

Chapter 1

Annual reports of departments

Department of Defence

1.1 The Department of Defence annual report 2013–14 was presented out of sitting on 31 October 2014 and tabled in the Senate on 17 November 2014.

Reviews by the Secretary and the Chief of the Defence Force

1.2 In his review, the Secretary of the Department, Mr Dennis Richardson AO, highlighted the significant achievements of Defence during the year, including contributions to the whole-of-government effort in the search for MH370 and in the MH17 recovery operation.¹ The Secretary noted that the department continued to downsize through mostly natural attrition and stated that:

The focus over the years on Defence APS staffing numbers has distorted rational management of the workforce which, on the civilian side, consists of APS, contractors and service providers. It also ignores past reforms which, as an efficiency and cost-saving measure, replaced higher-cost ADF personnel with lower-cost APS in jobs which did not require specific ADF skills.²

1.3 In addition to initiatives to increase the percentage of female graduates, the Secretary noted that the Defence cultural reform program 'Pathway to Change' was in continuance. The reform strategy incorporates recommendations made in a series of reviews into Defence and ADF culture.³ Looking forward, the Secretary noted:

The year 2014–15 will be dominated by the negotiations for a new workplace agreement, the First Principles Review and the new White Paper...The year 2014–15 will see continued Australian Defence involvement in Afghanistan and Iraq, continued regional engagement, including through established forums such as the ASEAN Defence Ministers Meeting Plus, the trilateral strategic arrangements with the United States and Japan, and the essential engagement we have with China, Indonesia, Malaysia, Singapore, the Republic of Korea, India, Papua New Guinea, Timor-Leste and South Pacific countries. At the same time, our relations with NATO are being upgraded.⁴

1.4 Acknowledgement and gratitude was expressed toward General David Hurley AC DSC, who completed his term as Chief of the Defence Force (CDF) on 30 June

1 *Defence Annual Report 2013–2014, Department of Defence, Volume 1, p. 2.*

2 *Defence Annual Report 2013–2014, Department of Defence, Volume 1, p. 3.*

3 *Pathway to Change*, <http://www.defence.gov.au/pathwaytochange/>, (accessed 27 February 2015).

4 *Defence Annual Report 2013–2014, Department of Defence, Volume 1, p. 3.*

2014, as well as a welcome to Air Chief Marshal Mark Binskin AC, who was appointed on 1 July 2014.⁵

1.5 In his first review as Chief of the Defence Force, Air Chief Marshal Mark Binskin AC acknowledged General Hurley's outstanding leadership, and noted that his tenure as CDF commenced with a Defence Force which is 'well poised to meet its challenges'.⁶ The CDF stated his priority over the next four years is to successfully transform the ADF into the next generation force in accordance with the strategic direction of the upcoming 2015 Defence White Paper.⁷ The CDF also noted that he expected his term to be a period of continuing change and challenges, as highlighted by the short-notice deployment to the Middle East to counter the Islamic State of Iraq and the Levant in September 2014.⁸

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 statements and the Auditor-General's report thereon.

Australian National Audit Office audit

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

During the 2013–14 final audit phase, Defence resolved three moderate audit issues and partially resolved one moderate audit issue previously reported. The resolved issues relate to the quality of data in the Military Integrated Logistics Information System (MILIS), the management of civilian employee leave recording and management of termination benefits, and the accounting for liquidated damages received as a result of the settlement of contract disputes. The issue relating to the impairment of SME has been partially resolved and downgraded to a category C finding. Two moderate audit issues were identified during the 2013–14 final audit phase. These relate to management of heritage and cultural assets and the accuracy and reporting of Defence's commitments.⁹

5 *Defence Annual Report 2013–2014, Department of Defence, Volume 1, p. 4.*

6 *Defence Annual Report 2013–2014, Department of Defence, Volume 1, p. 5.*

7 *Defence Annual Report 2013–2014, Department of Defence, Volume 1, p. 5.*

8 *Defence Annual Report 2013–2014, Department of Defence, Volume 1, p. 5.*

9 *Australian National Audit Office, ANAO Audit Report No.16 2014–15: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2014, p. 122.*

1.9 The areas where moderate audit issues remain outstanding in the 2013–14 audit include:

- general assets management;
- internal control and financial reporting;
- inventory and asset management; and
- privileged user access.¹⁰

1.10 New audit issues were identified in the following areas during the 2013–14 audit:

- heritage and cultural assets; and
- accuracy of the schedule of commitments.¹¹

Summary

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

Department of Foreign Affairs and Trade

1.12 The Department of Foreign Affairs and Trade (DFAT) annual report 2013–2014 was tabled in the House of Representatives on 22 October 2014 and in the Senate on 27 October 2014.

