

The Senate

Foreign Affairs, Defence and Trade
Legislation Committee

Annual reports (No. 1 of 2017)

March 2017

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ISBN 978-1-76010-521-1

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Printed by the Senate Printing Unit, Parliament House, Canberra.

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Chapter 1

Introduction

Introduction

1.1 This is the Senate Foreign Affairs, Defence and Trade Legislation Committee's first report on annual reports for 2017. 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

1.2 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.
- (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.

1 Department of Finance, *Resource Management Guide No. 135: Annual report for non-corporate Commonwealth entities*, July 2016, p. 4.

Allocated portfolios

1.3 In accordance with the resolution of the Senate on 31 August 2016, the committee has oversight of the following portfolios:

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

Annual reporting requirements

1.4 The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) is the cornerstone of the Commonwealth Resource Management Framework which governs how the Commonwealth public sector uses and manages public resources. The PGPA Act received Royal Assent on 29 June 2013 and commenced on 1 July 2014.

1.5 The PGPA Act consolidates the governance, performance and accountability requirements previously contained in the *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997*. Under the PGPA Act, a range of bodies are required to provide annual reports which are referred to committees for examination.

1.6 The PGPA Act categorises bodies as a Commonwealth entity (either a corporate Commonwealth entity or non-corporate Commonwealth entity), or a Commonwealth company:

- Non-corporate Commonwealth entity—an entity that is legally and financially part of the Commonwealth, and includes departments of state, parliamentary departments, statutory authorities, and listed entities (a body, person, group of persons or organisation that is prescribed by rules made under the PGPA Act);
- Corporate Commonwealth entity—a body corporate, that is, it has a separate legal personality from the Commonwealth, and includes statutory authorities. It can act in its own right exercising certain legal rights such as entering into contracts and owning property;
- Commonwealth company—a company established by the Commonwealth under the *Corporations Act 2001* that is controlled by the Commonwealth.

1.7 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.

2 *Journals of the Senate*, No. 1, 31 August 2016, p. 6.

Public Governance, Performance and Accountability Rule 2014

1.8 The Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) supports the operation of the PGPA Act by establishing accountability and control mechanisms to support the transactions of the Commonwealth and Commonwealth entities.³

1.9 The performance framework established under the PGPA Act includes the requirement for Commonwealth entities and companies to prepare a corporate plan and annual performance statements. The PGPA Rule addresses the minimum requirements to be included (sections 16E, 16F and 27A).

1.10 Requirements for content to be included in entities' annual reports were approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit on 2 May 2016. Amendments to the PGPA Rule came into force on 7 May 2016 and apply in relation to any reporting period that begins on or after 1 July 2015.

1.11 Subdivisions A and B of Division 3A of the PGPA Rule prescribe the mandatory requirements for the content of annual reports for non-corporate Commonwealth entities and corporate Commonwealth entities, sections 28A to 28F in Part 3-3 prescribe requirements for Commonwealth companies.⁴ For example, reports are required to use clear design, provide information on management and accountability, and include reviews, overviews, and reports on performance.

1.12 Section 46 of the PGPA Act requires accountable authorities to prepare and present annual reports for their entity to the responsible minister by the 15th day of the fourth month after the end of the reporting period. For entities that report on a financial year basis, this requires the annual report to be prepared and provided to the responsible minister by 15 October for each reporting period.

1.13 The PGPA Act does not provide a timeframe for the minister to present the report to the Parliament; however the PGPA Rule states that annual reports for Commonwealth companies and entities must comply with the *Guidelines for the Presentation of Documents to the Parliament*. The guidelines advise that it remains government policy for all companies and entities to table their annual reports by 31 October each year and if Senate Supplementary Budget Estimates hearings are

3 Department of Finance, *Overview of the PGPA Rule 2014*, <https://www.finance.gov.au/resource-management/pgpa-legislation/pgpa-rule/>, (accessed 29 November 2016).

4 Department of Finance, *Resource Management Guide No. 137: Annual reports for non-corporate Commonwealth companies*, July 2016, p. 2.

scheduled to occur prior to 31 October, it is best practice for annual reports to be tabled prior to those hearings.⁵

1.14 Subsection 34C(7) of the *Acts Interpretation Act 1901* applies where there has been a failure to table a report required by statute. The agency is required to furnish an explanation to the minister within 14 days of the specified reporting date and the minister is to table the explanation within three sitting days.

