

# Preface

## Terms of reference

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.

2. Under Standing Order 25(20), 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. This report also examines annual reports that were tabled after 31 October 2014.

3. The standing order states:

Annual reports of departments and agencies shall stand referred to the 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.

## 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 and more broadly to the Australian people. 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...Annual reports and Portfolio Budget Statements (PB Statements) are the principal formal accountability mechanisms between Government and departments and from departments through (or on behalf of) Government to the Parliament.<sup>1</sup>

## Assessment of annual reports

5. The committee examines annual reports to determine whether they are timely and 'apparently satisfactory' and whether they comply with the relevant requirements for the preparation of annual reports of departments and authorities.<sup>2</sup> To this end, the committee stresses that its current report focuses on departmental and agency compliance with the process of preparing and tabling annual reports rather than the administration and performance of specific programs.

The requirements are set down in the following instruments:

- for portfolio departments and bodies prescribed under the FMA Act: *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, 29 May 2014;
- for Commonwealth authorities and companies: the *Commonwealth Authorities and Companies Act 1997* (CAC Act); Commonwealth authorities and companies reporting under the CAC Act are required to comply with the *Commonwealth Authorities (Annual Reporting) Orders 2011* and the *Commonwealth Companies (Annual Reporting) Orders 2011*, respectively;

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1 *Requirements for annual reports for departments, executive agencies and FMA Act bodies*, Department of the Prime Minister and Cabinet, 29 May 2014, p. 4.

[www.dpmc.gov.au/guidelines/index.cfm](http://www.dpmc.gov.au/guidelines/index.cfm)

2 Refer to Appendix 1 for a table of the reports referred to the committee for scrutiny.

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- 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).
6. For FMA Act bodies, significant amendments in the Requirements for Annual Reports for the 2013–14 period relate to:
- **Spatial reporting**—a new requirement has been added for selected portfolio agencies to report on expenditure in relation to the Spatial Reporting Framework.<sup>3</sup>
7. For Commonwealth authorities and companies, the annual reports for the 2011–12 financial year were the first annual reports to be prepared under the new orders with the exception of clauses dealing with related entity transactions, which apply to annual reports for each financial year ending on or after 30 June 2013.

### **Annual reports considered**

8. The annual reports of the following organisations have been examined by the committee:

#### *Defence portfolio*

Department of Defence and Defence Materiel Organisation  
AAF Company  
ASC Pty Ltd  
Army and Air Force Canteen Service (AAFCANS)  
Australian Strategic Policy Institute  
Defence Housing Australia  
Royal Australian Air Force Welfare Recreational Company  
Royal Australian Air Force Veterans' Residences Trust Fund  
Royal Australian Navy Central Canteens Board  
Services Trust Funds

#### *Foreign Affairs portfolio*

Department of Foreign Affairs and Trade  
Australian Centre for International Agricultural Research  
Australian Safeguards and Non-Proliferation Office

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3 The committee notes that this requirement was not applicable to any of the FMA Act bodies under its portfolio coverage.

*Trade portfolio*

Australian Trade Commission  
Export Finance and Insurance Corporation  
Tourism Australia

*Veterans' Affairs*

Department of Veterans' Affairs, Repatriation Commission and Military Rehabilitation and Compensation Commission  
Australian War Memorial  
Repatriation Medical Authority  
Veterans' Review Board

**General comments on the annual reports***Timeliness in tabling reports*

9. Under Senate Standing Order 25(20)(c), the committee must report to the Senate any lateness in the presentation of annual reports.

10. In accordance with the *Requirements for Annual Reports* published in May 2014, agencies are required to present:

A copy of the annual report...to each House of Parliament on or before 31 October in the year in which the report is given. If Senate Supplementary Budget Estimates hearings are scheduled to occur prior to 31 October, it is best practice for annual reports to be tabled prior to those hearings.<sup>4</sup>

11. A number of annual reports were tabled late. On 23 October 2014, the Chair of AAF Company wrote to the Assistant Minister for Defence seeking an extension for the tabling of AAF Company's 2013–2014 Annual Report to 30 November 2014 due to the delayed receipt of the ANAO's audit report.<sup>5</sup> The report was tabled in the House of Representatives and in the Senate on 1 December 2014.

12. The Chairman of the RAAF Welfare Recreational Company (RAAFWRC) also wrote to the Assistant Minister for Defence, seeking an extension of the tabling date to

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4 *Requirements for annual reports for departments, executive agencies and FMA Act bodies*, Department of Prime Minister and Cabinet, 29 May 2014, Part 1, section 4.

5 Brigadier P Daniel AM CSC, Chair, AAF Company to the Assistant Minister for Defence, dated 23 October 2014.

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30 November 2014 due to the late completion of the ANAO's audit report.<sup>6</sup> The report was tabled in the House of Representatives and in the Senate on 1 December 2014.

13. Likewise, the Chairman of the Royal Australian Navy Central Canteens Board (RANCCB) wrote to the Assistant Minister for Defence, seeking an extension of the tabling date to 28 November 2014 due to the late completion of the ANAO's audit report.<sup>7</sup> The report was tabled in the House of Representatives and in the Senate on 26 November 2014.

14. A table detailing the dates relating to the timeliness of presentation is at Appendix 1. It should be noted that, apart from those referred to above, the following annual reports were also tabled after 31 October 2014:

- ASC Pty Ltd—report presented out of sitting on 31 October 2014 and tabled in the Senate on 17 November 2014;
- Army and Air Force Canteen Service—report tabled in the Senate on 17 November 2014;
- Australian Strategic Policy Institute Limited—report tabled in the Senate on 17 November 2014;
- Defence Housing Australia—report tabled in the Senate on 17 November 2014;
- Department of Defence—report presented out of sitting on 31 October 2014 and tabled in the Senate on 17 November 2014;
- Services Trust Funds—report tabled in the Senate on 17 November 2014.

### *Matters of significance*

15. In accordance with Senate Standing Order 25, the committee is to note any significant matters relating to the operations and performance of the bodies presenting their annual reports. The committee notes that on 18 September 2013, the Prime Minister, the Hon Tony Abbott MP, announced Machinery of Government changes and released revised Administrative Arrangement Orders. The changes included the integration of AusAID into the Department of Foreign Affairs and Trade and the inclusion of tourism in the Trade portfolio.<sup>8</sup>

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6 Air Commodore A R B Elfverson, Chairman, RAAFWRC to the Assistant Minister for Defence, dated 8 October 2014.

7 Rear Admiral N Teague CSC, Chairman, RANCCB to the Assistant Minister for Defence, dated 8 October 2014.

8 'The Coalition will restore strong, stable and accountable government', *Media Release*, the Prime Minister, the Hon Tony Abbott MP, 18 September 2013.

***Comments made in the Senate***

16. The committee is obliged, under Senate Standing Order 25(20)(d), to consider any remarks made about these reports in the Senate. There were no comments in the Senate on any of these reports.

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

17. 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 that do not meet their reporting requirements to the Senate.

***Standard of reports***

18. 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 found all of the annual reports to be 'apparently satisfactory'.