Secretary's Review

1.13 Mr Peter Varghese AO, the Secretary of the Department, noted that substantial internal change was undertaken amid an intensive period of free trade agreement negotiations, as the department successfully integrated the Australian Agency for International Development (AusAID) from 1 November 2013.¹²

1.14 The Secretary observed that changing global environments continue to pose challenges for the department:

Our own society and economy are becoming increasingly globalised. Our economic success is heavily dependent on our international competitiveness and increasing trade and investment opportunities. The rapidity and scale of technological and social change in the Indo–Pacific—the arc of countries stretching from India, through East and South Asia, to the United States—present unprecedented opportunities for Australia. Nine of our top ten trading partners are in this region. But the changing environment also poses challenges and risk. Shifts in economic power to countries like China, India, and Indonesia bring with them strategic challenges. While the

10 *Australian National Audit Office, ANAO Audit Report No.16 2014–15: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2014*, pp 124–127.

11 *Australian National Audit Office, ANAO Audit Report No.16 2014–15: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2014*, p. 127.

12 *Department of Foreign Affairs and Trade, Annual Report 2013–2014*, p. 13.

countries of the Indo–Pacific are more economically interdependent than ever, the region, with its legacies of strategic rivalry and historic animosity, retains a capacity for strategic surprise.¹³

Significant issues and developments

1.15 The Secretary reflected that during the reporting period, Australia's bilateral relationships were strengthened and broadened. Ministerial consultations in Washington reiterated intent to conclude a Trans–Pacific Partnership agreement, a consulate–general was opened in Chengdu to support engagement with China and Australia's economic relationship with Japan was deepened with the conclusion of the Japan–Australia Economic Partnership Agreement.¹⁴ The Secretary further noted that negotiations had concluded on the Korea–Australia Free Trade Agreement, the Economic Cooperation Treaty was signed with Papua New Guinea and the department managed transition of the Regional Assistance Mission to the Solomon Islands to a policing mission.¹⁵

Regional and multilateral diplomacy

1.16 The Secretary drew attention to the department's work to advance Australian interests, with targeted regional and multilateral diplomacy:

We worked with ASEAN member states to pursue a stable strategic environment in Southeast Asia...Our efforts to enhance the EAS's political and security agenda delivered results, with leaders this year discussing regional maritime security as well as instability on the Korean Peninsula. We used Australia's non-permanent seat on the United Nations Security Council to drive outcomes that enhanced international security and Australia's development assistance environment. We established a basis for UN support to Afghanistan beyond 2015 and secured the first-ever resolution on small arms and light weapons. Australian advocacy delivered a critical resolution on humanitarian access in Syria.¹⁶

Delivering services to Australians

1.17 In his review, the Secretary noted that during the year, the department issued 1.8 million Australian travel documents and introduced the next generation of passports, the P-series, which include enhanced security features.¹⁷ The Secretary also noted that consular services continue to increase in demand:

We provided consular assistance and services to 14 558 Australians who experienced difficulties while overseas, an increase of 22 per cent over the previous year. Our consular Emergency Centre, which provides consular

13 *Department of Foreign Affairs and Trade, Annual Report 2013–2014*, p. 14.

14 *Department of Foreign Affairs and Trade, Annual Report 2013–2014*, p. 14.

15 *Department of Foreign Affairs and Trade, Annual Report 2013–2014*, p. 15.

16 *Department of Foreign Affairs and Trade, Annual Report 2013–2014*, p. 15.

17 *Department of Foreign Affairs and Trade, Annual Report 2013–2014*, p. 16.

clients with 24 hours service 7 days a week, received more than 53 000 calls over the period.¹⁸

Corporate governance and management

1.18 The Secretary commented on the successful integration of Australia's aid program, describing it as a substantial achievement, and a challenging period for many staff.¹⁹ The Secretary also reflected on the year's difficult staffing decisions:

Following an assessment on the efficiencies of integration, the Government decided on a reduction of approximately 500 staff by the end of 2014–15. I am confident the department will achieve the reduction through a careful process of voluntary redundancies and natural attrition.²⁰

1.19 The Secretary also observed that the department oversaw a substantial construction, fit-out and refurbishment program, including construction of a new chancery and head of mission residence in Bangkok and the ongoing construction of a new embassy in Jakarta.²¹

Outlook

1.20 In his discussion of the outlook for the department, the Secretary stated that Australia can expect continued strong growth in the region and that the department is well positioned to meet the challenges ahead:

The global dynamic of transition shows no signs of slowing—particularly in our own Indo-Pacific region. The significance of the region to Australia will only grow, as India looks set to join the United States, China and Japan among the top four global economies. In the coming year, we will lead the Government's economic diplomacy agenda, undertaking activities that support trade, investment, growth and business. Implementation of our FTAs with Japan and Korea will be a key focus. We will accelerate the tempo of FTA negotiations with China and progress a comprehensive Trans-Pacific Partnership, the Regional Comprehensive Economic Partnership, and PACER Plus negotiations... We will use our remaining UN Security Council tenure to deliver outcomes that are in Australia's interests and promote international security and, through that, prosperity.²²

1.21 The Secretary acknowledged that the department's achievements were owed to its dedicated staff in Australia and overseas.