1.15 Below is a summary of the legislative authority and requirements under which annual reports are prepared for different types of bodies:

Non-corporate Commonwealth entities

- PGPA Act, section 46 and the PGPA Rule 2014, Division 3A(A);
- for portfolio departments and executive agencies, the *Public Service Act 1999*, sections 63(2) and 70(2);
- for parliamentary departments, the *Parliamentary Service Act 1999*, section 65; and
- for statutory bodies, relevant enabling legislation.

Corporate Commonwealth entities

- PGPA Act, section 46 and the PGPA Rule 2014, Division 3A(B); and
- for statutory bodies, relevant enabling legislation.

Commonwealth companies

- PGPA Act, section 97, which also refers to requirements under the *Corporations Act 2001* and the PGPA Rule 2014, Part 3-3; and
- for statutory bodies, relevant enabling legislation.

Non-statutory bodies

- annual reporting requirements are contained in the government response to the Senate Standing Committee on Finance and Public Administration Report on Non-Statutory bodies, *Senate Hansard*, 8 December 1987, pp 2632–45.

Statutory office holders

- any requirements in the enabling legislation.

Reports on the operation of Acts

- any requirements under the relevant legislation.

5 Department of the Prime Minister and Cabinet, *Guidelines for the Presentation of Documents to the Parliament (including Government Documents, Government Responses to Committee Reports, Ministerial Statements, Annual Reports and other Instruments)*, February 2016, pp 4-5.

-
- the Government Response to the Legal and Constitutional Affairs Report on Annual Reports, May 1990, provides guidelines for the annual reports of the operation of Acts.

Assessment of annual reports

1.16 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.

1.17 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 PGPA Rule, to the extent that the requirements do not conflict.

Timeliness

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

1.19 The committee notes that 13 annual reports were tabled after 31 October 2016. All of these reports fall within the Defence portfolio and were submitted to the minister by the 15 October deadline, however no reports were tabled by 31 October.

1.20 By comparison, all annual reports within the Foreign Affairs and Trade portfolio and the Veterans' Affairs portfolio were tabled or presented out of sitting by 31 October.

1.21 The following annual reports were tabled after 31 October 2016:

- AAF Company;
- Army and Air Force Canteen Service;
- ASC Pty ltd;
- Australian Strategic Policy Institute;
- Department of Defence;
- Defence Housing Australia;
- Director of Military Prosecutions;
- Inspector-General of the Australian Defence Force;
- Judge Advocate General;
- Navy Canteens;
- Royal Australian Air Force Veterans' Residences Trust Fund;
- Royal Australian Air Force Welfare Recreational Company; and

- Services Trust Funds.

1.22 As required by the *Acts Interpretation Act 1901*, the Secretary of the Department of Defence provided a statement to the Minister for Defence to explain that the Defence annual report had not been presented as required due to the Secretary's required attendance at a number of international commitments leading up to 15 October.⁶

1.23 The committee also notes that the Inspector-General of the Australian Defence Force's annual report for the calendar year 2014–2015 was presented to the minister in December 2015; however it was not tabled until November 2016.

1.24 Furthermore, although required to be 'presented as soon as practicable' after 31 December, the annual reports of the Judge Advocate General and the Director of Military Prosecutions for the calendar year 2014–2015 were not presented to the Minister for Defence until September 2016 and October 2016. The reports were subsequently tabled in November 2016.

1.25 A table detailing the dates relating to the timeliness of presentation is at Appendix 1.

General comments on the annual reports

Matters of significance

1.26 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.

1.27 The committee notes that from 1 July 2015 the Defence Science and Technology Organisation has been renamed as the Defence Science and Technology Group. Also from 1 July 2015, the former Defence Materiel Organisation was delisted and its functions merged with the Department of Defence. The changes give effect to the 'One Defence' business model recommended by the First Principles Review.

1.28 On 1 May 2016, the *Australian Trade and Investment Commission Act 1985* was amended to change the agency's name to the 'Australian Trade and Investment Commission' to reflect the increased emphasis on attracting and facilitating foreign direct investment into Australia.⁷

1.29 The *Defence Legislation Amendment (Military Justice Enhancement—Inspector General ADF) Act 2015* commenced on 17 June 2015 and added a number

6 Department of Defence, *Statement relating to the delay in presentation of a periodic report*, (tabled 8 November 2016).

