

The Senate

Foreign Affairs, Defence and Trade
Committee

Annual reports (No. 1 of 2007)

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Contents

The committee	v
Members	v
Secretariat	v
Preface.....	1
Introduction	1
Role of annual reports	2
Assessment of annual reports	2
General comments on the annual reports	2
Defence portfolio	3
Foreign Affairs and Trade portfolio	3
Timeliness in tabling annual reports	3
Comments made in the Senate	4
Matters of significance	4
ANAO audit findings	4
Bodies not presenting annual reports to the Senate.....	5
Standard of reports	6
Chapter 1.....	1
Annual reports of departments	1
Department of Defence.....	1
Military justice system	1
Significant matters relating to the operations and performance of the department	1
ANAO audit findings	4
Summary.....	4
Department of Foreign Affairs	5
Department of Veterans' Affairs (DVA).....	7
ANAO audit findings	9
Chapter 2.....	11
Annual reports of statutory and non-statutory authorities and government companies.....	11
Defence portfolio	11
The Army and Air Force Canteen Service trading as Frontline Defence Services]	11

Australian War Memorial.....	13
Other reports	14
Foreign Affairs and Trade portfolio	15
Australian Agency for International Development (AusAID).....	15
Australian Trade Commission (Austrade).....	16
Other reports	18
Appendix 1	19
Annual reports referred to the Committee	19
Defence portfolio.....	19
Departments.....	19
Statutory authorities.....	19
Non–statutory authorities and government companies	19
Foreign Affairs and Trade portfolio	20
Department	20
Statutory authorities.....	20
Non–statutory authorities and government companies	20
Appendix 2	21
Compliance table of the annual reports referred to the Committee for scrutiny for the period 2005–2006	21
Appendix 3	29
Reporting requirements and guidelines	29
Departmental reports	29
Authority for requirements	29
Commencement and reporting period	29
Timetable	30
Commonwealth authorities and companies.....	30
Non–statutory bodies.....	31

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.¹

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.

¹ 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.²

Assessment of annual reports

5. The annual reports are examined by the committee to determine whether they are timely and ‘apparently satisfactory’.³ 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 2006;
- 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:

2 Department of Prime Minister and Cabinet, *Requirements for Annual Reports*, 21 June 2006, p.3.

3 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
ASC Pty Ltd
Australian Military Forces Relief Trust Fund [late]
Australian Strategic Policy Institute Limited
Australian War Memorial
Defence Force Remuneration Tribunal [late]
Defence Force Retirement and Death Benefits Authority [late]
Defence Housing Authority [late]
Defence Materiel Organisation
Department of Defence
Department of Veterans' Affairs, Repatriation Commission and the National Treatment Monitoring Committee
Military Rehabilitation and Compensation Commission
Military Superannuation and Benefits Board of Trustees [late]
Repatriation Medical Authority
Royal Australian Air Force Veterans' Residences Trust Fund
Royal Australian Air Force Welfare Trust Fund [late]
Royal Australian Navy Relief Trust Fund [late], and
Veterans' Review Board [late].

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)
Australia–Japan Foundation
Australian Trade Commission (Austrade)
Department of Foreign Affairs and Trade, and
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 whether 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 eight agencies were late in being presented to the Senate.⁴ 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.

13. The committee draws attention to the financial statements of the Department of Defence and Department of Veterans' Affairs; a summary of which is contained in the relevant section in the following chapter. Also, a summary of the financial statements for the Defence Materiel Organisation, Defence Housing Authority and the Military Superannuation and Benefits Scheme is outlined below.

ANAO audit findings

14. Each year, the Australian National Audit Office (ANAO) issues two reports on the results of the audits of the financial statements of Australian Government reporting entities. The committee draws on the report published in December 2006 that provides a summary of the final results of the audit for the financial year ended 30 June 2006 to highlight some of the more significant results that relate to relevant portfolios.

Defence Materiel Organisation

15. The financial year 2005–06 was the first year of operation of the Defence Materiel Organisation (DMO) as a separate prescribed agency under the *Financial Management and Accountability Act 1997*. With its establishment as a separate agency, DMO had to establish its own internal management and reporting framework. The ANAO audit noted that throughout the audit such frameworks 'were not fully established at the date of prescription and continued to evolve throughout the first year of operation'.⁵

4 See appendix 2 for reports tabled on or before the last sitting day of 2006.

5 Australian National Audit Office, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2006*, p. 112.

16. As a consequence, the ANAO's results of the Audits of Financial Statements identified a number of weaknesses and made observations with regard to the management of appropriations, the DMO special account and maturity of reporting processes.⁶

Defence Housing Authority

17. The ANAO's results of the Audits of Financial Statements found that DHA needed to arrange the timely engagement of independent professional valuers in the assessment of impairment for DHA inventory, investment property and infrastructure.⁷

Military Superannuation and Benefits Scheme

18. The ANAO's results of the Audits of Financial Statements found that the Military Superannuation and Benefits Scheme (MSBS) had breached sections of the *Corporations Act 2001*. The breaches were:

