

# Chapter 1

## Annual reports of departments

### Department of Defence

1.1 The Department of Defence annual report 2012–13 was tabled in the House of Representatives and in the Senate on 13 November 2013.

#### *Reviews by the Secretary and the Chief of the Defence Force*

1.2 Mr Dennis Richardson AO, the Secretary, stated in his review:

Some hard financial choices were made in order to meet the Government's expectations of the department during the last financial year. We pursued a strategy designed to protect ADF personnel and Defence operations, and to minimise impacts on core capabilities. The department prioritised investments and reduced administration costs. Budget volatility made all of this difficult.<sup>1</sup>

1.3 Looking forward, the Secretary noted:

The single biggest challenge for the next 12 months will be the department's ability to continue to deliver agreed strategic objectives should budget volatility continue. There will be a need for continued APS downsizing to ensure we live within our means.<sup>2</sup>

#### *Operations*

1.4 General David Hurley, AC, DSC, Chief of the Defence Force (CDF) noted that the Australian Defence Force (ADF) had concluded two overseas operations during the reporting period—Timor-Leste and the Solomon Islands.<sup>3</sup>

1.5 The process of transition of security responsibility from the International Security Assistance Force to the Afghan National Security Forces started formally in July 2011. The CDF noted that a key milestone was achieved in October 2012 when:

...four Australian-mentored Afghan National Army (ANA) infantry Kandaks assumed the lead for independent operations in Uruzgan. Australian Force elements handed over Uruzgan's Patrol Bases and Forward Operating Bases to the ANA and the resulting change in posture allowed the ADF to move from a Mentoring Task Force to a smaller Advisory Task Force.<sup>4</sup>

1.6 Other operations in 2012–13, included deployments of ADF personnel to five peacekeeping operations throughout the Middle East and North Africa, four Royal

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1 *Defence Annual Report 2012–2013, Department of Defence*, p. 2.

2 *Defence Annual Report 2012–2013, Department of Defence*, p. 4.

3 *Defence Annual Report 2012–2013, Department of Defence*, p. 7; see also pp. 85–100.

4 *Defence Annual Report 2012–2013, Department of Defence*, p. 7; see also pp. 85–100.

Australian Navy frigates patrolling the Middle East Area of Operations, and the ADF's contribution to Australia's maritime security and border protection.<sup>5</sup>

1.7 The ADF provided disaster relief and assistance in Fiji, Samoa and the Solomon Islands, as well as Queensland, New South Wales, Tasmania and Western Australia.<sup>6</sup>

### *Cultural reform*

1.8 Both the Secretary and the CDF commented on the progress of cultural reform in Defence. The CDF noted:

In addition to our operational commitments, Defence has continued to make progress on our cultural reform program, known as Pathway to Change. On 26 November 2012, I apologised publicly to those who have suffered sexual, physical or mental abuse while serving in the ADF. This was a significant step in acknowledging past actions and a statement of support for reform actions. Throughout 2013, Defence has worked with the Honourable Len Roberts-Smith and the Defence Abuse Response Taskforce as they have undertaken their important work.

In keeping with my commitment to ensure we provide a fair, just and inclusive work environment for all our members, women already serving in the ADF have, since January, been able to apply to become mine warfare and clearance diving officers in the Navy; airfield defence guards and ground defence officers in the Air Force; and to join the infantry and armoured corps, explosive ordnance disposal and combat engineer squadrons in the Army. Giving women the opportunity to take on these positions complements our commitment to cultural reform under the Pathway to Change strategy.<sup>7</sup>

1.9 The Secretary also noted:

Our efforts on cultural reform will continue. The Sexual Misconduct Prevention and Response Office was opened in July 2013 to offer services to those in the Australian Defence Force affected by sexual misconduct. Restricted reporting guidelines have been adopted and policy will be rewritten to support it.<sup>8</sup>

### ***Matters relating to the operations and performance of the department***

#### *Defence's financial statements*

1.10 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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5 *Defence Annual Report 2012–2013, Department of Defence*, p. 7; see also pp. 85–100.