7 Australian Trade and Investment Commission, *Annual Report 2016–17*, p. 142.

of additional functions to the role of the Inspector-General of the Australian Defence Force.⁸

Comments made in the Senate

1.30 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

1.31 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

1.32 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.

1.33 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 organisations. The committee therefore found all of the annual reports to be 'apparently satisfactory'.

Annual reports referred to the committee

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

Departments of State

- Department of Defence (a non-corporate Commonwealth entity)
- 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)

8 Inspector-General of the Australian Defence Force, *Report for the period 1 January 2014 to 30 June 2015*, p. 1.

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
- Navy Canteens
- Services Trust Funds
- Tourism Australia

Non-corporate Commonwealth entities under the PGPA Act

- Australian Centre for International Agricultural Research (statutory agency)⁹
- Australian Trade and Investment Commission (statutory agency)
- Australian Safeguards and Non-Proliferation Office (statutory agency)¹⁰

Statutory bodies not under the PGPA Act

- Director of Military Prosecutions
- Judge Advocate General
- Inspector-General of the Australian Defence Force

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

9 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.

10 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.

-
- Veterans' Review Board (statutory agency)

Commonwealth companies limited by shares under the Corporations Act 2001

- ASC Pty Ltd¹¹

Others

- Defence Abuse Response Taskforce—Final Report
- Schedule of Special Purpose Flights

Structure of report

1.35 Chapter 1 contains comments on the annual reports of each Department of State. Chapter 2 considers annual reports of selected Commonwealth entities. Reports are listed in alphabetical order by portfolio.

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

Chapter 2

Annual reports of departments

Department of Defence

2.1 The Department of Defence annual report 2015–16 was tabled in the Senate and the House of Representatives on 28 November 2016. An explanation for the delay was provided from the Secretary of Defence to the Minister of Defence on 31 October 2016 and tabled on 8 November 2016.¹

2.2 The Defence mission is to defend Australia and its national interests. Its primary role is to protect and advance Australia’s strategic interests through the provision of military capabilities and the promotion of security and stability, and to provide support for the Australian community and civilian authorities as requested by the Government.²

Secretary’s review

2.3 In his review, the Secretary of the Department, Mr Dennis Richardson AO, noted that the two-year implementation of the First Principles Review commenced on 1 July 2015, and as at 28 October 2016, 40 of the 75 recommendations from the First Principles Review were being carried out.³

2.4 The Secretary drew attention to the *Defence Legislation Amendment (First Principles) Act 2015* which came into effect on 1 July 2016 and formally recognised the authority of the Chief of the Defence Force (CDF) and the Vice Chief of the Defence Force. The Secretary acknowledged that Defence continues to face a range of challenges, including:

- the changing strategic dynamics in the Indo-Pacific region, the Middle East and elsewhere;
- embedding the US force posture changes in northern Australia;
- addressing the contamination issues around some Defence bases; and
- maintaining effective budget management as naval shipbuilding programs and the Joint Strike Fighter proceed.⁴

Review by the Chief of the Defence Force

2.5 In his review, the Chief of the Defence Force, Air Chief Marshal Mark Binskin AC highlighted that during the year the Australian Defence Force (ADF) had expanded its operations to Syria while maintaining commitments in Iraq, Afghanistan and the Middle East. The ADF also continued its work on border protection and

1 *Journals of the Senate*, No. 13, 8 November 2016, p. 406.

2 Department of Defence, *Defence Annual Report 2015–16, Volume 1*, p. 7.

3 Department of Defence, *Defence Annual Report 2015–16, Volume 1*, p. 2.

4 Department of Defence, *Defence Annual Report 2015–16, Volume 1*, p. 2.

embarked on one of its largest humanitarian assistance missions in February 2016 after the Fijian Government requested Australia's assistance following Tropical Cyclone Winston.⁵

2.6 The CDF discussed Operation Okra and the addition of Australia's Building Partner Capacity Mission and observed that Australian-trained Iraqi Forces played a significant role in recapturing the cities of Ramadi and Fallujah with assistance from Australian personnel. The CDF drew attention to Defence's appearance at the Royal Commission into Institutional Responses to Child Sexual Abuse, noting that Defence has maintained its commitment to creating a more inclusive workforce through its cultural reform program while meeting its operational requirements.⁶

