

## Chapter 2

### Annual reports of statutory and non-statutory agencies

#### Defence portfolio

##### *Defence Housing Australia*

2.2 Defence Housing Australia (DHA) is a commercially focused Government Business Enterprise that provides housing and related services to ADF members and their families in accordance with the *Defence Housing Act 1987* and service agreements with the Department of Defence. DHA is a self-funded and full tax paying entity which does not receive funding from the Federal Budget.<sup>1</sup>

2.3 DHA's annual report 2014–15 was received out of sitting on 2 November 2015 and tabled in the Senate and in the House of Representatives on 9 November 2015.

##### *Chairman's foreword*

2.4 In his foreword, the Hon J.A.L. (Sandy) Macdonald, Chairman, welcomed the government's decision in May 2015 to proceed with the privatisation of DHA.<sup>2</sup> The Chairman discussed DHA's continued support of the broader Defence community and its significant contributions over the year to a number of organisations. The Chairman was pleased that DHA was the Australian presenting partner of *Nomanslanding*—an international commemorative art exhibition at Darling harbour in Sydney—which provided the opportunity to educate everyday Australians about the services provided to ADF members and their families.<sup>3</sup>

2.5 The Chairman anticipated that priorities for the coming year would focus on the strategic expansion of programs and services, particularly the Sale and Leaseback program and further development of housing services to single ADF members.<sup>4</sup>

##### *Managing Director's year in review*

2.6 In his review, Mr Peter Howman, Managing Director, reported that DHA's performance during 2014–15 had been strong against budget. The organisation managed 18 872 properties worth approximately \$10 billion. Full financial year results were \$140.8 million earnings before interest and tax (against a budget of \$132.1 million) while total revenue for the year was \$1.3 billion.<sup>5</sup>

2.7 DHA's managed costs and focus on operational efficiency resulted in operating expenses which were \$6.7 million under budget. The year closed with 715 properties for single ADF members, which is close to achieving national coverage and

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1 Defence Housing Australia, *Annual Report 2014–15*, p. vii.

2 Defence Housing Australia, *Annual Report 2014–15*, p. x.

3 Defence Housing Australia, *Annual Report 2014–15*, p. x.

4 Defence Housing Australia, *Annual Report 2014–15*, p. xi.

5 Defence Housing Australia, *Annual Report 2014–15*, p. 6.

DHA's target of 1000 properties by 30 June 2015.<sup>6</sup> The Managing Director stated that DHA aims to continue to improve financially and operationally and acknowledged the valuable contribution of its staff over the year.<sup>7</sup>

#### *External scrutiny*

2.8 The Commonwealth Ombudsman did not release any reports relating to DHA during 2014–15. However, 40 approaches concerning DHA were received, 10 of which were the subject of investigation, and one of which is ongoing.<sup>8</sup>

#### *Australian National Audit Office report*

2.9 The Australian National Audit Office (ANAO) report for Defence Housing Australia demonstrated that there were no significant or moderate audit findings arising from the 2013–14 or 2014–15 audits.<sup>9</sup>

#### *Summary*

2.10 The committee finds Defence Housing Australia's annual report adequately complies with the relevant requirements for the preparation of annual reports.

#### ***Defence Materiel Organisation***

2.1 The Defence Materiel Organisation (DMO) was officially delisted as a listed entity on 1 July 2015 and transitioned to form the Capability Acquisition and Sustainment Group within the Department of Defence.<sup>10</sup> The 2014–15 annual report represents the last for the DMO, which was responsible for the acquisition and sustainment of the materiel elements of capability for the ADF.

2.2 The annual report of the Defence Materiel Organisation is contained in Defence's annual report. It was presented out of sitting on 30 October 2015 and tabled in the Senate and the House of Representatives on 9 November 2015.

#### *Review by the Chief Executive Officer*

2.3 Mr Warren King, Chief Executive Officer, noted that since being prescribed in 2005, the DMO has delivered more than 170 projects, most of which were delivered within budget and to the required capability level.<sup>11</sup> Mr King reflected that the DMO operated more effectively in delivering an increased acquisition and sustainment

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6 Defence Housing Australia, *Annual Report 2014–15*, p. 6.