6 *Defence Annual Report 2012–2013, Department of Defence*, p. 7; see also pp. 85–100.

7 *Defence Annual Report 2012–2013, Department of Defence*, p. 9; see also Chapter 4.

8 *Defence Annual Report 2012–2013, Department of Defence*, p. 4; see also pp. 106–107.

1.11 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.

*Australian National Audit Office audit*

1.12 The Australian National Audit Office (ANAO) report for the Department of Defence stated:

During the 2012–13 final audit phase, Defence resolved six moderate audit issues previously reported. The resolved issues relate to asset reporting, revaluation and disposal processes; processes over Navy inventory returns; accounting for special public monies and the Defence Fraud Control Plan.

Five moderate audit issues were identified during the 2012–13 final audit phase. These moderate audit issues relate to special account management, the inconsistent application of policy requirements for assessing specialist military equipment asset values, accounting for goods and services received as a result of settlements for asset construction contract disputes, civilian employee leave recording and management of termination payments, and the recording and reporting processes associated with Military Support Items (MSI).<sup>9</sup>

1.13 The areas where moderate audit issues remain outstanding in the 2012–13 audit include:

- Military information logistics information system (MILIS);
- General assets management; and
- Financial management information system (ROMAN) [Resource and Output Management and Accounting Network].<sup>10</sup>

1.14 New audit issues were identified in the following areas during the 2012–13 audit:

- Internal control and financial reporting;
- Inventory and assets management; and
- Human resource management.<sup>11</sup>

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9 *Australian National Audit Office, ANAO Audit Report No.13 2013–14: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2013*, pp. 128–129.

10 *Australian National Audit Office, ANAO Audit Report No.13 2013–14: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2013*, pp. 130–131.

11 *Australian National Audit Office, ANAO Audit Report No.13 2013–14: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2013*, pp. 131–134.

### *Summary*

1.15 The committee finds the annual report of the Department of Defence to be 'apparently satisfactory' in complying with the relevant requirements for the preparation of annual reports.

### **Department of Foreign Affairs and Trade**

1.16 The Department of Foreign Affairs and Trade (DFAT) annual report 2012–2013 was presented out of sitting on 30 October 2013 and tabled in the Senate on 12 November 2013.

### *Secretary's Review*

1.17 Mr Peter Varghese AO, the Secretary of the Department, took the opportunity in his first Secretary's Review to thank his predecessor Mr Dennis Richardson for 'leaving the department in such fine shape'.<sup>12</sup>

1.18 The secretary noted the department's role in advancing Australia's national interests abroad. He noted that:

It is our 95 overseas posts that do much of the heavy lifting in building networks of influence for Australia, advocating Australian interests abroad, supporting official visits, providing analysis, and assisting Australians in distress. The role of the department in Canberra and our offices across Australia is to provide policy advice to ministers and the government, negotiate bilateral and regional trade agreements, lead whole-of-government engagement in regional organisations such as APEC and the East Asia Summit (EAS), engage with business and community groups, deliver passports and consular services to Australians and provide corporate services for the organisation, both at home and abroad.<sup>13</sup>

### *Significant issues and developments*

1.19 The Secretary noted that during the reporting period:

The department dedicated considerable resources and diplomatic attention to our six core bilateral relationships—the United States, China, Japan, Indonesia, India and the Republic of Korea, recognising that Australia's prosperity is tied to that of our key partners.<sup>14</sup>

1.20 The Secretary reported on the department's ongoing focus on our immediate neighbourhood, with the engagement centred on a desire for security, stability and prosperity shared through the region. He also noted the importance of regional institutions for Australia, with the department focusing its diplomatic efforts on ASEAN and the East Asia Summit.<sup>15</sup>

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12 *Department of Foreign Affairs and Trade, Annual Report 2012–2013*, p. 9.

13 *Department of Foreign Affairs and Trade, Annual Report 2012–2013*, p. 9.