Internal scrutiny

2.7 During 2015–16, Defence reported 58 instances of significant non-compliance with finance law proven as fraud committed by an official and addressed by Defence authorities through criminal, disciplinary or administrative action.⁷

2.8 There were 246 fraud investigations registered within Defence and 229 investigations were completed during the year (some of those completed were registered in previous years). Approximately 29 per cent of completed investigations resulted in criminal, disciplinary or administrative action. Of these, around 15 per cent related to disciplinary action under the *Defence Force Discipline Act 1982*. In 2015–16, the determined fraud loss for completed investigations was \$535 766, while monies recovered amounted to \$202 879. Detected fraud over the past five financial years averaged approximately \$870 000 per year within a range of \$480 937 to \$1.4 million. In its annual report, Defence outlined strategies for minimising instances of fraud and noted that significant cases are also reported to the Minister for Defence in accordance with the Commonwealth Fraud Control Framework.⁸

2.9 During the year, the department's internal Audit Branch issued 17 audit reports and completed 13 management-directed tasks. Externally, six Australian National Audit Office performance audits on Defence, and two cross-portfolio audits involving Defence, were completed.⁹

2.10 Defence reported that the tempo of the Office of the Inspector-General of the Australian Defence Force (IGADF) remained relatively high in 2015–16. The IGADF received 67 inquiry submissions—an approximately 8 per cent increase from last period—and resolved 58 submissions by way of inquiry, assessment or review. Additionally, the IGADF initiated 41 reviews of deaths in service of ADF members, and established four formal inquiries into ADF member deaths.¹⁰

5 Department of Defence, *Defence Annual Report 2015–16, Volume 1*, p. 4.

6 Department of Defence, *Defence Annual Report 2015–16, Volume 1*, pp 4–5.

7 Department of Defence, *Defence Annual Report 2015–16, Volume 1*, p. 7.

8 Department of Defence, *Defence Annual Report 2015–16, Volume 1*, pp 71–73.

9 Department of Defence, *Defence Annual Report 2015–16, Volume 1*, p. 73.

10 Department of Defence, *Defence Annual Report 2015–16, Volume 1*, p. 75.

2.11 During 2015–16, a total of 254 matters were reported under the Defence Public Interest Disclosure Scheme. Defence accepted 194 matters as public interest disclosures and allocated them for investigation.¹¹

2.12 With regards to reporting on sexual misconduct, in 2015–16, 258 clients were assisted with support and case management; incident management advice and information; debriefing and other mental health support; and information on SeMPRO services, civilian assaults, and other behaviour management systems in Defence.¹²

External scrutiny

2.13 The annual report provided information on judicial and administrative tribunal decisions that occurred during the year. One judicial decision ordered that the decision of the CDF made on 10 December 2013 to terminate the applicant's service in the Army be set aside. The CDF appealed the decision to the Full Court of the Federal Court with the appeal heard on 5 and 6 May 2016. In the second judicial decision a Defence member successfully appealed against his conviction following a trial before a Defence Force magistrate under the *Defence Force Discipline Act 1982*.¹³

2.14 Defence was a respondent in six applications to the Administrative Appeals Tribunal, which upheld the decision to refuse compensation to applicants in relation to Defence activities at the Salt Ash Air Weapons Range.¹⁴

2.15 Defence provided 11 written submissions to various Senate, House of Representatives and joint committee inquiries. Defence witnesses appeared at 36 hearings and provided evidence on a range of issues. Defence took a total of 536 questions on notice from Senate estimates, House of Representatives/Senate notice papers, and parliamentary committees, and tabled and/or contributed to 12 government responses to parliamentary committee reports throughout the year.¹⁵

Australian National Audit Office reports

2.16 The ANAO's Audit Report No. 33 *Defence's Management of Credit and Other Transaction Cards*, assessed whether Defence is effectively controlling the use of Commonwealth credit cards for official purposes and concluded that Defence does not have a complete and effective set of controls. The ANAO reported that in light of the results of Audit Report No. 33 a cross-entity audit—*Controls Over Credit Card Use*—would commence to assess whether selected Australian Government Entities are effectively controlling the use of credit cards for official purposes.¹⁶

11 Department of Defence, *Defence Annual Report 2015–16, Volume 1*, p. 87.

12 Department of Defence, *Defence Annual Report 2015–16, Volume 1*, p. 114.

13 Department of Defence, *Defence Annual Report 2015–16, Volume 1*, pp 81–82.

14 Department of Defence, *Defence Annual Report 2015–16, Volume 1*, p. 81.

15 Department of Defence, *Defence Annual Report 2015–16, Volume 1*, p. 79.

16 Australian National Audit Office, *Report No. 7 2016–17: Interim Phase of the Audits of the Financial Statements of Major General Government Sector Entities for the year ending 30 June 2016*, p. 30.