- 152 members did not receive periodic statements for one or more years since 2002 (the trustees have addressed this issue);
- 26,466 preserved benefit members were provided with a member statement for the year ended 30 June 2005 containing incorrect information regarding their preserved benefits (this error is to be corrected for the year ended 30 June 2006);
- 105 new recruits to the Defence Force over the period 1 January 2006 to 31 March 2006 did not receive their new member kit, which includes the Scheme's Product Disclosure Statement, within the prescribed three months of entry;
- 1,139 Defence Force Retirement and Death Benefits Scheme contributors did not receive a Product Disclosure Statement in the specified timeframe upon receipt of their government co-contributors into the MSBS (the information has been distributed).⁸

Bodies not presenting annual reports to the Senate

19. 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.

6 Australian National Audit Office, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2006*, p. 112.

7 Australian National Audit Office, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2006*, p. 119.

8 Australian National Audit Office, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2006*, p. 123.

20. The committee, however, does note Frontline's failure to present its annual report for the period 2004–2005 (see paragraph 2.9).

Standard of reports

21. 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'.

A handwritten signature in black ink that reads "Steve Hutchins". The signature is written in a cursive, flowing style.

Steve Hutchins
Acting Chair

Chapter 1

Annual reports of departments

Department of Defence

1.1 The Defence Annual Report 2005–2006 was tabled in the House of Representatives on 31 October 2006 and tabled in the Senate on 7 November 2006.

Military justice system

1.2 The committee draws particular attention to the chapter in Defence's annual report devoted to the military justice system. It includes information such as the Defence Attitude Survey which provided helpful information for the committee during its public hearing into reforms to Australia's military justice system. The material contained in this section enabled the committee to ask Defence officers specific and informed questions about matters such as the redress of grievance process and the Defence Force Discipline Act.

1.3 The committee also notes the inclusion of graphs showing trends over recent years, for example, on complaints of unacceptable behaviour. Again, these greatly assisted the committee in obtaining information that allows it to fulfil its monitoring role of the progress of reforms to the military justice system.

1.4 Indeed, during the committee's public hearing on reforms to Australia's military justice system, the chair of the committee noted the inclusion of the section on Australia's military justice system in the annual report. He said:

I thought it was a substantial improvement and helped us to understand some of the statistics and what is going on.¹

1.5 The committee supports Defence's approach to publishing the results of such material and encourages Defence to continue this type of open reporting.

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.

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

1 Committee Hansard, 26 February 2007, p. 11.

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'.²

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'.³

1.11 Defence reported that it resolved some audit findings in 2004–05, but enduring improvements may take some years.⁴ The 2004–2005 report stated that the Defence Financial Controls Framework Project was set to a five year time frame which reflected 'the fundamental nature of the changes to be put in place'.⁵

1.12 The committee, in its report on annual reports no 1 of 2006, stated:

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

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

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

4 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).

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

Defence not to relax its endeavours to address the problems identified by ANAO.⁶

Financial statements for year ending 2005–2006

1.13 By way of update, Mr Nick Warner, in his capacity as the newly appointed secretary of the Defence organisation, made an opening statement to the committee at Additional Estimates in February 2007. In his address, Mr Warner touched on the audit of the 2005–2006 financial statements. He explained that:

Defence was successful in addressing previous audit qualifications relating to civilian and military leave, explosive ordnance, land and building valuations and addressing infrastructure, plant and equipment and intangibles. This result is all the more pleasing as it was achieved while Defence was meeting the challenges of implementing new accounting standards and a demerger of the DMO.

There is still considerable work to be done in relation to inventory and repairable items management, and it will take some time for us to fully address and remediate all of the issues in all of these areas. I certainly do not underestimate the scale of the challenge that remains, but I do know that we in Defence are doing everything possible to improve our financial management and the quality and accuracy of our financial statements.⁷

1.14 In their joint review of the year, Mr Warner, and Air Chief Marshal Angus Houston, Chief of the Defence Force, noted that they were pleased to be able to sign this year's financial statements on an 'except for' basis:

After two years of being unable to form an opinion, it is pleasing to see the significant effort and focus on financial management delivering a tangible result. Improving Defence's financial management has been a high priority for the organisation and we have made significant progress this year.

The 2005–2006 financial year represented a complex and extremely challenging year for Defence. Not only has there been extensive remediation work but the additional activity of the DMO demerger, and the introduction of the Australian equivalents to International Financial Reporting Standards (AIFRS) has seen Defence experience the most complex financial year in its history.⁸

1.15 The Secretary went on to explain that, with regard to Defence's accounts, the remediation work has delivered significant improvements in four key areas. He

6 Senate Standing Committee on Foreign Affairs, Defence and Trade, Report on Annual Reports No 1 of 2006, p. 9.

7 *Estimates Committee Hansard*, 15 February 2007, pp. 4–5.

