

# Chapter 1

## Annual reports of departments

### Department of Defence

1.1 The Department of Defence annual report 2014–15 was presented out of sitting on 30 October 2015 and tabled in the Senate and the House of Representatives on 9 November 2015.

#### *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, observed the past year had been dominated by the Defence White Paper, the Force Structure Review, the First Principles Review, major procurement decisions, and continued cultural reform.<sup>1</sup>

1.3 The First Principles Review was presented to the government and released publicly in April 2015. It was highly critical of the way the department operates and recommended changes to organisational structures and processes. A two-year plan was developed by the department, to begin on 1 July 2015, to implement the major changes recommended by the review.<sup>2</sup>

1.4 The Secretary discussed the department's workforce and noted that the department continued to downsize. The public service full-time equivalent staff reduced from around 22 300 in mid-2012 to just over 18 300 in September 2015. The APS workforce is anticipated to stabilise by around mid-2016.<sup>3</sup> The Secretary also commented that although the department made good progress in the recruitment of Indigenous Australians and people with disability, the gender balance of the workforce had seen little change.<sup>4</sup>

1.5 The Secretary noted that French, German and Japanese entities were invited to submit proposals to the government's competitive evaluation process to determine a design partner for the future submarines. The proposals were required to be received by 30 November 2015. The evaluation is to be completed in the first half of 2016.<sup>5</sup>

1.6 The Secretary gave his thanks to Defence public servants for their work and acknowledged the contribution of Defence contractors and service providers.<sup>6</sup>

1.7 In his review as Chief of the Defence Force (CDF), Air Chief Marshal Mark Binskin AC observed that the past year was one of the most unpredictable periods in

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

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

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

4 Department of Defence, *Defence Annual Report 2014–15, Volume 1*, p. 2.

5 Department of Defence, *Defence Annual Report 2014–15, Volume 1*, p. 2.

6 Department of Defence, *Defence Annual Report 2014–15, Volume 1*, p. 3.

recent history. The CDF discussed some of the Australian Defence Force's (ADF) achievements, including the responses to flights MH370 and MH17, the Building Partner Capacity mission in Iraq, and significant international maritime operations.<sup>7</sup>

1.8 The CDF highlighted that ADF personnel and assets were still engaged in the search for missing Malaysia Airlines flight MH370 in the Southern Ocean, when Malaysia Airlines flight MH17 was shot down over Ukraine. The ADF worked with Australian Federal Police on Operation Bring them Home, to return the victims to their families.<sup>8</sup>

1.9 Around 300 personnel are deployed in Iraq on the Building Partner Capacity mission. Together with their New Zealand counterparts, Task Group Taji provides Iraqi Army soldiers with additional training in a range of military skills as well as the laws of armed conflict and leadership.<sup>9</sup>

1.10 The CDF noted that over the past two years, Royal Australian Navy ships seized more than \$2.2 billion in illegal narcotics that would have been used to fund terrorist activities around the world. *HMAS Success* became the first Australian ship to participate in a NATO maritime operation on Operation Ocean Shield, which extended its counter-piracy mission in the Gulf of Aden and off the Horn of Africa.<sup>10</sup>

1.11 The CDF discussed the commencement of air strikes against Daesh, and the work carried out by Air Task Group:

At the Iraqi Government's request, the Air Task Group has conducted regular air strikes since October. In that time, the F/A-18A Hornet and F/A-18F Super Hornet combination has flown more than 5,000 hours, employing more than 400 precision weapons against Daesh targets. These operations are part of the international coalition's air campaign supporting Iraqi Security Force operations on the ground. The combination of Australian strike aircraft, tankers and airborne early warning aircraft make this Air Task Group one of the most capable air packages the ADF has ever deployed. It is also the first completely self-contained Air Task Group we have deployed, with the E-7A AEW&C Wedgetail completing more than 100 operational sorties and the KC-30A air-to-air refuelling team delivering 25 million pounds of fuel to Australian and coalition aircraft.<sup>11</sup>

1.12 The CDF also drew attention to the ADF's humanitarian and disaster relief operations following Tropical Cyclone Marcia, Cyclone Lam, and Cyclone Pam as well as the relief and recovery operations following the earthquake in Nepal.<sup>12</sup>

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7 Department of Defence, *Defence Annual Report 2014–15, Volume 1*, p. 4.