7 Defence Housing Australia, *Annual Report 2014–15*, p. 8.

8 Defence Housing Australia, *Annual Report 2014–15*, p. 78.

9 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. 69.

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

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

workload with 464 fewer people in its workforce and \$28.249 million less operating expenditure than 2013–14.<sup>12</sup>

2.4 Mr King gave recent examples of ADF capability enhancements, including the Air-to-Air Refueller and Wedgetail, which are both currently being used in overseas operations. Both capabilities were previously listed on the 'Projects of Concern' list but were remediated by DMO and their industry partners.<sup>13</sup>

2.5 Mr King observed that the DMO drove effective and innovative sustainment solutions, in particular by extending the various air, land and maritime fleets. The Smart Sustainment Reform Programme resulted in \$2 billion worth of savings since 2009, while the introduction of performance-based contracting resulted in significant improvements in sustainment efficiency and productivity by industry.<sup>14</sup>

#### *Australian National Audit Office report*

2.6 The Australian National Audit Office report for the Defence Materiel Organisation demonstrated that there was one moderate finding from the previous financial year which was resolved by DMO during the 2014–15 final audit.<sup>15</sup> The ANAO identified four new moderate findings over the 2014–15 interim and final audit phases which remained unresolved by the end of the 2014–15 final audit phase. These include:

- accuracy and completeness of month end System Project Office financial information;
- accounting for commitments;
- effectiveness of assurance processes; and
- valuation and management of overseas project bank accounts.<sup>16</sup>

#### *Summary*

2.7 The committee finds Defence Materiel Organisation's annual report complies adequately with the relevant requirements for the preparation of annual reports.

## **Foreign Affairs and Trade portfolio**

### *Australian Trade Commission*

2.8 The Australian Trade Commission (Austrade) was established by the *Australian Trade Commission Act 1985* and is a non-corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013*. Austrade

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12 Department of Defence, *Defence Annual Report 2014–15, Volume 1*, p. 92.

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

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

15 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 70–71.

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 71–72.

helps Australian businesses, education institutions, tourism operators, governments and citizens as they develop international markets and promote international education; win productive foreign direct investment; strengthen Australia's tourism industry; and seek consular and passport services in certain locations overseas.<sup>17</sup>

2.9 The Australian Trade Commission's annual report was received out of sitting on 2 November 2015 and tabled in the Senate and in the House of Representatives on 9 November 2015.

*Chief Executive Officer's report*

2.10 In his report, Mr Bruce Gosper, Chief Executive Officer, discussed some of Austrade's achievements in the past year. These included the department's assumption of new investor visa responsibilities, its promotion of opportunities stemming from the North Asia free trade agreements, and its work promoting Australia as a destination for productive foreign direct investment.<sup>18</sup>

2.11 During the year, Austrade opened a new office in Houston, Texas, to focus on attracting investment into the resources and energy sector, agribusiness, advanced services, manufacturing and technologies.<sup>19</sup> Austrade helped to develop the White Paper on Developing Northern Australia and worked to strengthen the tourism sector by:

...developing policy, managing programs and providing research to grow Australia's tourism market share. We worked to give the tourism sector a more effective voice in policy development and to improve policy settings in immigration, transport, employment and the business environment to enable the sector to prosper and grow. We also worked with state and territory governments, tourism organisations and the tourism industry to implement the Tourism 2020 strategy.<sup>20</sup>

2.12 Over the year, Austrade delivered major business missions and events such as Australia Business Week in India and Match Australia.<sup>21</sup> Austrade received nearly 3200 applications for grants under the Export Market Development Grants scheme, assisted 891 Australians overseas, and processed 13 486 new passport applications.<sup>22</sup>

2.13 Mr Gosper noted that Austrade's Service Improvement Study for 2014–15 showed that satisfaction with Austrade is high. The study found that 80 per cent of clients were satisfied with their dealings with Austrade during the past 12 months.<sup>23</sup>

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17 Australian Trade Commission, *Annual Report 2014–2015*, p. 2.