8 Department of Defence Annual Report 2005–2006, p. 6.

reported that improvements had been made in the reporting of military and civilian leave liabilities, the valuation and reporting of explosive ordnance, the introduction of a more rigorous asset capitalisation approach and, the completion of asset valuation work in information and communication technology.⁹

1.16 In closing, the Secretary said:

With the achievement to date and a comprehensive plan for continuing remediation, I am confident that Defence's financial statements will see full rectification in the near future.¹⁰

1.17 The section in the report entitled 'financial management transformation' noted that financial remediation in Defence has matured over 2005–2006 and is now guided by three interrelated activities: financial controls framework, position papers and remediation plans.¹¹

ANAO audit findings

1.18 On 26 October 2006, the Auditor-General issued a qualified opinion on Defence's financial statements. The opinion stated that Defence's financial statements were true and fair with the exception of Inventories-General and Repairable items.¹²

1.19 The ANAO's results of the Audits of Financial Statements supported the views of the Secretary. They found that the financial year 2005–06 has seen improvement in Defence's internal control environment and of its focus and ability to successfully address prior year issues. It concluded:

Defence is now better placed going forward but there is still much to be done to improve the integrity of the internal control environment and systems in Defence. Given the number of outstanding issues to be resolved, Defence will need to continue to have a sustained focus on both ongoing remediation and the control processes in place over previously remediated items.¹³

Summary

1.20 The committee was pleased to note the department's progress outlined in the section entitled 'financial management transformation'. The section provides the

9 Department of Defence Annual Report 2005–2006, p. 6.

10 Department of Defence Annual Report 2005–2006, p. 6.

11 Department of Defence Annual Report 2005–2006, p. 64.

12 Australian National Audit Office, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2006*, p. 99.

13 Australian National Audit Office, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2006*, p. 109.

reader with an excellent overview of the plans without requiring any technical expertise. Each sub-heading is briefly but clearly described. It details the objectives of each plan, the progress made to date, and Defence's plans for the future.¹⁴

1.21 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. 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 2005–2006 was presented to the President on 25 October 2006 and tabled in the Senate on 6 November 2006.

1.23 In the Secretary's review, Mr Michael L'Estrange, stated that 'in the face of a challenging international environment, the Department of Foreign Affairs and Trade continued to advance Australia's international interests in 2005–2006:

We worked effectively to strengthen Australia's place in the region and beyond, in a climate characterised by terrorists attacks affecting Australians overseas, the threat of proliferation of weapons of mass destruction, civil unrest in our neighbourhood and doubts about the future of global trade talks.¹⁵

1.24 The Secretary stated that strong and flexible corporate governance underpinned the department's ability to carry out effectively the tasks that government set for it:

—[tasks] such as delivering counter-terrorism capacity-building projects in the region, negotiating a bilateral FTA or providing consular assistance to Australians caught in overseas crises. The department's flexible work structures, supported by centralised staffing arrangements, continued to allow us to respond promptly to changing priorities in a demanding international environment.

...

Our well-honed crisis management procedures, including the rapid establishment of 24-hour crisis and call centres in Canberra, ensured effective responses to overseas emergencies. We implemented a restructure of the department's divisions to align our resources more closely with

14 Department of Defence Annual Report 2005–2006, pp. 64–67.

15 Department of Foreign Affairs and Trade Annual Report 2005–2006, p. 3.

government priorities and sharpen our focus on key policy, advocacy and service delivery functions.¹⁶

1.25 The committee notes that the department improved its ability to maintain fast and transparent communications across its network of offices in Australia and overseas. The Secretary explained that:

The ability to transmit reliable and secure communications is critical to the department's capacity to meet its objectives. A review of our communication systems showed that our electronic messages were being transmitted faster and more consistently than ever before.¹⁷

1.26 The committee also notes the valuable work being done by the department to provide high-quality consular services. The Secretary's report explained that with more Australians than ever travelling and living overseas, it was a major priority for the department:

In 2005–2006, we provided significant consular assistance to 17,505 Australians. Through our network of overseas offices and the consular sharing arrangement with Canada, the Government can now provide direct consular services to Australians across an extensive global network.¹⁸

1.27 Other consular service activities conducted during the year, included:

- The revised format and presentation of consular travel advisories, making them clear and simpler to use, which covered 152 destinations. During 2005–2006, 499 travel advisory updates were issued. The reach and exposure of the department's *smartraveller* website continued to grow with a 48 per cent increase in use compared to the previous year.
- Consular response mechanisms, which again proved to be sound by responding to major overseas emergencies, including terrorist attacks, civil unrest and natural disasters.
- The provision of high-quality passport services to Australians. The department rolled out the microchip-enabled ePassport in October 2005, incorporating the use of facial recognition technology.

1.28 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,

16 Department of Foreign Affairs and Trade Annual Report 2005–2006, p. 7.

17 Department of Foreign Affairs and Trade Annual Report 2005–2006, pp. 7–8

18 Department of Foreign Affairs and Trade Annual Report 2005–2006, p. 7.

while volume 2 reports on the Australian Agency for International Development (AusAID).