8 Department of Defence, *Defence Annual Report 2014–15, Volume 1*, p. 4.

9 Department of Defence, *Defence Annual Report 2014–15, Volume 1*, p. 4.

10 Department of Defence, *Defence Annual Report 2014–15, Volume 1*, p. 5.

11 Department of Defence, *Defence Annual Report 2014–15, Volume 1*, p. 4.

12 Department of Defence, *Defence Annual Report 2014–15, Volume 1*, p. 4.

## ***External accountability***

### ***Judicial decisions and decisions of administrative tribunals***

1.13 The Defence annual report described a number of judicial decisions and decisions of administrative tribunals. One matter is currently awaiting the court's decision on whether the applicant will be allowed to file a further amended statement of claim, while two other matters had their decisions reserved by the court.<sup>13</sup>

1.14 Defence is currently the respondent in six applications to the Administrative Appeals Tribunal, where the applicants seek review of decisions by Defence to reject their claims for compensation, in relation to Defence activities at the Salt Ash Weapons Range. The applicants are the lead group of 102 claimants whose claims for compensation under regulation 57 have been rejected by Defence. The hearing of these applications was listed to commence on 26 October 2015.<sup>14</sup>

### ***Auditor-General's reports***

1.15 In 2014–15, the Auditor-General tabled six performance audit reports relating directly to Defence and the Defence Materiel Organisation and one report on a cross-portfolio audit involving Defence.<sup>15</sup>

### ***Australian National Audit Office report***

1.16 The Australian National Audit Office (ANAO) report for the Department of Defence demonstrated that there were eight moderate findings and one significant legislative finding from the previous financial year which were resolved by the department during 2014–15.<sup>16</sup> The ANAO identified three new moderate findings which were unresolved at the end of its 2014–15 final audit phase. These included:

- estimation of MSI impairment;
- estimation of impairment of Defence Weapons Platforms; and
- general stores inventory pricing.<sup>17</sup>

## ***Summary***

1.17 The committee finds that Defence's annual report complies adequately with all reporting requirements for a department.

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13 Department of Defence, *Defence Annual Report 2014–15, Volume 1*, p. 171.

14 Department of Defence, *Defence Annual Report 2014–15, Volume 1*, p. 170.

15 Department of Defence, *Defence Annual Report 2014–15, Volume 1*, pp 171–172.

16 Australian National Audit Office, *ANAO Audit Report No.15 2015–16: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2015*, pp 66–68.

17 Australian National Audit Office, *ANAO Audit Report No.15 2015–16: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2015*, pp 66–68.

## Department of Foreign Affairs and Trade

1.18 The Department of Foreign Affairs and Trade (DFAT) annual report 2014–15 was tabled in the House of Representatives and in the Senate on 14 October 2015.

### *Secretary's review*

1.19 The Secretary of the Department, Mr Peter Varghese AO, , noted that the 2014–15 financial year had been one of organisational renewal and important successes in DFAT's implementation of the government's foreign policy, trade and investment and development agenda.<sup>18</sup>

1.20 The Secretary observed that the department made positive contributions to global prosperity and security during the year:

We have deepened our strategic relations with major powers and regional partners. We have supported Australia's major role in the US-led coalition against Daesh in Iraq. Furthering the pursuit of economic diplomacy, we promoted the economic opportunities arising from new trade agreements with Korea and Japan, concluded negotiations on a new trade agreement with China and supported Australia's presidency of the G20. The department extended people-to-people links with the expansion of the New Colombo Plan from its pilot phase. Our development assistance has promoted economic growth and stability in our region.<sup>19</sup>

### *Regional and multilateral diplomacy*

1.21 The department worked closely with Defence to facilitate Australia's military contribution to the international coalition countering the threat posed by Daesh and provided substantial humanitarian assistance in response to the conflicts in Iraq and Syria.<sup>20</sup> As the Secretary highlighted, the department engaged across a range of forums to promote Australia's interests:

Our two-year term as a non-permanent member of the UN Security Council concluded in December. The department supported Australia's leadership in responding to the downing of MH17 to ensure investigators' access to the crash site, enable repatriation of victims and support efforts towards accountability. We won support for access for humanitarian relief into Syria, focused the Security Council on countering terrorism and violent extremism and secured unanimous agreement to strengthen UN policing.<sup>21</sup>

### *Economic diplomacy, trade and investment*

1.22 The department worked to improve market access for Australian goods and services and promote foreign investment to Australia. As the Secretary noted:

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18 Department of Foreign Affairs and Trade, *Annual Report 2014–15*, p. 3.