18 Australian Trade Commission, *Annual Report 2014–2015*, pp 7–8.

19 Australian Trade Commission, *Annual Report 2014–2015*, p. 7.

20 Australian Trade Commission, *Annual Report 2014–2015*, p. 8.

21 Australian Trade Commission, *Annual Report 2014–2015*, pp 7–8.

22 Australian Trade Commission, *Annual Report 2014–2015*, pp 9–10.

23 Australian Trade Commission, *Annual Report 2014–2015*, p. 7.

2.14 Mr Gosper anticipated that 2015–16 would be a big year for Austrade, noting that new funding had been received to expand investment facilitation work, promote free trade agreements and increase the schedule of major business events and business missions.<sup>24</sup>

#### *External scrutiny*

2.15 Austrade was the subject of two reports tabled by the Auditor-General in Parliament during 2014–15:

- fraud control arrangements (Audit Report No. 3, 2014–15); and
- administration of the Export Market Development Grants scheme (Audit Report No. 15, 2014–15).<sup>25</sup>

2.16 During the reporting period, the Information Commissioner finalised one review of a Freedom of Information decision made by Austrade, with the decision currently on appeal at the Administrative Appeals Tribunal. The Commonwealth Ombudsman advised Austrade that it was investigating a complaint about the handling of disclosures made under the Public Interest Disclosure Act 2013.<sup>26</sup>

#### *Australian National Audit Office report*

2.17 The Australian National Audit Office report for the Australian Trade Commission demonstrated that there were no significant or moderate audit findings arising from the 2013–14 or 2014–15 audits.<sup>27</sup>

#### *Summary*

2.18 The committee finds the Australian Trade Commission's annual report to be satisfactory in complying with the relevant requirements for the preparation of annual reports.

#### ***Export Finance and Insurance Corporation***

2.19 The Export Finance and Insurance Corporation (Efic) is Australia's export credit agency. It was established in its current form on 1 November 1991 under the *Export Finance and Insurance Act 1991 (Cth)*. Efic delivers solutions for Australian companies to enable them to win business, grow internationally and achieve export success.<sup>28</sup>

2.20 The Export Finance and Insurance Corporation's annual report for 2014–2015 was tabled in the House of Representatives on 21 October 2015 and in the Senate on 9 November 2015.

24 Australian Trade Commission, *Annual Report 2014–2015*, p. 10.

25 Australian Trade Commission, *Annual Report 2014–2015*, p. 144.

26 Australian Trade Commission, *Annual Report 2014–2015*, p. 144.

27 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. 94.

28 Export Finance and Insurance Corporation, *Annual Report 2014–2015*, p. 26.

*Chairman's report*

2.21 In his report, Mr James Millar AM, Chairman, observed that during the year Efic provided 234 facilities to Australian companies worth \$179 million.<sup>29</sup>

2.22 The Chairman noted the government's amendments to the *Export Finance and Insurance Corporation Act 1991* in March 2015 allows Efic to lend directly for the export of all goods not just 'capital goods'. However, no change had been made to Efic's 'market gap' mandate, which means Efic can still only provide financial solutions to SMEs when the private market is unable or unwilling to help.<sup>30</sup>

2.23 The Chairman observed that the underlying business performed well, with a focus on efficiency contributing savings of \$1 million in budgeted costs. However, given all loan provisions are held predominantly in US dollars, the fall in the Australian dollar from \$0.94 to \$0.77 during the year reduced profit by \$5.4 million.<sup>31</sup>

*Managing Director's report*

2.24 Mr Andrew Hunter, Managing Director and CEO, highlighted that more than 60 per cent of Efic's financial support by value was allocated to SMEs during the year, and 94 per cent of Efic's transactions by number were for SMEs, up from 90 per cent last year. The average transaction turnaround time is 78 days, down from 105 last year.<sup>32</sup>

2.25 In response to Efic's new lending flexibility, a new Export Contract Loan product was developed. As at 30 June, Efic had closed 13 Export Contract Loan transactions from a standing start in an average of 56 days, compared to 100 days for an average working capital guarantee.<sup>33</sup>

*Australian National Audit Office report*

2.26 The Australian National Audit Office report for the Export Finance and Insurance Corporation demonstrated that there were no significant or moderate audit findings arising from the 2013–14 or 2014–15 audits.<sup>34</sup>

*Summary*

2.27 The committee finds the Export Finance and Insurance Corporation's annual report to be satisfactory in complying with the relevant requirements for the preparation of annual reports.