1.29 The Department has produced a 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.

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

Department of Veterans' Affairs (DVA)

1.31 The Department of Veterans' Affairs Annual Report 2005–2006 was tabled in the Senate on 11 October 2006.

1.32 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.¹⁹

1.33 In the President/ Secretary's overview, Mr Mark Sullivan, stated that the year under review had been a big year for the Veterans' Affairs portfolio:

...beginning with the commemorations to mark the 60th anniversary of the end of World War II and ending with the move by the Department of Veterans' Affairs into a new organisational structure. The move to a new structure represented significant change for DVA, our staff and the way we do business, but one of the great successes of our approach to this change was that it went generally unnoticed by our client groups.

...Importantly, it sets in place the foundation for continued service delivery in recognition of the demographic changes taking place in our client population. There is now a noticeable decline in the number of older veterans and war widows/widowers, many of whom at the same time are becoming more frail and requiring a higher level of care. By contrast, there is a smaller, but increasing number of younger veterans and defence force members who often have more complicated physical, emotional and mental health needs.²⁰

1.34 As flagged in DVA's annual report for 2004–2005, the department undertook a veterans' satisfaction survey. The survey focused on the views of veterans, serving

19 Department of Veterans' Affairs Annual Report 2004–2005; see pp. 8–11 for the portfolio entities covered by this report, their roles, and their enabling legislation.

20 Department of Veterans' Affairs Annual Report 2005–2006, p. 1.

and former Australian Defence Force members under the age of 45. The major concerns raised for DVA centred around lack of knowledge of DVA services, the complicated claims process and general client service issues.

1.35 The Secretary's report explained that:

We have established a task force to examine ways to address these concerns, exploring issues about how we engage currently serving and former younger clients, how we deliver and receive information and, importantly, how we ensure ease of access to benefits and assistance under the three very different pieces of legislation we currently administer.²¹

1.36 The committee notes that during the last year, the department completed its review of service delivery arrangements, implementing a new *oneDVA* structure:

The Department's business areas have been reorganised along functional lines, which will allow us to re-scale operations for different functions as the workload in those areas reduces. An important feature is the removal of national and state boundaries to create national lines of business, with managers and staff located in all states. The goal is to operate as *oneDVA*, a single, cohesive entity able to provide the same quality of service to our clients, no matter what their needs are or where they are located.²²

1.37 Over previous reports on annual reports the committee has taken an interest in DVA's efforts to streamline and improve its information technology infrastructure. The committee notes the department's ongoing commitment to improved service delivery to meet its future business needs, through consolidation and integration of its existing computer systems with new applications.

1.38 The Government's announcement to introduce a new health and social services access card by 2008 is of particular interest to the committee. The Secretary explained that 'DVA will be working in close partnership with other agencies over the next 12 months to plan and develop the veterans specific issues within this initiative':

The Access Card will replace many government-issued cards, including the Medicare card. DVA is working with the Department of Human Services with the aim of maintaining a form of unique identity for veterans' cards. The most important thing to note is that veterans' entitlement to services and benefits will not change with the introduction of the Access Card.²³

21 Department of Veterans' Affairs Annual Report 2005–2006, pp. 3–4.

22 Department of Veterans' Affairs Annual Report 2005–2006, p. 4.

23 Department of Veterans' Affairs Annual Report 2005–2006, p. 4.

ANAO audit findings

1.39 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.

1.40 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. The ANAO's results of the Audits of Financial Statements found four moderate control weaknesses, relating to:

- the treatment of public donations;
- continuing uncleared balances in the payroll clearing account (this matter was addressed during the final phase of the audit);
- the need for further improvements to application access management; and
- the DVA's disaster recovery plan at the interim phase of the audit.

1.41 The audit also noted that during the 2005–06 financial year, DVA obtained legal advice that the services provided for British pensioners and other Dominion veterans were not covered by appropriation provided under Section 199 of the *Veterans' Entitlements Act 1986* as such persons were not veterans for the purposes of the Act. The audit concluded that these payments contravened section 83 of the Constitution and section 48 of the *Financial Management and Accountability Act 1997*. The audit noted:

As DVA has breached section 83 of the Constitution in making payments without valid appropriation support, a modified audit opinion with other statutory matters was issued outlining the background to this breach and the action by DVA to regularise these payments without appropriation support.²⁴

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

24 Australian National Audit Office, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2006*, p. 122.

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]*

2.2 The Army and Air Force Canteen Service Annual Report 2005–2006 was presented to the President of the Senate on 31 October 2006 and tabled in the Senate on 7 November 2006.

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

2.4 The Army and Air Force Canteen Service (AAFCANS) was established as a statutory authority under the Army and Air Force Canteen Service Regulations 1959. It was formed to provide goods, facilities and services to, or for the entertainment and recreation of, designated members of the 'Defence family'.