2.17 During the year, the following reports relevant to Defence were tabled:

- *Test and Evaluation of Major Defence Equipment Acquisitions;*
- *2014–15 Major Projects Report;*
- *Defence’s Management of the Mulwala Propellant Facility;* and
- *Defence’s Management of Credit and Other Transaction Cards.*¹⁷

2.18 The ANAO's interim report indicated that, following the merger of DMO and Defence, the responsibility for addressing four unresolved audit findings were transferred to Defence. Two moderate audit findings were identified during the interim audit that related to Defence IT systems.¹⁸

Summary

2.19 The committee commends the department for a comprehensive report. The new structure has enhanced the report, the report is navigable and the overall design is clear. The use of examples of Defence activities throughout the report is worthwhile and the inclusion of diagrams, images and tables is helpful. The report presented Defence's results against each of its outcomes and provided analysis of factors that may have contributed to its performance. The committee is pleased to note Defence's adherence to the list of reporting requirements.

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

Department of Foreign Affairs and Trade

2.21 The Department of Foreign Affairs and Trade (DFAT) annual report 2015–16 was tabled in the House of Representatives and in the Senate on 10 October 2016.

2.22 As stated in its *Corporate Plan 2015–2019*, the Department of Foreign Affairs and Trade's purpose is to make Australia stronger, safer and more prosperous by promoting and protecting Australia's interests internationally as well as contributing to global stability and economic growth, specifically in the Indo–Pacific region.¹⁹

Secretary's review

2.23 The Secretary reflected that managing Australia's international interests has rarely been more important with the international environment now more complex and volatile than at any time since the end of the cold war.²⁰

17 Australian National Audit Office, *Report No. 7 2016–17: Interim Phase of the Audits of the Financial Statements of Major General Government Sector Entities for the year ending 30 June 2016*, p. 60.

18 Australian National Audit Office, *Report No. 7 2016–17: Interim Phase of the Audits of the Financial Statements of Major General Government Sector Entities for the year ending 30 June 2016*, pp 63–65.

19 Department of Foreign Affairs and Trade, *Annual Report 2015–16*, p. 5.

20 Department of Foreign Affairs and Trade, *Annual Report 2015–16*, p. 3.

2.24 During the year, the department led one of Australia's largest international humanitarian missions in the aftermath of Tropical Cyclone Winston; made significant contributions to counter the growing threat of terrorism; secured entry into force of the China-Australia Free Trade Agreement; and helped to secure substantial advancements in the international development agenda. The Secretary noted that the department also launched a number of strategies to enhance workforce diversity and capability, including the Women in Leadership Strategy, the Diplomatic Academy, and the Workforce Planning Framework.²¹

Internal scrutiny

2.25 The Office of Development Effectiveness (ODE) is an independent unit of the department which monitors and assesses the effectiveness of the aid program and the quality of the department's performance reporting. In 2015–16, the ODE published seven evaluations of the department's development programs and quality assured development performance reporting.²²

2.26 The department's Conduct and Ethics Unit (CEU) investigates allegations of fraud and misconduct against staff. During the year the CEU investigated 39 allegations—nine were substantiated and disciplinary action was taken: four officers were dismissed—two of those cases were referred to the Commonwealth Director of Public Prosecutions—another three contractors were terminated, one officer was demoted and another was formally reprimanded.²³

External scrutiny

2.27 The annual report provided information on significant developments in external scrutiny of the department and the department's response. Departmental officers appeared as witnesses before the Joint Standing Committee on Treaties in relation to eight proposed treaty actions. Officers also appeared as witnesses before two Senate, two Joint Standing, two Joint Select, one Parliamentary Standing and one House of Representatives Standing Committee.²⁴

2.28 During the year the department managed a range of legal matters before courts and tribunals, including:

- one action seeking judicial review of a passport-related decision was dismissed by the Federal Court;
- one action seeking judicial review of a passport-related decision was discontinued;
- two debt recovery actions were successfully pursued in court and a further one is ongoing;

