

Chapter 3

Annual reports of other Commonwealth entities

Introduction

3.1 As noted in the preface, the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and its associated rule have established a mandatory performance reporting framework for Commonwealth companies and entities that applies from 1 July 2015. The committee examined in detail the following annual reports for the 2015–16 financial year:

- Defence Housing Australia;
- Australian Trade and Investment Commission;
- Export Finance and Insurance Corporation;
- Tourism Australia; and
- Australian War Memorial.

Defence portfolio

Defence Housing Australia

3.2 Defence Housing Australia's (DHA) annual report was presented out of sitting on 17 November 2016 and tabled in the Senate and in the House of Representatives on 21 November 2016. The committee notes that the report was submitted to the minister within the required time frame on 13 October 2016.

Operational matters

3.3 DHA is a statutory authority established by the *Defence Housing Act 1987*. It is categorised as both a corporate Commonwealth entity and a Government Business Enterprise (GBE) for the purposes of the PGPA Act. GBE guidelines provide additional guidance on board and corporate governance, financial governance, planning and reporting.¹

3.4 DHA provides housing and related services to ADF members and their families in accordance with its enabling legislation and service agreements with the Department of Defence. DHA operates from 19 offices across capital cities, regional centres and Australian Defence Force (ADF) bases.² As at 30 June 2016, DHA reported a net profit after tax of \$104.6 million, and managed 18 767 properties worth \$10.6 billion in capital cities, major regional centres and other locations.³

3.5 Some highlights from the 2015–16 period included:

- the construction and acquisition of 834 new properties;

1 Defence Housing Australia, *Annual Report 2015–16*, p. 78.

2 Defence Housing Australia, *Annual Report 2015–16*, p. 18.

3 Defence Housing Australia, *Annual Report 2015–16*, pp 11 and 21.

- the acquisition of 106 retail land lots for future housing;
- upgrades to 136 properties;
- high customer satisfaction ratings;
- higher female staff numbers than male; and
- low recordable work injuries.⁴

Internal and external accountability

3.6 DHA reported that it had undertaken preventative measures in response to a number of compliance matters that arose during the year, including:

- misuse of corporate credit cards;
- the late submission of its previous Annual Report;
- a breach of financial delegations;
- exceeded functions under the DHA Act; and
- a breach of finance law.⁵

3.7 During the year, the Australian National Audit Office (ANAO) published 35 performance audit reports and one financial statement audit report which included topics relevant to DHA. Topics included cyber resilience, implementation of audit recommendations, confidentiality in government contracts and administration of the National Rent Affordability Scheme.⁶

3.8 The Ombudsman's office received 49 complaints concerning DHA from 1 July 2015 to 30 June 2016; 12 complaints were investigated, 1 was awaiting assessment, and 36 were not investigated for a variety of reasons. DHA reported that one instance of possible fraud was detected in 2015–16 and remained under investigation at the end of the reporting period.⁷

3.9 The Department of Finance also engaged KordaMentha to conduct a Forensic Review of DHA's operations from July 2015. On 8 April 2016, the final report of the Forensic Review made 34 recommendations; all had been fully or partially implemented by DHA by 30 June 2016. DHA also advised that as at 30 June 2016, it had not been informed of the status of the Australian Federal Police investigation into a matter relating to DHA and was unable to provide an update.⁸

Australian National Audit Office report

3.10 The ANAO report for Defence Housing Australia identified one moderate finding during the final phase of the 2015–16 audit relating to weaknesses in

4 Defence Housing Australia, *Annual Report 2015–16*, p. 95.

5 Defence Housing Australia, *Annual Report 2015–16*, p. 99.

6 Defence Housing Australia, *Annual Report 2015–16*, p. 101.

7 Defence Housing Australia, *Annual Report 2015–16*, p. 95 and 101.

8 Defence Housing Australia, *Annual Report 2015–16*, p. 103.

preparation of financial statements.⁹ DHA has advised that it will be implementing procedures to address these weaknesses in 2016–17 and the ANAO will review the progress made by DHA to improve its financial statements preparation process as part of the 2016–17 audit.¹⁰

Summary

3.11 The committee commends DHA for a well presented and accessible report. The report uses a clear layout, and charts, diagrams and tables enhance the report. The use of 'highlights' pages is worthwhile and the committee is pleased to note DHA's adherence to the list of reporting requirements.