2.5 The Board adopted the trade name 'Frontline Defence Services' ('Frontline') in 1997 as part of a major business realignment.¹ Under the regulations, Frontline returns its profits or surplus to bases for the provision or improvement of welfare and amenities for Defence personnel.²

2.6 During the financial year under review, the report stated that of the 22 bases Frontline directly operated only eight produced a positive contribution to head office overheads and of the 25 taverns only six produced a positive contribution.³

2.7 The Chairman reported that:

Despite these market limitations, the existing infrastructure of the Frontline organisation ensures that it is able to efficiently, and on a cost effective basis, provide goods and services to its customer base. For it to continue Frontline requires continuation of the financial support from its owners.⁴

2.8 The Chairman also reported that in 2005 Frontline operations were scrutinised under the 'Uhrig review' of Commonwealth Authorities. Following this review, a

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.

3 Army and Air Force Canteen Service Annual Report 2005–2006, p. 7.

4 Army and Air Force Canteen Service Annual Report 2005–2006, p. 7.

working group was formed. Its function was to provide a proposal to the Frontline owners for the future direction of Frontline and Defence requirements. The outcomes from the working group were presented to key stakeholders, and in turn presented to the Minister, 'stipulating the Defence Statement of Requirement for Frontline and the support programs recommended'.⁵

2.9 The Chairman went on to explain that:

In June 2006 Frontline received communication from the Minister advising the processes of formalisation of...

- service agreements and sureties between Defence and Frontline Defence Services, and
- conditional funding support in line with Frontline restructuring to deliver agreed services at a lower cost to Defence.

With the above support and operational efficiencies budgeted for the financial year 2006–2007, the Frontline Board is working with the Commonwealth to establish a long term solution whereby key stakeholders service expectations are met with commercially sustainable operations.⁶

2.10 The 2005–2006 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 2004–2005

2.11 In its previous report on annual reports (no 1 of 2006), the committee noted, however, that the annual report for the period 2004–2005 had not been received within the required tabling time line. To date, a report for this period has not been tabled in the Parliament.

2.12 On 31 May 2006, during the Budget estimates hearing the chair of the committee drew attention to the late reporting for the previous two years. Defence officials informed the committee that the submission of Frontline's annual reports was the responsibility of Frontline's board. They could not offer a view as to why Frontline's board was late with its annual reports.⁷

2.13 Apart from this statement, the committee is unaware of any explanation as to why the 2004–2005 report is late and finds this to be unsatisfactory.

5 Army and Air Force Canteen Service Annual Report 2005–2006, p. 7.

6 Army and Air Force Canteen Service Annual Report 2005–2006, p. 7.

7 *Committee Hansard*, 31 May 2006, p. 71.

Australian War Memorial

2.14 The Australian War Memorial Annual Report 2005–2006 was tabled in the Senate on 10 October 2006. 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 1997.⁸

2.15 The purpose of the Australian War Memorial is 'to commemorate the sacrifice of those Australians who have died in war.'⁹

2.16 In the Chairman's report, Mr Adrian Clunies-Ross, reported that during the year the Australian War Memorial's Council and staff directed their attention to the construction of the C E W Bean building and the planning for the Post-1945 Conflicts galleries. The Chairman explained that in early 2006, the Council approved the planning for the new galleries that will 'tell the story of Australia's involvement in war from the development of the Cold War in 1945 through to the current deployments in Iraq and Afghanistan'.¹⁰

2.17 The Chairman went on to outline important corporate matters:

The Council has again been most satisfied with the management of the Memorial's finances, which is a very significant aspect of corporate governance. The work of the financial staff in conjunction with the oversight of the Finance, Audit and Compliance Committee of Council has produced a result which Council considers to be stringently controlled, properly recorded, and in compliance with government requirements. The financial staff are to be congratulated on the continuous high standards they set themselves and attain.¹¹

2.18 The Chairman stated that in the previous year the Uhrig report, relating to statutory authorities and office holders, was released. The report was of particular interest to the Council, as it 'potentially affected the relationships of the Chairman and the Director with the Ministers and the Department of Veterans' Affairs'.

2.19 The Chairman stated that:

During the course of the year the Director and staff worked closely with the Department to produce a response to the report, which was considered by Council at the May meeting. From Council's viewpoint the report is entirely satisfactory as it re-affirms the present effective arrangements with some

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

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

10 Australian War Memorial Annual Report 2005–2006, p. 7.

11 Australian War Memorial Annual Report 2005–2006, p. 8.

additional Statements of Expectations from the Minister and Responses from Council.¹²

2.20 The committee finds that the War Memorial's Annual Report provides a comprehensive coverage of the organisation's activities during 2005–2006. It is an informative and well produced document, which allows the reader to access information easily. The committee concludes that this report complies with all reporting requirements for statutory authorities.

