one of those other bodies.
- (3) In the case of an agency (including an executive agency established under section 61 of the *Public Service Act 1999*) that is neither prescribed under the *FMA Act* nor comes with the *Commonwealth Authorities and Companies Act 1997 (CAC Act)*, these Requirements may be used to the extent that they are consistent with any reporting requirements contained in the agency’s own legislation (if any).
- (4) In cases of machinery of government change during the reporting period, where functions or offices are gained or lost, the established practice is that the gaining department must report on that function or office for the entirety of the reporting period, whether or not the losing department continues to exist. However, in relation to financial statements, the general rule is that each Chief Executive who had responsibility for a function must sign off on

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<sup>1</sup> Excerpt from the Requirements for annual reports for departments, executive agencies and FMA Act bodies, Department of Prime Minister and Cabinet, June 2003, pp. 1, 2.

financial statements relating to the period of their individual responsibility and include them in their own annual reports. If, for any reason, the losing department does not produce an annual report that covers the period it had the function, the financial statements from the earlier period must be published in the gaining department's annual report.

### ***Timetable***

A copy of the annual report is to be laid before each House of the Parliament on or before 31 October in the year in which the report is given.

The provisions of subsections 34C(4)–(7) of the Acts Interpretation Act 1901 apply in relation to an application for extension of the period.

Where an agency's own legislation provides a timeframe for its annual report, for example 'within six months' or 'as soon as practicable after 30 June in each year', that timeframe applies. An extension under the Act Interpretation Act would need be sought only should a specified timeframe not be met.

However, it remains the Government's policy that all annual reports should be tabled by 31 October.

### **Commonwealth authorities and companies**

The *Commonwealth Authorities and Companies Act 1997* (the *CAC Act*) contains detailed rules about reporting and accountability for Commonwealth authorities and Commonwealth companies. Commonwealth companies also must meet other reporting requirements as set out in Corporations Law.

The *Commonwealth Authorities and Companies (Report of Operations) Orders 2002*, made under section 48 of the *CAC Act*, enables organisations to comply with the specific requirements for tabling reports.

The notes from the *Commonwealth Authorities and Companies (Report of Operations) Orders 2002* are set out below.

- **Basis for annual report:** Section 9 of the *CAC Act* requires directors of a Commonwealth authority to prepare an annual report in accordance with Schedule 1 of the *CAC Act*.
- **Report of operations requirement:** The annual report must include a report of operations prepared by the directors in accordance with Finance Minister's Orders (clause 1 of Schedule 1 of the *CAC Act*).
- **Financial statements requirement:** The annual report must include financial statements prepared by the directors (clause 2 of Schedule 1 of the *CAC Act*) and the Auditor-General's report on those financial statements.



- **Tabling requirements:** Section 9 of the *CAC Act* provides that the directors must give the annual report to the responsible Minister by the 15<sup>th</sup> day of the 4<sup>th</sup> month after the end of the Commonwealth authority's financial year. Where a Commonwealth authority's financial year ends on 30 June, this means that the annual report must be given to the responsible Minister by 15 October. The responsible Minister must in turn table the annual report in both Houses of the Parliament 'as as soon as practicable'. Under subsection 34C(3) of the *Acts Interpretation Act 1901*, this means within 15 sitting days.

### Non-statutory bodies

The annual report of a non-statutory body shall contain the following information (after Senate *Hansard*, 8 December 1987, pp. 2643–2645):

- The annual report shall show the date of establishment of each new non-statutory body (NSB) and, in relation to each existing NSB, information regarding the date of its establishment in as much detail as is available.
- The annual report shall contain a statement of each NSB's objectives and functions.
- The annual report shall contain an account of each NSB's significant activities during the year.
- The annual report shall contain an indication that the creation or continued existence of each NSB, its functions and its organisation have received Ministerial approval.
- The annual report shall show the date in which each NSB will cease to exist or before which it will be reviewed (whichever is the earlier).
- In the case of any NSB whose continued existence, functions and organisation have been reviewed and whose continued existence has been approved by the Minister, the annual report shall show a summary of the outcome of the review.
- The annual report will contain a list of any positions provided for ex-officio government members on each NSB and of any positions provided for representatives nominated by particular non-government organisations.
- The annual report shall show the maximum term of appointment of each on an NSB.
- Except in cases where there may be little or no continuity of membership from one meeting to the next, the annual report will show the names of individual members of each NSB, and their terms of appointment.
- The report will show the manner in which the level of remuneration paid (if any) to members of each NSB is determined.
- The report will show the manner in which each NSB is funded
- The report will show a summary of any other financial arrangements such as the kinds of expenditure that can be made from the funds provided, and the nature of secretariat services provided and the way in which these are funded.
- In respect of each NSB, the annual report shall indicate whether one of its functions is to distribute funds to other organisations or individuals.
- AN NSB with its own accounting system shall provide an audited financial statement.

- When an NSB operates through its parent body accounts, the NSB shall provide an account of receipts and expenditure on a program basis. It will also show:
- the NSB's work reflected in the parent body's published program structure;
- performance related to objectives and measured in terms of stated criteria, in accordance with standard program budgeting techniques; and
- the amounts of any grants made by each NSB.