3.12 The committee finds that DHA's annual report complies adequately with all of its reporting requirements.

Foreign Affairs and Trade portfolio

Australian Trade and Investment Commission

3.13 The Australian Trade and Investment Commission's (Austrade) annual report was tabled in the Senate on 7 November 2016 and in the House of Representatives on 17 October 2016. The committee notes that the report was submitted to the minister within the required time frame on 2 September 2016.

Operational matters

3.14 Austrade was established by the *Australian Trade Commission Act 1985*. It is a statutory agency under the *Public Service Act 1999*, and categorised as a non-corporate Commonwealth entity under the PGPA Act.

3.15 Austrade achieves its two PBS outcomes through four purposes identified in its Corporate Plan: develop international markets and promote international education; win productive foreign direct investment; strengthen Australia's tourism industry; and help Australians with consular and passport services.¹¹

3.16 Austrade operates from 118 locations in 48 different markets, including 10 offices in major Australian centres, 81 offices overseas, and 27 TradeStart offices. In 2015–16, the government provided Austrade with \$215.3 million in funding while government revenue increased by \$32.8 million from the year before. The increase was primarily due to the May 2016 Budget which provided a one-off \$18 million for free trade agreement (FTA) promotion (\$6 million was brought forward from 2016–17).¹²

3.17 Some highlights from the 2015–16 year included:

9 Australian National Audit Office, *ANAO Audit Report No.33 2016–17: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2016*, p. 117.

10 Australian National Audit Office, *ANAO Audit Report No.33 2016–17: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2016*, p. 117.

11 Australian Trade and Investment Commission, *Annual Report 2016–17*, p. 21.

12 Australian Trade and Investment Commission, *Annual Report 2016–17*, p. 14.

- the extension of Austrade's global presence to Zurich and Boston;
- over 1 200 companies were represented at six minister-led business missions;
- nearly 2 000 participants attended 47 North Asia FTA seminars; and
- tourism expenditure is currently tracking above the \$115 billion target.¹³

Internal and external accountability

3.18 Austrade's internal auditor, PricewaterhouseCoopers, conducted 16 compliance and performance-based audits and reviews during the year. The auditor did not identify any serious control breakdown.¹⁴

3.19 A number of external scrutiny matters arose during the reporting period. One ongoing matter was before the AAT in relation to an Information Commissioner decision made in the previous year. Decisions were pending on four Information Commissioner reviews undertaken through the year and one Federal Court matter seeking judicial review was dismissed with costs. The Commonwealth Ombudsman had been investigating a complaint under the *Public Interest Disclosure Act 2013* up until the matter had been withdrawn and one complaint under the *Privacy Act 1988* had been resolved.¹⁵

Australian National Audit Office report

3.20 The ANAO report for Defence Housing Australia indicated that there were no significant or moderate audit findings arising from the 2014–15 or 2015–16 financial statement audits.¹⁶

Summary

3.21 The committee commends Austrade for a thorough, accessible and well-presented report. The use of highlights and inclusion of a brief history of the agency enhances the report. The use of ticks and crosses to demonstrate whether each criterion had been met was helpful, and the use of case studies was worthwhile. The committee is pleased to note Austrade's adherence to the list of reporting requirements.

3.22 The committee finds that Austrade's annual report complies adequately with all of its reporting requirements.

Export Finance and Insurance Corporation

3.23 The Export Finance and Insurance Corporation's (Efic) annual report was tabled in the Senate on 7 November 2016 and in the House of Representatives on

13 Australian Trade and Investment Commission, *Annual Report 2016–17*, p. iv.

14 Australian Trade and Investment Commission, *Annual Report 2016–17*, p. 148.

15 Australian Trade and Investment Commission, *Annual Report 2016–17*, pp 150–151.

16 Australian National Audit Office, *ANAO Audit Report No.33 2016–17: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2016*, p. 180.

17 October 2016. The committee notes that the report was submitted to the minister within the required time frame on 7 September 2016.