Other reports

2.21 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 2005–2006
- Australian Strategic Policy Institute Annual Report 2005–2006
- ASC Limited Annual Report 2006
- Defence Force Remuneration Tribunal Nineteenth Annual Report 2005–2006
- Defence Force Retirement and Death Benefits Authority Annual Report 2005–2006
- Defence Housing Authority Annual report 2005–2006
- Military Rehabilitation and Compensation Commission Annual Report 2005–2006
- Military Superannuation and Benefits Board Annual Report 2005–2006
- Repatriation Medical Authority Twelfth Annual Report 2005–2006
- Royal Australian Air Force Veterans' Residences Trust Fund Annual Report 2005–2006
- Royal Australian Air Force Welfare Trust Fund Annual Report 2005–2006
- Royal Australian Navy Relief Trust Fund Annual Report 2005–2006, and
- Veterans' Review Board Annual Report 2005–2006.

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

12 Australian War Memorial Annual Report 2005–2006, p. 7.

Foreign Affairs and Trade portfolio

Australian Agency for International Development (AusAID)

2.23 The Australian Agency for International Development Annual Report 2005–2006 was presented to the President of the Senate on 25 October 2006, and tabled in the Senate on 6 November 2006.

2.24 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'.¹³

2.25 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.¹⁴

2.26 In the Director General's review, Mr Bruce Davis stated that 2005–2006 was a momentous year for the Australian aid program.¹⁵ The Director General listed five key areas of focus for the agency during 2005–2006:

- developing and publishing *Australian aid: promoting growth and stability*, the first White Paper produced on the Australian aid program;
- implementing and fully programming the \$1 billion Australia–Indonesia Partnership for Reconstruction and Development;
- contributing to whole-of-government responses to transboundary issues such as avian influenza and interventions such as the Regional Assistance Mission to Solomon Islands (RAMSI);
- taking a lead role in the region in response to the HIV/AIDS epidemic, including through the development of innovative partnerships with private sector groups; and
- responding quickly and effectively to regional emergency and humanitarian crises such as the Pakistani and Indonesian earthquakes in October 2005 and May 2006 respectively.¹⁶

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

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

15 AusAID Annual Report 2005–2006, p. 3.

2.27 As mentioned above, in April 2006, the Government launched the White Paper on the Australian aid program. The Director General stated that the White Paper provided a strategic framework to guide the direction of the aid program over the next ten years:

The White Paper sets out a series of organising themes and effectiveness strategies for Australian aid and outlines a range of initiatives to give effect to government policy. At the time of launch, the government announced the first of these initiatives which involves a major expansion of scholarship programs.¹⁷

2.28 The committee notes in the report that AusAID's substantial policy output during 2005–2006 was mirrored by a parallel program of corporate reform:

The 2006–2010 Agency Business Plan was launched on the same day as the White Paper and maps the substantial changes required for the agency to deliver a more effective and significantly scaled-up aid program. Developed in close consultation with AusAID staff, the plan identifies four key performance areas for the agency:

- policy and program
- people and organisation
- business processes and systems, and
- partnerships and outreach.

The demands of the White Paper implementation required substantial structural change to the agency during the year. A corporate reform project was created to drive the agenda outlined in the business plan. The project's work program included streamlining business processes, improving people management and analysing international experiences of scaling-up amongst other donors.¹⁸

2.29 The committee finds that AusAID's annual report provides a comprehensive coverage of the organisation's activities during 2005–2006. As usual the committee considers it to be of high quality: it is informative and well produced. The committee concludes that this report complies with all reporting requirements for non-statutory authorities.

Australian Trade Commission (Austrade)

2.30 The Australian Trade Commission Annual Report 2005–2006 was tabled in the Senate on 11 October 2006.

16 AusAID Annual Report 2005–2006, p. 3.

17 AusAID Annual Report 2005–2006, p. 4.

18 AusAID Annual Report 2005–2006, p. 6.

2.31 Australian Trade Commission is a statutory authority responsible to the Minister for Trade and the Australian Government. Until 30 June 2006, Austrade operated under the *Australian Trade Commission Act 1985*, *Commonwealth Authorities and Companies Act 1997*, and the *Export Market Development Grants Act 1997*. It was governed by a Board whose members were drawn from business and government.

2.32 On 1 July 2006, following amendments to the *Australian Trade Commission Act 1985*, and the *Export Market Development Grants Act 1997*, Austrade became an agency under the *Financial Management and Accountability Act 1997* and the *Public Service Act 1999*, and managed by a Chief Executive Officer.¹⁹

2.33 The annual report states that ‘Austrade contributes to community wealth by helping more Australians succeed in export and international business’.²⁰

2.34 In his Managing Director’s report, Mr Peter O’Byrne reported on the review of Austrade’s corporate governance:

...As part of the Government’s response to the recommendations of the ‘Uhrig review’, the Deputy Prime Minister and Minister for Trade decided that Austrade would cease to be governed by a board under the *Commonwealth Authorities and Companies Act 1997* and become an agency under the *Financial Management and Accountability Act 1997* and the *Public Service Act 1999*, managed by a Chief Executive Officer. To give effect to this assessment, amendments were required to the *Australian Trade Commission Act 1985* and the *Export Market Development Grants Scheme Act 1997*. These amendments came into effect On 1 July 2006.²¹