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29 Export Finance and Insurance Corporation, *Annual Report 2014–2015*, p. 6.

30 Export Finance and Insurance Corporation, *Annual Report 2014–2015*, p. 7.

31 Export Finance and Insurance Corporation, *Annual Report 2014–2015*, p. 6.

32 Export Finance and Insurance Corporation, *Annual Report 2014–2015*, pp 8–9.

33 Export Finance and Insurance Corporation, *Annual Report 2014–2015*, p. 8.

34 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. 94.

## *Tourism Australia*

2.28 Tourism Australia is an Australian Government statutory authority formed under the *Tourism Australia Act 2004* and is subject to the *Public Governance, Performance and Accountability Act 2013*. As Australia's national tourism marketing organisation, it aims to increase visitors for international leisure and business events by promoting Australia as a compelling tourism destination. In 2014–15, this outcome was delivered through two programs:

- increase demand for Australia as a tourism destination; and
- industry development.<sup>35</sup>

2.29 Tourism Australia's annual report for 2014–2015 was received out of sitting on 30 October 2015 and tabled in the Senate and in the House of Representatives on 9 November 2015.

### *Chairman's report*

2.30 In his report for 2014–15, Mr Geoff Dixon, Chairman, reflected that the Australian tourism industry performed very strongly during the past 12 months. Tourism benefited from highly successful international marketing campaigns and major improvement in distribution and aviation capacity. International arrivals and spending reached record levels, with growth of 7 per cent in arrivals and 10 per cent in spend by international travellers.<sup>36</sup>

2.31 Mr Dixon noted that, over the year, 7.1 million international visitors injected more than \$33 billion into the economy, with Greater China and South East Asia as the standouts. The year was also Tourism Australia's best for partnerships which generated close to \$60 million in revenue through significant commercial deals with partners such as Virgin Australia and Etihad Airways.<sup>37</sup>

### *Managing Director's report*

2.32 Looking back on the year, Mr John O'Sullivan, Managing Director, observed that international arrivals and spending was at record highs. Major events such as the 2015 AFC Asian Cup and the 2015 ICC Cricket World Cup helped to drive tourism. Mr O'Sullivan noted:

For example, figures provided by the Australian Bureau of Statistics revealed 46 per cent year on year spike in visitor arrivals from India during the month of March, coinciding with India's appearance in the semi-final of the Cricket World Cup. Beyond increased visitor numbers and tourism spending, these two events helped showcase Australia to a combined global television audience of 4 billion people.<sup>38</sup>

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35 Tourism Australia, *Annual Report 2014–15*, pp 5–6.

36 Tourism Australia, *Annual Report 2014–15*, p. 16.

37 Tourism Australia, *Annual Report 2014–15*, pp 16–17.

38 Tourism Australia, *Annual Report 2014–15*, p. 19.

2.33 Mr O'Sullivan drew attention to Tourism Australia's work introducing an elite network of specialist travel agents in China, trained to sell high-quality Australian holiday packages to China's rapidly growing middle class, noting that a similar approach is in place in Singapore and being rolled out in Indonesia.<sup>39</sup>

2.34 Mr O'Sullivan discussed Tourism Australia's work on the global campaign *Restaurant Australia*, which focused on Australia's food and wine, reaching a global audience of more than 1.25 billion people. The campaign began by gaining the support of the tourism industry, followed by a major media campaign and launch events, including a pop-up restaurant in London and food trucks in Paris. This was followed by inviting 86 of the world's most influential food and wine figures to experience Australia's produce and places firsthand.<sup>40</sup>

#### *External Scrutiny*

2.35 Tourism Australia's external audit function is performed by the Australian National Audit Office. No material audit issues or compliance breaches were noted during the year.<sup>41</sup> No judicial or tribunal decisions were made and no parliamentary reports were published in respect of Tourism Australia in 2014–15.<sup>42</sup>

#### *Summary*

2.36 The committee finds Tourism Australia's annual report to be satisfactory in complying with the relevant requirements for the preparation of annual reports.