14 *Department of Foreign Affairs and Trade, Annual Report 2012–2013*, p. 10.

15 *Department of Foreign Affairs and Trade, Annual Report 2012–2013*, pp. 10–11.

1.21 Globally, the department led a whole-of-government effort to secure Australia's election to the UN Security Council as a non-permanent member for 2013 and 2014. The Secretary stated:

In the first six months we have established ourselves as a constructive and capable council member, contributing to international sanctions work, and playing an important role in the council's approach to Afghanistan, the debate on Syria, as well as counter-terrorism.<sup>16</sup>

1.22 The Secretary recognised the importance of trade policy in maximising economic opportunity. He stated:

We are pursuing Australia's objectives of free trade through complementary routes. Both bilateral FTAs and regional agreements such as the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP) underpin Australia's interest in expanding global free trade.<sup>17</sup>

1.23 In regards to trade, the secretary also discussed the importance of Australia's membership of APEC and the G20. In particular, he noted:

In preparation for Australia's G20 presidency from December 2013, the department contributed policy advice on trade, development, food security and energy issues. We escalated our advocacy efforts with G20 countries and a range of international organisations to build support for the G20 forum and its forward agenda.<sup>18</sup>

#### *Delivering services to Australians*

1.24 The Secretary noted that a significant dimension of the department's work is to provide Australians with high-quality consular and passport services. The department is working to develop the next generation of passports, the P-series, scheduled to be issued in August 2014, to ensure the ongoing security of Australian passports.

1.25 The Secretary noted that Australians are travelling abroad in ever greater numbers. He stated:

With 8.8 million departures by Australian citizens and permanent residents over the past year, we issued just over 1.7 million passports and assisted 11 927 Australians in difficulty overseas. Many of those consular cases were in remote places and under challenging circumstances. Over the year, a number of high-profile cases involving detention and legal proceedings required substantial resources.<sup>19</sup>

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16 *Department of Foreign Affairs and Trade, Annual Report 2012–2013*, p. 11.

17 *Department of Foreign Affairs and Trade, Annual Report 2012–2013*, p. 11.

18 *Department of Foreign Affairs and Trade, Annual Report 2012–2013*, pp. 11–12.

19 *Department of Foreign Affairs and Trade, Annual Report 2012–2013*, p. 12.

### *Corporate governance and management*

1.26 The Secretary commented that:

The past year has been challenging, requiring careful reflection on Australia's current and future interests and allocation of resources.<sup>20</sup>

### *Outlook*

1.27 In his discussion of the outlook for the department, the Secretary stated:

The world is becoming more complex and our strategic environment more crowded. Australia cannot assume that our interests and values, or the international rules which we helped shape and continue to adopt, will remain unchallenged. As China and India assume great power status, we must adapt to a changing strategic arena. Our priority interests are better considered now in the multipolar context of the Indo-Pacific, including the security of maritime passages so vital to our increasingly globalised trade.<sup>21</sup>

1.28 The Secretary acknowledged that the department's greatest assets remain its people and its work overseas. He noted that:

In the tight fiscal environment, the corporate challenge for the department will be to maintain an effective overseas network and adequately staffed Canberra-based operation.<sup>22</sup>

### *External Scrutiny*

1.29 The annual report provided information on the significant developments in external scrutiny of the department and the department's response.

1.30 In 2012–13, the Auditor-General tabled in parliament two reports by the ANAO relating to the department's operations:

- Report No. 16: Audits of the Financial Statements of Australian Government Entities for the period ended 30 June 2012; and
- Report No. 51: The Interim Phase of the Audit of Financial Statements of Major General Government Sector Agencies for the year ending 30 June 2013.<sup>23</sup>

### *Summary*

1.31 The committee finds that the DFAT annual report adequately complies with all reporting requirements for a department.

### **Department of Veterans' Affairs**

1.32 The Department of Veterans' Affairs (DVA) is the primary service delivery agency that develops and implements programs to assist the veteran and defence force

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20 *Department of Foreign Affairs and Trade, Annual Report 2012–2013*, p. 12.