During 2005–2006 Austrade established a team to set up new governance arrangements to ensure the strong accountability features of the Board were translated into effective internal and external accountability mechanisms appropriate to Austrade’s revised enabling legislation. The project included the preparation of new Schedules of Delegations and Chief Executive’s Instructions, the amendment of several human resources, procurement and other management policies, and the establishment of a new Chief Executive’s Management Board and an Audit and Risk Committee.²²

2.35 Mr O’Byrne also noted that Austrade had another year of growth in its activity and outcomes, with a significant increase in the number of Australian businesses assisted to achieve export sales.

2.36 Some highlights for the year for Austrade were:

19 Australian Trade Commission Annual Report 2005–2006, p. iii.

20 Australian Trade Commission Annual Report 2005–2006, see inside cover.

21 Australian Trade Commission Annual Report 2005–2006, p. 62.

22 Australian Trade Commission Annual Report 2005–2006, p. 62

- the dollar value of export successes achieved by clients, with acknowledged assistance by Austrade, totalled \$18.4 billion;
- the delivery of a business matching program—Business Club Australia: Melbourne 2006—in the lead up to and during the Melbourne 2006 Commonwealth Games, which attracted over 7,800 Australians and international members and delivered 57 business networking events;
- the implementation of the Australian Government's decision to continue the TradeStart program for another four years and to extend the EMDG scheme until the end of 2010–11; and
- with the support of DFAT, the provision by Austrade of on-the-ground consular assistance to locate and evacuate Australians caught up in the aftermath of Hurricane Katrina.²³

2.37 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.²⁴

2.38 The committee finds that Austrade's annual report provides a comprehensive coverage of the organisation's activities during 2005–2006. 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 statutory authorities.

Other reports

2.39 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:

- Australia–Japan Foundation Annual Report 2005–2006
- Australian Centre for International Agricultural Research Annual Report 2005–2006
- Australian Safeguards and Non-Proliferation Office Annual Report 2005–2006, and
- Export Finance and Insurance Corporation Annual Report 2006.

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

23 Australian Trade Commission Annual Report 2005–2006, p. iv and inside cover.

24 Australian Trade Commission Annual Report 2005–2006, pp. 36–56, 58–72.

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)

Defence Materiel Organisation

Judge Advocate General

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

Military Rehabilitation and Compensation Commission

Military Superannuation and Benefits Scheme, 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

ASC Pty Ltd

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 2005–2006

<i>Scrutiny of reports tabled by 31 October 2006</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 ^ Date tabled in H/Representatives
<i>Departments</i>				
Defence	<i>Public Service Act 1999</i> , s63 (1). To be tabled by 31 October.	24 Oct 06	@ 11 Oct 06 % 16 Oct 06	^ 31 Oct 06 # 07Nov06
Defence Materiel Organisation	Prescribed agency ¹ under the <i>Financial Management and Accountability Act 1997</i> , and the <i>Public Service Act 1999</i> , s63 (1). To be tabled by 31 October.	No letter of transmittal	@ 11 Oct 06 % 16 Oct 06	^ 31 Oct 06 # 07Nov06

1 A prescribed agency is an agency established by regulation under the *Financial Management and Accountability Act 1997*. It provides financial management authority to, and required accountability by, the chief Executive of an agency. An agency can be prescribed but not be an independent entity under the *Public Service Act 1999*. This is the case for the DMO, which is prescribed and so independent under the FMA Act but is part of the Department of Defence for the purposes of the *Public Service Act 1999*, Defence Materiel Organisation Annual Report, 2005–2006, p. 186.

Scrutiny of reports tabled by 31 October 2006

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 ^ Date tabled in H/Representatives
<i>Departments</i>				
Foreign Affairs and Trade	<i>Public Service Act 1999</i> , s63 (1). To be tabled by 31 October.	03 Oct 06	@ 03 Oct 06 % 04 Oct 06	* 25 Oct 06 ^ 31 Oct 06 # 06 Nov 06
Veterans' Affairs	<i>Public Service Act 1999</i> , s63 (1), the <i>Financial Management and Accountability Act 1997</i> . To be tabled by 31 October.	22 Sep 06	@ 04 Oct 06 % 05 Oct 06	# 11 Oct 06
Incorporating the reports of ...				
Repatriation Commission and	<i>Veterans' Entitlement Act 1986</i> , s215			
The National Treatment Monitoring Committee (NATMOC)	<i>Veterans' Entitlement Act 1986</i> , s90A [Both reports to be tabled by 31 October.]			