19 Department of Foreign Affairs and Trade, *Annual Report 2014–15*, p. 3.

20 Department of Foreign Affairs and Trade, *Annual Report 2014–15*, p. 5.

21 Department of Foreign Affairs and Trade, *Annual Report 2014–15*, p. 5.

Free Trade Agreements (FTAs) with Korea and Japan entered into force during the year and the department drove accelerated FTA negotiations with China and India, leading to the signing of China–Australia FTA in June. We worked closely with Austrade to promote the benefits of these agreements, completing a national series of information seminars for Australian businesses. The department led negotiations on the Regional Comprehensive Economic Partnership (RCEP) and made significant progress in the Trans-Pacific Partnership (TPP) and PACER Plus negotiations.<sup>22</sup>

### *The aid program*

1.23 During the year, the department provided humanitarian assistance in 21 countries, including major relief efforts in Vanuatu, after Tropical Cyclone Pam in March this year, and in Nepal, following the earthquakes in April and May. The Secretary also noted the response to the Ebola outbreak in West Africa was a substantial contribution to international efforts.<sup>23</sup>

### *Efficient, effective and responsive services*

1.24 Consular assistance was provided to 15 824 Australians in difficulty overseas and the department responded to 50 525 emergency calls. The department increased travel information found on the smartraveller.gov.au website and issued a record number of 1.83 million passports over the year.<sup>24</sup>

1.25 According to the Secretary, a substantial amount of assistance was provided to the families of the victims of downed flight MH17 and those affected by the natural disasters in Vanuatu and Nepal. The Secretary emphasized that the department would continue to pursue justice for the victims of MH17.<sup>25</sup>

### *Outlook*

1.26 In his outlook for the department, the Secretary anticipated that a number of new diplomatic posts will be established 'in the single largest expansion of the diplomatic network in 40 years'.<sup>26</sup>

### *External scrutiny and accountability*

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

1.28 Departmental officers appeared as witnesses before the Joint Standing Committee on Treaties in relation to seven proposed treaty actions.<sup>27</sup> During the year the department successfully defended two employment actions brought in a foreign

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22 Department of Foreign Affairs and Trade, *Annual Report 2014–15*, p. 6.

23 Department of Foreign Affairs and Trade, *Annual Report 2014–15*, p. 6.

24 Department of Foreign Affairs and Trade, *Annual Report 2014–15*, p. 7.

25 Department of Foreign Affairs and Trade, *Annual Report 2014–15*, p. 7.

26 Department of Foreign Affairs and Trade, *Annual Report 2014–15*, pp 8–9.

27 Department of Foreign Affairs and Trade, *Annual Report 2014–15*, p. 229.

court by former locally engaged staff members, and settled a third.<sup>28</sup> At the end of the financial year there were six active applications before the Administrative Appeals Tribunal for review of passports decisions, and one for review of a Freedom of Information decision.<sup>29</sup>

1.29 In 2014–15, the Auditor-General tabled in parliament five 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 2014;
- Report No. 21: Delivery of Australia's Consular Services;
- Report No. 43: Managing Australian Aid to Vanuatu;
- Report No. 44: Interim Phase of the Audits of the Financial Statements of Major General Government Sector Agencies for the year ending 30 June 2015; and
- Report No. 48: Limited Tender Procurement.<sup>30</sup>

### ***Australian National Audit Office report***

1.30 The Australian National Audit Office report for the Department of Foreign Affairs and Trade demonstrated that there were two moderate findings from the previous financial year which were resolved by DFAT during the 2014–15 interim and final audit phases.<sup>31</sup>

1.31 The ANAO had identified that the department did not have adequate processes in place to ensure the timely and accurate preparation of their 2013–14 financial statements. The department addressed these deficiencies in 2014–15, including preparing and implementing a detailed financial statement preparation plan and a financial statements quality assurance plan, which supported the timely and accurate preparation of the 2014–15 financial statements.<sup>32</sup>

### ***Summary***

1.32 The committee finds that the Department of Foreign Affairs and Trade's annual report adequately complies with all reporting requirements for a department.

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

1.33 The Department of Veterans' Affairs (DVA) is the primary service delivery agency responsible for developing and implementing programs that assist the veteran and defence force communities. DVA also provides policy advice, administrative

28 Department of Foreign Affairs and Trade, *Annual Report 2014–15*, p. 265.

29 Department of Foreign Affairs and Trade, *Annual Report 2014–15*, p. 265.

30 Department of Foreign Affairs and Trade, *Annual Report 2014–15*, p. 229.

31 Australian National Audit Office, *ANAO Audit Report No.15 2015–16: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2015*, p. 93.

32 Australian National Audit Office, *ANAO Audit Report No.15 2015–16: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2015*, p. 93.

support and staff for the Repatriation Commission and the Military Rehabilitation and Compensation Commission. The department administers a range of legislation, including the *Veterans' Entitlements Act 1986*, the *Military Rehabilitation and Compensation Act 2004*, the *Safety, Rehabilitation and Compensation Act 1988*, the *Defence Service Homes Act 1918* and the *War Graves Act 1980*.<sup>33</sup>

1.34 DVA's annual report 2014–15 was received out of sitting on 30 October 2015 and tabled in the House of Representatives and in the Senate on 9 November 2015. The report also includes 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.