21 Department of Foreign Affairs and Trade, *Annual Report 2015–16*, pp 3–4.

22 Department of Foreign Affairs and Trade, *Annual Report 2015–16*, p. 192.

23 Department of Foreign Affairs and Trade, *Annual Report 2015–16*, p. 193.

24 Department of Foreign Affairs and Trade, *Annual Report 2015–16*, p. 195.

- one employment action brought in a foreign court by a former locally engaged employee was successfully defended;
- one further employment action continues to be defended in a foreign court.²⁵

2.29 At the end of the financial year, there were 16 active applications before the Administrative Appeals Tribunal for review:

- 15 for review of passports decisions; and
- one for review of an FOI decision.²⁶

2.30 The Commonwealth Ombudsman commenced 12 investigations with respect to the department's activities in 2015–16, however no notices were provided under subsection 12(4) of the *Ombudsman Act 1976* and no formal reports were issued.²⁷

2.31 Thirteen new claims were made under the compensation scheme for detriment caused by defective administration. The department resolved 18 cases, including applications made in previous financial years. Of these, 14 applications for compensation were accepted, three were rejected and one was redirected to the appropriate agency. Four cases remained in progress at the end of the financial year.²⁸

Australian National Audit Office reports

2.32 The ANAO's final report indicated that there were no significant or moderate audit findings arising from the 2014–15 or 2015–16 financial statements audits.²⁹

Summary

2.33 The committee commends the department for a well presented and comprehensive report and notes that it was tabled in a timely manner. The inclusion of case studies to demonstrate the department's work towards its functions is worthwhile and the use of tables and charts enhances the report. The text is easy to read and alternating colour is used to advantage. The committee is pleased to note DFAT's adherence to the list of reporting requirements.

2.34 Helpful 'overview', 'results and analysis' and 'outlook' sections were provided for each division. Factors that contributed to performance in each area were plainly discussed. Although the geographic, thematic and functional breakdown of KPI results per region provided some information on programs, more information on why particular programs were rated as 'partially met' would be welcome.

2.35 The committee finds that the Department of Foreign Affairs and Trade's annual report adequately complies with all of its reporting requirements.

25 Department of Foreign Affairs and Trade, *Annual Report 2015–16*, p. 226.

26 Department of Foreign Affairs and Trade, *Annual Report 2015–16*, p. 226.

27 Department of Foreign Affairs and Trade, *Annual Report 2015–16*, p. 195.

28 Department of Foreign Affairs and Trade, *Annual Report 2015–16*, p. 196.

29 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. 177.

Department of Veterans' Affairs

2.36 The Department of Veterans' Affairs (DVA) annual report 2015–16 was received out of sitting on 31 October 2016 and tabled in the House of Representatives and in the Senate on 7 November 2016. The report includes separate reports of both the Repatriation Commission and the Military Rehabilitation and Compensation Commission. These describe how each commission interrelates with DVA and its main activities for the period but do not include performance reporting, which is covered in DVA's report.

2.37 The Department of Veterans' Affairs purpose is to support those who serve, or have served, in the defence of the nation and to commemorate their service and sacrifice.³⁰

Operational matters

2.38 At 30 June 2016, DVA supported more than 303 000 clients, some through Gold or White Card entitlements and some through other benefits and services. DVA reported that beneficiary numbers under the *Veterans' Entitlements Act 1986* have declined over the past four years and are expected to continue, however the numbers of *Safety, Rehabilitation and Compensation Act 1988* and *Military Rehabilitation and Compensation Act 2004* beneficiaries have been rising.³¹

2.39 DVA noted that while the overall client base may be decreasing, the individual financial, health and care needs of clients are becoming increasingly complex and poses challenges for DVA in meeting its targets.³²

2.40 DVA found that new claims for income support pensions have increased in recent years due to the number of veterans with warlike service returning from overseas deployments. This, combined with new technology enabling clients to lodge claims via an online portal, led to an increase in the number of claims from veterans seeking clarification of their qualifying service status.³³

Secretary's review

2.41 In his review, the Secretary of the Department of Veterans' Affairs, Mr Simon Lewis PSM, observed that the department continued to make improvements to its services, particularly in the priority areas of mental health, effective transitions for discharging ADF members, and claims processing. The Secretary noted that mental health remains a priority for DVA which spends around \$187 million a year on services and treatments, and highlighted that the May 2016 Budget extended eligibility

30 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2015–2016*, p. 88.