External Scrutiny and Accountability

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

18 *Department of Foreign Affairs and Trade, Annual Report 2013–2014*, p. 16.

19 *Department of Foreign Affairs and Trade, Annual Report 2013–2014*, p. 17.

20 *Department of Foreign Affairs and Trade, Annual Report 2013–2014*, p. 17.

21 *Department of Foreign Affairs and Trade, Annual Report 2013–2014*, p. 17.

22 *Department of Foreign Affairs and Trade, Annual Report 2013–2014*, pp 17–18.

1.23 Departmental officers appeared as witnesses before the Joint Standing Committee on Treaties in relation to three proposed treaty actions.²³ During the year the department successfully defended eight employment actions brought in a foreign court by former locally engaged staff members; one plaintiff has appealed the court decision.²⁴ At the end of the financial year there were six active applications before the Administrative Appeals Tribunal concerning passports matters.²⁵

1.24 In 2013–14, the Auditor-General tabled in parliament four reports by the ANAO relating to the department's operations:

- Report No. 7: Agency Management of Arrangements to Meet Australia's Treaty Obligations;
- Report No. 13: Audits of the Financial Statements of Australian Government Entities for the period ended 30 June 2013;
- Report No. 44: The Interim Phase of the Audit of Financial Statements of Major General Government Sector Agencies for the year ending 30 June 2014; and
- Report No. 50: Cyber Attacks: Securing Agencies' ICT Systems.²⁶

Summary

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

Department of Veterans' Affairs

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

1.27 DVA's annual report 2013–2014 was tabled in the Senate on 17 November 2014. The report also included separate reports of both the Repatriation Commission and the Military Rehabilitation and Compensation Commission. They describe 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.

23 *Department of Foreign Affairs and Trade, Annual Report 2013–2014*, p. 232.

24 *Department of Foreign Affairs and Trade, Annual Report 2013–2014*, p. 270.

25 *Department of Foreign Affairs and Trade, Annual Report 2013–2014*, p. 270.

26 *Department of Foreign Affairs and Trade, Annual Report 2013–2014*, p. 233.

Secretary's year in review

1.28 In the Secretary's year in review, Mr Simon Lewis elaborated on some of the Department's achievements, including the launch of the Transition and Wellbeing Research Programme, improving delivery of Veterans' Access Network services, the ongoing implementation of the Government's Anzac Centenary Program and managing commemorative activities.

Mental health care

1.29 The Secretary outlined the Department's continuing priority to support the mental health of members of the veteran community. He noted 2013–14 is the first year of implementation of the Veteran Mental Health Strategy—A Ten Year Framework, 2013–2023. The new strategic model aims to generate best practice research to support mental health care. He explained the collaborative research efforts between DVA, Defence and research institutions:

The Transition and Wellbeing Research Programme is part of this new model and represents a significant investment by DVA and Defence of almost \$5 million over four years, from 2013–14 to 2016–17. This comprehensive programme of study involves a consortium of six research institutions examining the impact of contemporary military service on the mental, physical and social health of serving and ex-serving personnel and their families...Importantly, this research will also investigate how veterans access mental health services and the use of emerging technology.²⁷

1.30 Mr Lewis also drew attention to the implementation of the \$26.4 million Strengthening Veteran Mental Health 2013–14 Budget package, to help with the treatment of mental health conditions. Three major initiatives were launched from 1 July 2014. The Secretary highlighted that:

In one of the new initiatives, existing arrangements whereby DVA will pay for expanded access to mental health treatment for eligible veterans and peacetime service personnel without the need for them to establish that their mental health condition is related to service will be expanded. Another initiative will expand access to the Veterans and Veterans Families Counselling Service. The third initiative will introduce a one-off post-discharge physical and mental health assessment for former serving personnel, funded under Medicare. It will enable GPs to make an early diagnosis and arrange for any mental and physical health concerns to be treated.²⁸

Delivery of Veterans' Access Network services

1.31 The Secretary reflected on the Department's community consultation process, held during March 2014, which examined whether the provision of Veterans' Access

27 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2013–2014*, p. 4.