<i>Scrutiny of reports tabled by 31 October 2006</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 ^ Date tabled in H/Representatives
<i>Defence—statutory authorities</i>				
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.	@ 12 Oct 06 % 21 Oct 06	* 31 Oct 06 # 07 Nov 06
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).	No letter of transmittal	@ 19 Oct 06 % 30 Oct 06	# 07 Nov 06 [tabled late]
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).	01 Sep 06	@ 14 Sep 06 % 22 Sep 06	# 10 Oct 06
Australian War Memorial	<i>Commonwealth Authorities and Companies Act 1997</i> , s9. Minister to table within 15 days of receiving report (by 31 Oct).	September 2006	@ 24 Aug 06 % 25 Aug 06	# 10 Oct 06

Scrutiny of reports tabled by 31 October 2006

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 ^ Date tabled in H/Representatives
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Defence—statutory authorities

Defence Force Remuneration Tribunal	Established in 1984 under Part IIIA, Division 2 of the <i>Defence Act 1903</i> (by 31 Oct).	01 Nov 06	@ 30 Oct 06 % 30 Oct 06	# 29 Nov 06 [tabled late]
Defence Force Retirement and Death Benefits Authority	<i>Defence Force Retirement and Death Benefits Act 1973</i> , s16(2). To be tabled by minister as soon as practicable (by 31 Oct).	29 Sep 06	@ 04 Oct 06 % 09 Oct 06	# 07 Nov 06 [tabled late]
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).	09 Oct 06	@ 13 Oct 06 % 24 Oct 06	# 07 Nov 06 [tabled late]
Military Rehabilitation and Compensation Commission	<i>Military Rehabilitation and Compensation Act 2004</i> , s385	08 Sep 06	@ 04 Oct 06 % 05 Oct 06	# 11 Oct 06
Military Superannuation and Benefits Board of Trustees	<i>Military Superannuation and Benefits Act 1991</i> , s26(3). Minister to table 15 days after receiving report (by 31 Oct).	29 Sep 06	@ 04 Oct 06 % 09 Oct 06	# 07 Nov 06 [tabled late]

Scrutiny of reports tabled by 31 October 2006

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 ^ Date tabled in H/Representatives
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Defence—statutory authorities

Repatriation Medical Authority (RMA)	<i>Veterans' Entitlement Act 1986</i> , s196B To be tabled by 31 October.	29 Aug 06	@ 14 Sep 06 % 15 Sep 06	# 17 Oct 06
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.	12 Sep 06	@ 12 Oct 06 % 19 Oct 06	^ 31 Oct 06 # 07 Nov 06
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).	No letter of transmittal	@ 19 Oct 06 % 30 Oct 06	# 07 Nov 06 [tabled late]
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).	No letter of transmittal	@ 19 Oct 06 % 30 Oct 06	# 07 Nov 06 [tabled late]

Scrutiny of reports tabled by 31 October 2006

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 ^ Date tabled in H/Representatives
Veterans' Review Board	<i>Veterans' Entitlement Act 1986</i> , subsection 215(4). To be tabled by 31 October.	26 Oct 06	No dates given	* 17 Nov 06 # 27 Nov 06 [tabled late]

Foreign Affairs & Trade—statutory authorities

Australia–Japan Foundation		03 Oct 06	@ 09 Oct 06 % 09 Oct 06	# 18 Oct 06
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 06	@ 03 Oct 06 % 03 Oct 06	* 30 Oct 06 ^ 31 Oct 06 # 06 Nov 06
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.	11 Oct 06	@ 12 Oct 06 % 12 Oct 06	# 18 Oct 06
Australian Trade Commission (Austrade)	<i>Australian Trade Commission Act 1985</i> , s92; the <i>Financial Management and Accountability Act 1997</i> , and the <i>Public Service Act 1999</i> . To be tabled by 31 October.	03 Oct 06 [see DFAT letter]	@ 22 Sep 06 % 22 Sep 06	# 11 Oct 06

Scrutiny of reports tabled by 31 October 2006

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 ^ Date tabled in H/Representatives
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	@ 06 Oct 06 % 06 Oct 06	# 17 Oct 06
<i>Defence and FA&T—Non-statutory authorities and government companies</i>				
Australian Agency for International Development (AusAID) [FA&T]	<i>Public Service Act 1999</i> , s63 (1). To be tabled by 31 October.	03 Oct 06 [see DFAT letter]	@ 03 Oct 06 % 04 Oct 06	* 25 Oct 06 ^ 31 Oct 06 # 06 Nov 06
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.	26 Sep 06	@ 12 Oct 06 % 12 Oct 06	# 18 Oct 06

Appendix 3

Reporting requirements and guidelines

Departmental reports¹

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 21 June 2006.

Commencement and reporting period

The requirements apply for annual reports for financial years ending on or after 30 June 2006.

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 within 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

¹ Excerpt from the Requirements for annual reports for departments, executive agencies and FMA Act bodies, Department of Prime Minister and Cabinet, 21 June 2006, pp. 1, 2.

each Chief Executive who had responsibility for a function must sign off on 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 15th day of the 4th 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.