### *Secretary's year in review*

1.35 In the Secretary's year in review, Mr Simon Lewis PSM reflected on the department's significant achievements, realised across a number of areas: rehabilitation and compensation health, commemorations, and corporate management.<sup>34</sup>

### *Commemorative activities*

1.36 The Secretary highlighted the Department's management of commemorative activities during the 2014–15 year, including the Albany Convoy Commemorative Event, the ceremony at Gallipoli for the Anzac Day Dawn Service, Anzac Day services at Villers-Bretonneux and Isurava, two missions supporting veterans of the Second World War to travel to France and the United Kingdom to mark the seventieth anniversary of the declaration of Victory in Europe, and to Borneo to commemorate the seventieth anniversary of Operation Oboe.<sup>35</sup>

1.37 The Secretary also drew attention to the 1395 Anzac Centenary local grants, totalling \$14.3 million (excluding GST), which were awarded to community and ex-service organisations, schools and other educational institutions, museums and other cultural institutions, local government authorities and non-profit community organisations.<sup>36</sup>

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33 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2014–2015*, p. 9.

34 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2014–2015*, p. 2.

35 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2014–2015*, p. 4.

36 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2014–2015*, p. 3.

*Mental health*

1.38 The Secretary emphasized that the department's efforts in mental health were focused on early intervention and noted a number of significant achievements were realised, including:

- three major research studies were completed: the Vietnam Veterans' Family Study, the Peacekeepers' Health Study and the Australian Gulf War Veterans' Follow Up Health Study;
- the 2013–14 mental health services expansion Budget measure was implemented, including expansion of eligibility for the Veterans and Veterans Families Counselling Service (VVCS); expansion of eligibility for treatment for certain mental health conditions, regardless of the cause; and introduction of a health assessment by a GP for all ex-ADF personnel; and
- the High Res smartphone app, to manage stress and build resilience, was released.<sup>37</sup>

1.39 The Secretary also discussed the department's commitment to reaching vulnerable clients:

The Department is working closely with ex-service organisations and welfare agencies to identify ex-ADF members who are homeless or at risk of homelessness and ensure that they are linked to appropriate emergency accommodation and other support services. We have also initiated research to inform the development of longer term strategies to minimise the risks which can lead to ex-ADF members becoming homeless.<sup>38</sup>

*Service delivery strategy and online services*

1.40 The department's Client Service Survey received responses from over 3000 clients. The survey results indicated that 89 per cent were satisfied or very satisfied with DVA's services. This is an improvement on the satisfaction rate in the previous survey which was conducted in 2010.<sup>39</sup> The Secretary observed that the results of the survey contributed to DVA's service reform activities:

During 2014–15, we updated the DVA Service Charter, increased the services available online through MyAccount and completed a pilot project to better direct telephone enquiries and reduce call waiting times.

During 2015–16, we will build on these initiatives by implementing a new telephone system to more efficiently manage call services. We will work towards a more connected digital environment, increasing digital information and services for clients and their nominated representatives.

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37 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2014–2015*, p. 3.

38 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2014–2015*, p. 4.

39 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2014–2015*, p. 5.

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We will also develop more consistent, streamlined ways of connecting veterans with the services they need, through a national approach.<sup>40</sup>

### *The year ahead*

1.41 The Secretary anticipated the department would have a busy and challenging year ahead, as DVA implements 2015–16 budget initiatives and continues to work on service delivery reform. The Secretary stated that key priorities over the next 12 months would include:

- improving rehabilitation and compensation workload management;
- implementing the next phase of the Veterans' Employment Assistance Initiative;
- implementing the Government's decision to excise Part XI (Australian Defence Force coverage) from the *Safety, Rehabilitation and Compensation Act 1988* into a standalone Act;
- implementing mental health polices, particularly in the areas of prevention and early intervention;
- digitising business processes;
- leading the second year of the Anzac Centenary Programme 2014–2018; and
- engaging in whole-of-government reform initiatives.<sup>41</sup>

### *Australian National Audit Office report*

1.42 The Australian National Audit Office report for the Department of Veterans' Affairs demonstrated that there were two moderate findings and one significant legislative finding from the previous financial year which were resolved<sup>42</sup> by DVA during the 2014–15 final audit phase.<sup>43</sup>

### *Summary*

1.43 The committee finds the Department of Veterans' Affairs annual report complies adequately with all reporting requirements for a department.

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40 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2014–2015*, p. 5.

41 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2014–2015*, p. 7.

42 Significant legislative findings which occurred in 2013–14 but did not occur in 2014–15 were closed by the ANAO.

43 Australian National Audit Office, *ANAO Audit Report No.15 2015–16: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2015*, p. 73.