28 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2013–2014*, pp 4–5.

Network (VAN) services through regional shopfronts in New South Wales and Victoria was an effective way to meet the needs of the veteran community:

The feedback received during this process indicated that veterans want to be able to access DVA services through a variety of mechanisms, including phone and online assistance. It also demonstrated that while face-to-face service is important to DVA clients, the service does not necessarily need to be provided through a VAN shopfront. Based on the input received during the consultation, combined with a significant decline in the numbers of clients visiting VAN shopfronts, alternative arrangements were put in place to provide veterans living in these regions with face-to-face VAN services. These changes will ensure that DVA can continue to offer services to veterans and their families for the long term.²⁹

Commemorative activities

1.32 The Secretary noted the Department's management of commemorative activities during the 2013–14 year, including Anzac Day services at Gallipoli, Villers–Bretonneux and Isurava. In June 2014, Australian veterans travelled to Normandy, France, to attend international commemorations marking the 70th anniversary of the D-Day landings.³⁰ DVA also worked with the Embassy of the Republic of Korea to deliver a national service in Canberra:

In July 2013, DVA worked with the Embassy of the Republic of Korea to deliver a national service at the Korean Memorial on Anzac Parade, Canberra, to commemorate the 60th anniversary of the Korean War armistice. The service brought together Australian and Korean veterans, their families and communities to commemorate their shared losses and to celebrate the enduring friendships forged between the countries involved in the United Nations intervention in Korea. Also in July 2013, a mission of 15 veterans travelled to Korea to mark the 60th anniversary of the armistice.³¹

Anzac centenary

1.33 The Anzac Centenary commenced on 4 August 2014 and will continue until 11 November 2018. DVA is the lead agency for developing and managing the implementation of the Government's arrangements for the Anzac Centenary Program, with a number of events planned at the Commonwealth, state and territory levels.³² Mr Lewis discussed commemoration of significant events across the Anzac Centenary period, including the Albany Convoy Commemorative Event, which took place in

29 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2013–2014*, p. 6.

30 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2013–2014*, p. 6.

31 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2013–2014*, p. 6.

32 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2013–2014*, p. 7.

Albany, Western Australia, from 31 October to 2 November 2014. The event incorporated the official opening of the National Anzac Centre, which tells the stories of the men and women who left Australian shores.³³

1.34 The Anzac Centenary Public Fund was officially launched by the Prime Minister in December 2013 to collect donations from the business community to provide additional funding for a range of national, state and territory Anzac Centenary projects. The Anzac Centenary Public Fund Board superseded the former Anzac Centenary Advisory Board from March 2014. The new board will be responsible for assessing projects and making recommendations to the Government for funding from the Public Fund.³⁴

1.35 During the year, the Australian ballot for places at the Gallipoli 2015 Anzac Day commemorations was completed, with applicants receiving notification of the outcome before Anzac Day 2014. The Secretary noted that:

In total, 42,273 people applied for the 3,800 double passes available to Australians. Outside of the ballot, 400 places were allocated to Australian secondary school children and their chaperones. States and territories are managing the allocation of these places. Also, the Minister for Veterans' Affairs wrote to the widows of Australian First World War veterans in March 2014, inviting them to attend the commemorations. If fit and well enough, they and their carers will travel as part of Australia's official representative group.³⁵

The year ahead

1.36 The Secretary anticipated the Department would have a busy year in 2014–15, with the official commencement of the Anzac Centenary Program and the implementation of a range of service delivery reform initiatives aimed at enhancing access to services and support provided by the Department. The Secretary stated:

The Department will continue to enhance and refine its service delivery capabilities, whilst operating within budgetary constraints. The appropriated Budget commitment to Veterans' Affairs remains consistent. At the same time, and in line with government efficiency dividends, the Department's operating budget will continue to reduce, necessitating a need to find more efficient ways to deliver services. DVA will strive to ensure that we have the right level of resources in the right business areas and locations in order to provide high-quality services to our clients.

We will continue our close work with Defence to ensure that current and former serving members are provided with appropriate care and support services. We will also work closely to provide support to those transitioning

33 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2013–2014*, p. 7.

34 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2013–2014*, p. 7.

35 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2013–2014*, p. 7.

out of the Australian Defence Force, with improved communication and access methods supported by Defence.

We will continue to acknowledge and commemorate the service of Australians by remembering significant anniversaries. In addition to our important role in the Anzac Centenary Program, we will continue to conduct or support Anzac Day services at a number of locations, including in Turkey, France, Malaysia, Thailand and Papua New Guinea.³⁶

Summary

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

36 *Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, Annual Reports 2013–2014, p. 7.*