### **Veterans' Affairs portfolio**

#### *Australian War Memorial*

2.37 The Australian War Memorial (the Memorial) was established as a statutory authority under the *Australian War Memorial Act 1980*. The performance of the Memorial and the accountability of its council and management are subject to the *Public Governance, Performance and Accountability Act 2013*.

2.38 The Memorial is accountable to the government through the Minister for Veterans' Affairs. The Council of the Australian War Memorial is responsible for the conduct and control of the activities of the Memorial. Its numerous functions and responsibilities include:

- establishing the Memorial's strategic direction and vision;
- approving the Memorial's goals and key objectives;
- approving the annual budget and monitoring expenditure and reporting; and

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39 Tourism Australia, *Annual Report 2014–15*, p. 19.

40 Tourism Australia, *Annual Report 2014–15*, p. 18.

41 Tourism Australia, *Annual Report 2014–15*, p. 93.

42 This committee's Report on Annual Reports is not tabled until the financial year being examined has ended.

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- ensuring that the Memorial has adequate financial resources to meet known and planned future resources.<sup>43</sup>

2.39 The Australian War Memorial's annual report 2014–15 was received out of sitting on 2 November 2015 and tabled in the Senate and in the House of Representatives on 9 November 2015.

#### *Chairman's report*

2.40 The Chairman, Rear Admiral Ken Doolan AO RAN (Ret'd), reflected that the Centenary of the First World War brought with it challenges and opportunities. One of the most significant was the completion of the First World War Galleries, which was one of the largest projects ever undertaken by the institution.<sup>44</sup>

2.41 The Chairman observed that throughout the 2014–15 year the Memorial hosted many distinguished visitors and significant commemorative ceremonies such as Remembrance Day 2014 and Anzac Day 2015. The Dawn Service at the Australian War Memorial on 36 April 2015 attracted a record crowd, with at least 128 700 people turning out to mark the centenary of the Gallipoli landings.<sup>45</sup>

2.42 The Chairman noted that there were several changes to the membership of the Council of the Australian War Memorial during the 2014–15 year, and offered his thanks to those whose terms on the Council had come to an end.<sup>46</sup>

2.43 On behalf of the Council, the Chairman also expressed gratitude to the Director, the Honourable Dr Brendan Nelson, and the Memorial's hardworking paid and volunteer staff.

#### *Australian National Audit Office report*

2.44 The Australian National Audit Office report for the Australian War Memorial demonstrated that there were no significant or moderate audit findings arising from the 2013–14 or 2014–15 audits.<sup>47</sup>

#### *Summary*

2.45 The committee finds the Australian War Memorial's annual report to be satisfactory in complying with the relevant requirements for the preparation of annual reports.

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43 Australian War Memorial, *Annual Report 2014–15*, pp 3–4.

44 Australian War Memorial, *Annual Report 2014–15*, p. 1.

45 Australian War Memorial, *Annual Report 2014–15*, p. 2.

46 Australian War Memorial, *Annual Report 2014–15*, p. 3.

47 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. 69.

## **Other reports**

2.46 Other portfolio authorities, agencies and/or companies which had their annual reports examined by the committee, but were not otherwise commented upon in this report, include:

### *Defence portfolio*

- AAF Company (tabled 30 November 2015);
- Army and Air Force Canteen Service (tabled 9 November 2015);
- ASC Pty Ltd (tabled 9 November 2015);
- Australian Strategic Policy Institute (tabled 9 November 2015);
- Director of Military Prosecutions (tabled 16 September 2015);
- Royal Australian Air Force Welfare Recreational Company (tabled 11 November 2015);
- Royal Australian Air Force Veterans' Residences Trust Fund (tabled 9 November 2015);
- Royal Australian Navy Central Canteens Board (tabled 9 November 2015); and
- Services Trust Funds (tabled 9 November 2015).

### *Foreign Affairs portfolio*

- Australian Safeguards and Non-Proliferation Office (tabled 9 November 2015); and
- Australian Centre for International Agriculture Research (tabled 9 November 2015).

### *Veterans' Affairs portfolio*

- Repatriation Medical Authority (tabled 9 November 2015); and
- Veterans' Review Board (tabled 9 November 2015).

2.47 The committee considers that all the annual reports of the above-mentioned organisations adequately met their respective reporting requirements.

**Senator Chris Back**  
**Chair**