31 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2015–2016*, p. 12.

32 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2015–2016*, p. 106.

33 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2015–2016*, p. 34.

for certain mental health conditions to anyone who has ever served in the ADF. The Secretary noted that funding for mental health treatment is demand-driven and not capped.³⁴

2.42 DVA has been working with the Department of Defence to connect with ADF members during their career to increase awareness of support for transition. From January 2016 DVA has been able to connect with all transitioning members. DVA also trialled the Veterans' Employment Assistance Initiative, which aims to improve the rehabilitation process and provide employment opportunities to recovering veterans who are able to return to work. Evaluation of the trial will lead to recommendations for a national approach to improve the rehabilitation process.³⁵

2.43 During the year, a 12-month trial of alternative dispute resolution for appeals to the Veterans' Review Board (VRB) was conducted in the Australian Capital Territory and New South Wales. An independent review found that 85 per cent of cases that underwent alternative dispute resolution resolved quickly and without the need for a hearing. Alternative dispute resolution will be rolled out across Australia in 2016–17, along with a new VRB claims management system.³⁶

2.44 Looking ahead, the Secretary indicated that budget funding has been provided for suicide awareness and prevention programs for veterans, including support services for children of veterans. Nearly \$25 million will go towards developing how DVA can overhaul its current business model and service, and a further \$24 million is directed towards improving the department's ICT systems.³⁷

Internal scrutiny

2.45 In 2015–16, the department received 338 new cases of alleged fraud or non-compliance and 95 cases were rolled over from the previous financial year. At 30 June 2016, 336 cases had been closed and 97 cases remained open with investigations into fraud and non-compliance underway. In total, the department identified around \$0.52 million in confirmed fraud and non-compliance investigation cases in 2015–16. Of the 336 finalised cases, none identified fraud, 25 identified non-compliance and 311 detected no offence.³⁸

2.46 During the year, DVA's Legal Services, Assurance and Deregulation Branch received 59 notifications of potential privacy breaches, 42 of which related to mail or email. Investigations concluded that breaches had occurred in 36 cases and no

34 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2015–2016*, p. 2.

35 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2015–2016*, p. 2.

36 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2015–2016*, p. 2.

37 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2015–2016*, p. 4.

38 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2015–2016*, p. 115.

breaches had occurred in 16 cases. The remaining cases were resolved in other ways or were still under investigation at the end of 2015–16. DVA notified the acting Australian Information Commissioner of two significant breaches that occurred in 2015–16.³⁹

External scrutiny

2.47 In 2015–16, DVA was the subject of three audits by the Auditor-General and made a submission to one Joint Committee of Public Accounts and Audit inquiry. The Administrative Appeals Tribunal considered 180 applications relating to compensation matters under the VEA. It considered 79 matters relating to the SRCA and 48 relating to the MRCA. Of these, 58 VEA, 18 MRCA and eight SRCA decisions were affirmed by the tribunal.⁴⁰

2.48 In accordance with the Legal Services Directions 2005, the Repatriation Commission or the MRCC may lodge an appeal to the Federal Court in order to clarify a legal issue or protect the integrity of legislation. During the year, the Federal Court delivered four decisions, three of which were favourable to the veteran or widow. The Federal Circuit Court also delivered two decisions where the Repatriation Commission was successful in both cases. The Full Federal Court delivered three decisions, one of which was favourable to the veteran. The High Court delivered one decision in which it examined the legal concept of injury and reinforced earlier case law and the MRCC was successful in that case.⁴¹

2.49 The acting Australian Information Commissioner handed down one decision in relation to the department in 2015–16 under the Freedom of Information Act 1982 (FOI Act). On 22 April 2016, in *David Watts and Department of Veterans' Affairs [2016]* AICmr 26, the acting Australian Information Commissioner set aside a decision by the department under the FOI Act, regarding emails between departmental officers and Monash University staff and researchers, and chapters of draft Gulf War health study reports. The Commissioner substituted the department's decision with his decision to grant greater access to the documents than the level of access provided by the department.⁴²

Australian National Audit Office reports

2.50 The ANAO's Report No. 32 *Administration of Rehabilitation Services under the Military Rehabilitation and Compensation Act 2004* was tabled on 5 May 2016. It assessed the effectiveness of DVA's and Defence's joint administration of rehabilitation services under the *Military Rehabilitation and Compensation Act 2004*

39 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2015–2016*, p. 116.

