

Preface

Introduction

1. This is the Senate Foreign Affairs, Defence and Trade Legislation Committee's first report on annual reports for 2016. It provides an overview of annual reports of agencies within the allocated portfolios tabled in the Senate between 1 May 2015 and 31 October 2015.

2. Annual reports inform the Parliament, stakeholders and other interested parties of the operations and performance of public sector departments, agencies and companies. They are a primary accountability mechanism. Additionally, annual reports are important reference documents and form part of the historical record.¹

Terms of reference

3. Under Standing Order 25(20), the annual reports of certain departments and agencies are referred to the committee for examination and assessment. The committee is required to:

- (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 report 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 the attention of the Senate to any significant matters relating to the operations and performance of the bodies furnishing the annual reports.

1 Department of the Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies, and other Non-Corporate Commonwealth Entities*, 25 June 2015, p. 3.

- (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.

Allocated portfolios

4. In accordance with the resolution of the Senate on 12 November 2013, the committee has oversight of the following portfolios:

- Defence, including Veterans' Affairs; and
- Foreign Affairs and Trade.²

Annual reporting requirements

5. This is the first time departments and agencies are reporting under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), which commenced on 1 July 2014. The PGPA Act consolidates the governance, performance and accountability requirements contained in the *Financial Management and Accountability Act 1997* (FMA Act) and the *Commonwealth Authorities and Companies Act 1997* (CAC Act). It also establishes a performance reporting framework for all Commonwealth entities and companies.

6. Section 46 of the PGPA Act sets out the annual reporting requirements in relation to Commonwealth entities, including that annual reports must comply with any requirements prescribed by rules. Section 97 sets out the annual reporting requirements for Commonwealth companies.

7. However, as with 2013–14 annual reports, 2014–15 annual reports were prepared under the arrangements existing at 30 June 2014 as follows:

- for non-corporate Commonwealth entities (departments, executive agencies and statutory agencies): the *Public Service Act 1999*, sections 63(2) and 70(2), and the *Parliamentary Service Act 1999*, section 65; other relevant enabling legislation for statutory bodies; and the Requirements for Annual Reports;
- for corporate Commonwealth entities: the Commonwealth Authorities (Annual Reporting) Orders 2011 prescribe material that must be included in corporate entities' annual reports. These Orders continue to apply to 2014–15 annual reports under the PGPA (Consequential and Transitional Provisions) Rule;
- for Commonwealth companies: the Commonwealth Companies (Annual Reporting) Orders 2011 prescribe material that must be included in corporate entities' annual reports. These Orders continue to apply to 2014–15 annual

reports under the PGPA (Consequential and Transitional Provisions) Rule; and

- for non-statutory bodies: the guidelines are contained in the government response to the Senate Standing Committee on Finance and Public Administration Report on Non-Statutory bodies.³

8. In its report on the development of the Commonwealth performance framework, the Joint Committee of Public Accounts and Audit (JCPAA) foreshadowed that in future years the annual report requirements 'will be replaced through the consolidation of all mandatory requirements into a rule made for the purposes of section 46 of the PGPA Act'.⁴

Changes to the Requirements for Annual Reports

9. The Requirements for Annual Reports were issued by the Department of the Prime Minister and Cabinet on 25 June 2015 and approved by the JCPAA. Two significant changes were made to the Requirements for Annual Reports issued on 25 June 2015 in relation to:

- small business procurement – three requirements have been added to reflect the Government's commitment to improve small business access to Commonwealth contracts; and
- Indigenous employment – reporting on Indigenous employment has been added to the existing requirement to report on the management of human resources.⁵

10. While the Requirements for Annual Reports issued on 25 June 2015 apply to annual reports for 2014–15, it was noted that:

Significant revisions to the Requirements are anticipated for the 2015–16 financial year with the commencement of the performance reporting model under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).⁶

3 *Senate Hansard*, 8 December 1987, pp 2632–45.

4 Joint Committee of Public Accounts and Audit, *Report 452 Development of the Commonwealth Performance Framework*, December 2015, p. 12.

5 Department of the Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies, and other Non-Corporate Commonwealth Entities*, 25 June 2015, p. i.

6 Department of the Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies, and other Non-Corporate Commonwealth Entities*, 25 June 2015, p. i.

Assessment of annual reports

11. Senate Standing Order 25(20) requires that the committee examine reports referred to it to determine whether they are timely and 'apparently satisfactory'. The committee must consider whether the reports comply with the relevant legislation and guidelines for the preparation of annual reports in forming its assessment.