21 *Department of Foreign Affairs and Trade, Annual Report 2012–2013*, p. 13.

22 *Department of Foreign Affairs and Trade, Annual Report 2012–2013*, p. 13.

23 *Department of Foreign Affairs and Trade, Annual Report 2012–2013*, p. 164.

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communities. It provides administrative support to the Repatriation Commission and the Military Rehabilitation and Compensation Commission. The Repatriation Commission administers the *Veterans' Entitlements Act 1986*, and is responsible for granting pensions, allowances and other benefits, providing treatment and other services. The Military and Rehabilitation and Compensation Commission is responsible for the administration of benefits and arrangements under the *Military Rehabilitation and Compensation Act 2004*.

1.33 DVA's annual report 2011–2012 was presented out of sitting on 29 October 2013 and tabled in the Senate on 12 November 2013. The report also included separate reports of both the Repatriation Commission and the Military Rehabilitation and Compensation Commission. They described how each commission interrelates with DVA, its membership and the main activities for the reporting period. The reports do not include performance reporting, which is covered in DVA's report.

### *Secretary's year in review*

1.34 In the Secretary's year in review, Mr Simon Lewis observed that:

The Repatriation Commission, the Military Rehabilitation and Compensation Commission (MRCC) and the Department of Veterans' Affairs (DVA) continued to witness significant demographic changes in the veteran and ex-service community and the consequent altering of service delivery expectations placed upon the Department.<sup>24</sup>

1.35 The Secretary acknowledged the outgoing Secretary, Mr Ian Campbell PSM, who retired in July 2013 after more than 10 years of service in DVA and 42 years in the Australian Public Service. The Secretary stated:

Under [Mr Campbell's] leadership the Department acknowledged and acted upon the need to change its service delivery capabilities. In a time of diminishing budgets, he ensured that resources continued to allow staff to carry out their roles to a high standard. He has left the Department well placed to deal with challenges in the years ahead. I would like to thank him on behalf of staff and the veteran community for his vision and leadership.<sup>25</sup>

### *Review of military compensation arrangements*

1.36 The Government response to the Review of Military Compensation Arrangements was announced in the 2012-13 Budget. As part of that response, the Government accepted 96 of the 108 recommendations made in the review and allocated \$17.4 million over four years for the implementation of these recommendations. A further three recommendations were deferred for further consideration.

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24 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2012–2013*, p. 2.

25 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2012–2013*, p. 2.

1.37 The Secretary noted that during the reporting period, significant work has occurred in order for the implementation of the accepted recommendations to begin from 1 July 2013. Some of the significant changes which will be implemented in 2013–14 include:

- an increased rate of weekly compensation for dependent children of deceased members;
- increased compensation for advice – including legal advice in addition to financial advice;
- earlier payment of compensation for permanent impairment (PI) claimants with more than one accepted condition;
- greater use of interim PI compensation;
- a new method for calculating transitional PI compensation;
- the issuing of treatment cards to clients under the *Safety, Rehabilitation and Compensation Act 1988* (SRCA); and
- the extension of non-liability health care for psychiatric conditions to those with ADF peacetime service from April 1994 and to include treatment for alcohol and drug dependence.<sup>26</sup>

#### *Mental health strategy*

1.38 The Secretary noted that a new Veteran Mental Health Strategy was launched in May 2013. The new strategy provides a 10-year framework for the provision of mental health care in the veteran and ex-service community. The strategy:

- sets the context for the provision of mental health services in the veteran and ex-service community and for addressing mental health needs;
- identifies strategic objectives and priority actions to guide mental health policy and programs; and
- ensures the best possible outcomes for individual mental health and wellbeing.<sup>27</sup>

#### *Access to mental health support and advice online*

1.39 The Secretary outlined a number of online applications which were launched during the reporting period. The applications are designed to provide help to veterans and their families, as well as service providers, who require information and advice regarding mental health conditions, including post-traumatic stress disorder (PTSD). These include:

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26 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2012–2013*, p. 3.