Operational matters

3.24 Efic was established in its current form on 1 November 1991 under the *Export Finance and Insurance Act 1991* (Efic Act). As a statutory corporation owned by the Commonwealth, Efic is categorised as a corporate Commonwealth entity for the purposes of the PGPA Act. It engages staff under section 6 of its enabling legislation rather than the *Public Service Act 1999*. Efic is a specialist financier that provides financial support to Australian exporters when the private sector is unable to help.¹⁷

3.25 Efic provides the Minister for Trade, Tourism and investment with a Statement of Intent in response to the Minister's Statement of Expectations. The statements express and formalise the minister's expectations of Efic and the Board's intention to meet those expectations.¹⁸

3.26 Highlights from the year included:

- 98 per cent of exporters supported were small to medium businesses;
- the value of transactions increased 493 per cent from the previous year; and
- 95 per cent more business were helped this year than in 2012.¹⁹

Internal and external accountability

3.27 Efic is partially exempt from freedom of information legislation to protect commercial information obtained from Australian exporters and investors. Efic reported that no judicial decisions or decisions of administrative tribunals relating to Efic's operations occurred during the year.²⁰

Australian National Audit Office report

3.28 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 2014–15 or 2015–16 financial statements audits.²¹

Summary

3.29 The committee commends Efic for a comprehensive report. The use of highlights pages, diagrams and tables enhances the report. The use of case studies throughout the report is particularly worthwhile and the committee is pleased to note Austrade's adherence to the list of reporting requirements.

17 Export Finance and Insurance Corporation, *Annual Report 2015–2016*, p. 40.

18 Export Finance and Insurance Corporation, *Annual Report 2015–2016*, p. 40.

19 Export Finance and Insurance Corporation, *Annual Report 2015–2016*, p. 4.

20 Export Finance and Insurance Corporation, *Annual Report 2015–2016*, p. 43 and 65.

21 Australian National Audit Office, *ANAO Audit Report No.33 2016–17: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2016*, p. 182.

3.30 The report structure could be improved to make content more user-friendly, for example: placing 'Purpose and principles' and 'About us' at the beginning of the report, and using less dense text in the 'Explanation' and 'Analysis' sections of the annual performance statement.

3.31 The committee finds that Efic's annual report complies adequately with all of its reporting requirements.

Tourism Australia

3.32 Tourism Australia's annual report was presented out of sitting on 31 October 2016 and tabled in the Senate and in the House of Representatives on 7 November 2016. The committee notes that the report was submitted to the minister within the required time frame on 13 October 2016.

Operational matters

3.33 Tourism Australia was formed under the *Tourism Australia Act 2004* and is categorised as a corporate Commonwealth entity for the purposes of the PGPA Act. It engages staff under section 5 of its enabling legislation rather than the *Public Service Act 1999*. Its mission is 'to market Australia to be the most desirable and memorable destination on Earth' and in 2015–16 it worked to deliver its single PBS outcome through two programs.²²

3.34 Tourism shares the main goal of the Tourism 2020 strategy—to achieve between \$115 billion and \$140 billion in overnight tourism expenditure by 2020—with the tourism industry and federal, state and territory governments. According to its annual report, Tourism Australia is on track to meet the lower end of the target with overnight visitor spending of \$97.1 billion at 30 June 2016.²³

3.35 Highlights from the 2015–16 year included:

- a 14 per cent increase in international visitor spend compared to last year;
- a 10 per cent increase in international visitors to Australia; and
- a 16:1 return on investment for every dollar invested in tourism promotion.²⁴

Internal and external accountability

3.36 Tourism Australia reported that there were no issues of non-compliance with either the PGPA Act or the PGPA Rule during the year, no issues arose from Ernst & Young's internal audit and no judicial or tribunal decisions were made relating to the agency.²⁵

22 Tourism Australia, *Annual Report 2015–16*, p. 5.

23 Tourism Australia, *Annual Report 2015–16*, pp 5–6.

24 Tourism Australia, *Annual Report 2015–16*, p. 2.

25 Tourism Australia, *Annual Report 2015–16*, p. 80.

Australian National Audit Office report

3.37 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. No judicial or tribunal decisions were made in 2015–16 and no parliamentary reports were published in respect of Tourism Australia in 2015–16.²⁶

Summary

3.38 The committee commends Tourism Australia for a well-presented and accessible report. The report uses a clear layout and is easy to read. The use of tables and 'highlights' enhances the report. The committee is pleased to note Tourism Australia's adherence to the list of reporting requirements.