12. The enabling legislation of some agencies may require that agency to report on matters other than those included in the guidelines, or impose different reporting requirements. The committee's view is that such agencies, while bound by their enabling legislation, should also comply with the PM&C guidelines, to the extent that the requirements do not conflict.

Timeliness

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

14. In accordance with the *Requirements for Annual Reports* published in June 2015, 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.⁷

15. A number of annual reports were tabled late. On 12 October 2015, the Chair of AAF Company wrote to the Minister for Defence seeking an extension for the tabling of AAF Company's Annual Report 2014–2015 to 30 November 2015 to allow sufficient time to obtain approval, print copies of the report and mitigate any unforeseen delays.⁸ The report was tabled in the House of Representatives on 26 November 2015 and in the Senate on 30 November 2015.

16. The Chairman of the RAAF Welfare Recreational Company also wrote to the Minister for Defence seeking an extension of the tabling date to 30 November 2015 to allow sufficient time to obtain approval, print copies of the report and mitigate any unforeseen delays.⁹ The report was tabled in the House of Representatives and in the Senate on 11 November 2015.

17. 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

7 Department of the Prime Minister and Cabinet, *Requirements for Annual Reports*, 25 June 2015, p. 2.

8 Brigadier P Daniel AM CSC, Chair, AAF Company to the Minister for Defence, dated 12 October 2015.

9 Air Commodore A R B Elfverson, Chairman, RAAFWRC to the Minister for Defence, 7 October 2015.

annual reports were also tabled after 31 October 2015. These reports were received out of sitting on 2 November 2015 and tabled in the Senate on 9 November 2015:

- ASC Pty Ltd;
- Defence Housing Australia;
- Australian Safeguards and Non-Proliferation Office; and
- Australian War Memorial.

General comments on the annual reports

Matters of significance

18. In accordance with 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 1 July 2015, the Defence Materiel Organisation was officially delisted as a listed entity and transitioned to form the Capability, Acquisition and Sustainment Group with the Department of Defence.¹⁰

Comments made in the Senate

19. The committee is obliged, under 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

20. 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

21. Under the terms of Standing Order 25(20)(a), the committee is required to report to the Senate whether reports are 'apparently satisfactory'. In making this assessment, the committee considers such aspects as compliance with relevant reporting guidelines.

22. 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'.

10 Department of Defence, *Defence Annual Report 2014–15, Volume 1*, p. 91.

Annual reports referred to the committee

23. The following annual reports were referred to the committee for consideration:

Departments of State

- Department of Defence (a non-corporate Commonwealth entity incorporating the report of Defence Materiel Organisation)
- Department of Foreign Affairs and Trade (a non-corporate Commonwealth entity)
- Department of Veterans' Affairs (a non-corporate Commonwealth entity incorporating the reports of Repatriation Commission and Military Rehabilitation and Compensation Commission)

Corporate Commonwealth entities under the PGPA Act

- Army and Air Force Canteen Service
- Australian War Memorial (statutory agency)
- Defence Housing Australia (statutory agency)
- Export Finance and Insurance Corporation
- Royal Australian Air Force Veterans' Residences Trust Fund
- Royal Australian Navy Central Canteens Board
- Services Trust Funds
- Tourism Australia

Non-corporate Commonwealth entities under the PGPA Act

- Australian Centre for International Agricultural Research (statutory agency)¹¹
- Australian Trade Commission (statutory agency)
- Australian Safeguards and Non-Proliferation Office (statutory agency)¹²

11 A statutory agency means the agency is identified in its enabling legislation as a statutory agency for the purposes of the *Public Service Act 1999*, whereby the legislation provides for the agency head to employ APS employees for that agency.

12 The Australian Safeguards and Non-Proliferation Office is a division within the Department of Foreign Affairs and Trade, however, the Director-General is a statutory officer who reports directly to the Minister for Foreign Affairs.

Statutory bodies not under the PGPA Act

- Director of Military Prosecutions

Commonwealth companies limited by guarantee under the Corporations Act 2001

- AAF Company
- Australian Strategic Policy Institute
- Repatriation Medical Authority
- Royal Australian Air Force Welfare Recreational Company
- Veterans' Review Board (statutory agency)

Commonwealth companies limited by shares under the Corporations Act 2001

- ASC Pty Ltd¹³

24. Comments on these individual reports are contained in chapter 1 for departments of state, and chapter 2 for statutory and non-statutory agencies. Reports are listed in alphabetical order under each portfolio.

13 The ASC Pty Ltd sits within the Finance portfolio and is examined by the Finance and Public Administration Legislation Committee.