27 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2012–2013*, p. 4.



- the redevelopment and expansion of the main DVA mental health website, the *At Ease Mental Health Portal* to include discreet sections to provide tailored advice, tools, information and downloadable resources;
- two online training programs were developed and released to assist health practitioners—*Understanding the Military Experience* and *vetAWARE: Assist Wisely and Refer Effectively*;
- *PTSD Coach Australia*, a smartphone application aimed at helping current and former serving members identify and manage mental health issues was released in February 2013;
- *ON TRACK with the Right Mix*, a second smartphone application to help people manage their alcohol consumption and learn about the health impacts of alcohol on their wellbeing and lifestyle was released in March 2013.<sup>28</sup>

#### *In-home telemonitoring for veterans trial*

1.40 DVA's in-home telemonitoring for veterans trial began in June 2013 in Armidale, NSW. Through use of telemonitoring equipment, veterans and war widow/ers with chronic conditions and complex care needs are able to have their health monitored by health professionals from their home. The Secretary reported that positive results have already been achieved with the first participants. The trial will continue until June 2015 with up to 300 veterans and war widow/ers being recruited.<sup>29</sup>

#### *Anzac centenary*

1.41 On 21 April 2013, the Government released the Anzac Centenary Advisory Board's report and the Government's response. The Government accepted all of the Board's recommendations—22 in full and three in principle—and provided \$25 million towards the Anzac Centenary program. This was in addition to the \$83.5 million over seven years allocated to the Anzac Centenary program in 2012. The Secretary noted that the funding will support initiatives such as:

- an Anzac Centenary travelling exhibition;
- an Albany Convoy commemorative event;
- the protection and preservation of, and the education campaign for, the submarine AE2;
- development and screening of 10 hours of documentary programming related to the Anzac Centenary by ABC television and Screen Australia;
- the digitisation of a sample of the First World War repatriation records of those who survived both Gallipoli and the Western Front;

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28 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2012–2013*, p. 5.

29 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2012–2013*, p. 4.

- a history grants scheme provided to encourage academic and non-academic research into Australian involvement in the First World War; and
- and the development of publicly accessible material from the 2000 interviews of the Australians at War film archive.<sup>30</sup>

### *The year ahead*

1.42 The Secretary noted:

The coming year will be another busy one for the Department as the official commencement of the Anzac Centenary Program draws ever closer and the Department works to implement the suite of policies and programs designed to enhance access to mental health services and support funded from the 2013-14 Budget.<sup>31</sup>

1.43 In particular, the Secretary discussed the strengthening of the relationship with Defence, which will be supported by the Memorandum of Understanding (MoU) signed between Defence and DVA in February 2013. He stated:

The MoU pledges closer cooperation between the two departments in order to provide improved support services for current and former ADF members. It sets out the key principles which will govern the cooperative delivery of care and support and establishes effective governance arrangements designed to ensure that the support arrangements remain effective.<sup>32</sup>

### *Data-matching program*

1.44 The Department of Veterans' Affairs Data-matching Program Report on Progress 2011 to 2013 is included in the annual report at Appendix C.

1.45 In the 1990-91 Budget, the then government announced new measures to detect incorrect payments in the income support system. This involved a program of computer matching of identity and income data held by a limited number of government agencies, including the Australian Taxation Office (ATO).

1.46 Under sections 12 of the *Data-matching Program (Assistance and Tax) Act 1990*, DVA is required to table in parliament a standard report every year and a comprehensive report every three years. A comprehensive report was last submitted by DVA in 2010.<sup>33</sup>

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30 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2012–2013*, pp. 6–7.

31 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2012–2013*, p. 8.

32 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2012–2013*, p. 8.

33 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2012–2013*, pp. 320–324.

***Summary***

1.47 The committee finds that the DVA annual report complies adequately with all reporting requirements for a department.