3.39 The committee finds that Tourism Australia's annual report complies adequately with all of its reporting requirements.

Veterans' Affairs portfolio

Australian War Memorial

3.40 The Australian War Memorial's annual report was presented out of sitting on 26 October 2016 and tabled in the Senate and in the House of Representatives on 7 November 2016. The committee notes that the report was submitted to the minister within the required time frame on 28 September 2016.

Operational matters

3.41 The Australian War Memorial (the Memorial) was established by the *Australian War Memorial Act 1980*. It is a statutory agency under the *Public Service Act 1999*, and is categorised as a corporate Commonwealth entity under the PGPA Act. Its purpose is to commemorate the sacrifice of Australians who have died in war or on operational service.²⁷

3.42 Highlights of the year included:

- over 1 million people visited the Memorial during 2015–16;
- high attendances at Last Post, Anzac Day and Remembrance Day ceremonies;
- more than 17 560 items were acquired for the National Collection; and
- more than 423 940 items can be accessed via online databases.²⁸

Internal and external accountability

3.43 The Memorial's internal audit was outsourced to PricewaterhouseCoopers; an *Internal Audit Plan 2015–16* was approved in May 2015 and a number of reviews were completed however no major concerns were identified.²⁹ An enterprise-wide

26 Tourism Australia, *Annual Report 2015–16*, p. 80.

27 Australian War Memorial, *Annual Report 2015–16*, p. 9.

28 Australian War Memorial, *Annual Report 2015–16*, p. viii.

29 Australian War Memorial, *Annual Report 2015–16*, pp 68–69.

Fraud Risk Assessment was undertaken in January 2016 that identified 16 fraud risks however none were rated as extreme or significant. No fraud incidents, legal actions or Commonwealth Ombudsman issues occurred during the year.³⁰

Australian National Audit Office report

3.44 The Australian National Audit Office report for the Australian War Memorial indicated that there were no significant or moderate audit findings arising from the 2014–15 or 2015–16 financial statement audits.³¹

Summary

3.45 The committee commends the Australian War Memorial for a well-presented, accessible and comprehensive report. The report is easy to read with clearly defined headings, and the overall structure is well thought out. The use of tables enhances the report. The committee is pleased to note the Memorial's adherence to the list of reporting requirements.

3.46 The committee finds that the Australian War Memorial's annual report complies adequately with all of its reporting requirements.

Other reports

3.47 Other portfolio organisations which had their annual reports examined by the committee, but were not otherwise commented on in this report, include:

Defence portfolio

- AAF Company (tabled 28 November 2016);
- Army and Air Force Canteen Service (tabled 8 November 2016);
- ASC Pty Ltd (presented on 28 October 2016 and tabled 7 November 2016);
- Australian Strategic Policy Institute (tabled 9 November 2016);
- Director of Military Prosecutions (tabled 16 September 2015);
- Inspector-General of the Australian Defence Force (tabled 7 November 2016);
- Judge Advocate General (tabled 8 November 2016);
- Navy Canteens (tabled 8 November 2016);
- Royal Australian Air Force Veterans' Residences Trust Fund (tabled 28 November 2016);
- Royal Australian Air Force Welfare Recreational Company (tabled 28 November 2016); and
- Services Trust Funds (tabled 8 November 2016).

30 Australian War Memorial, *Annual Report 2015–16*, p. 69.

31 Australian National Audit Office, *ANAO Audit Report No.33 2016–17: Audits of the financial statements of Australian Government Entities for the period ended 30 June 2016*, p. 118.

Foreign Affairs and Trade portfolio

- Australian Centre for International Agricultural Research (tabled 7 November 2016); and
- Australian Safeguards and Non-Proliferation Office (tabled 12 October 2016).

Veterans' Affairs portfolio

- Repatriation Medical Authority (tabled 7 November 2016); and
- Veterans' Review Board (tabled 7 November 2016).

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

Senator Chris Back
Chair