40 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2015–2016*, p. 117.

41 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2015–2016*, p. 117.

42 Repatriation Commission, Military Rehabilitation and Compensation Commission, Department of Veterans' Affairs, *Annual Reports 2015–2016*, p. 118.

however no recommendations were identified in the report. In 2015–16, the ANAO published the following reports relating to DVA:

- *Confidentiality in government contracts: Senate order for departmental and entity contracts (calendar year 2014 compliance);*
- *Implementation of audit recommendations; and*
- *Administration of rehabilitation services under the Military Rehabilitation and Compensation Act 2004.*⁴³

2.51 The Australian National Audit Office final report for DVA indicated that there were no significant or moderate audit findings arising from the 2014–15 or 2015–16 financial statement audits.⁴⁴

Summary

2.52 The committee commends DVA for a thorough report. The use of graphs and tables enhances the report's content and the committee is pleased to note DVA's adherence to the list of reporting requirements. The performance overviews for each outcome provided helpful information on factors that contributed to the department's performance and identified the department's work towards improvement. The report could be improved to make content more user-friendly by better distinguishing subheadings from main headings.

2.53 The committee finds the Department of Veterans' Affairs annual report complies adequately with all of its reporting requirements.

43 Australian National Audit Office, *Report No. 7 2016–17: Interim Phase of the Audits of the Financial Statements of Major General Government Sector Entities for the year ending 30 June 2016*, pp 69–70.

44 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. 123.

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

Appendix 1

Compliance table of annual reports for the period 2015–16

Scrutiny of reports to be tabled by 31 October 2016				
Department/agency	Enabling legislation and timeliness	Date on letter of transmittal	@ Date report submitted to minister (if known) % Date report received by minister (if known)	* Date report presented to President # Date tabled in the Senate ^ Date tabled in H/Representatives
Defence portfolio				
AAF Company	Commonwealth company, limited by guarantee, subject to the <i>Public Governance, Performance and Accountability Act 2013</i> (PGPA Act) To be tabled by 31 October	30 Sep 16	@10 Oct 16 %10 Oct 16	#30 Nov 15 ^26 Nov 15
Army and Air Force Canteen Service	Corporate Commonwealth entity, established by regulations under the <i>Defence Act 1903</i> , subject to the PGPA Act To be tabled by 31 October	13 Sep 16	@22 Sep 16 %22 Sep 16	#8 Nov 16 ^8 Nov 16

Scrutiny of reports to be tabled by 31 October 2016				
Department/agency	Enabling legislation and timeliness	Date on letter of transmittal	@ Date report submitted to minister (if known) % Date report received by minister (if known)	* Date report presented to President # Date tabled in the Senate ^ Date tabled in H/Representatives
Defence portfolio				
ASC Pty Ltd	Commonwealth company, limited by shares, registered under the <i>Corporations Act 2001</i> , subject to the PGPA Act To be tabled by 31 October *Forwarded to the Finance and Public Administration Legislation Committee		n/a n/a	*28 Oct 16 #7 Nov 16 ^7 Nov 16
Australian Strategic Policy Institute Limited	Commonwealth company, limited by guarantee, subject to the PGPA Act To be tabled by 31 October	6 Oct 16	@26 Oct 16 %26 Oct 16	#9 Nov 16 ^9 Nov 16
Defence Housing Australia	Corporate Commonwealth entity, established under the <i>Defence Housing Authority Act 1987</i> , subject to the PGPA Act To be tabled by 31 October	30 Sep 16	@13 Oct 16 %13 Oct 16	*17 Nov 16 #21 Nov 16 ^21 Nov 16

Scrutiny of reports to be tabled by 31 October 2016

Department/agency	Enabling legislation and timeliness	Date on letter of transmittal	@ Date report submitted to minister (if known) % Date report received by minister (if known)	* Date report presented to President # Date tabled in the Senate ^ Date tabled in H/Representatives
Defence portfolio				
Department of Defence	<p>Non-corporate Commonwealth entity, established under the <i>Australian Constitution</i> and <i>Administrative Arrangements Order</i></p> <p>The Department may engage members of the Australian Defence Force under the <i>Defence Act 1903</i>, the <i>Naval Defence Act 1910</i> and the <i>Air Force Act 1923</i>, subject to the PGPA Act</p> <p>To be tabled by 31 October</p>	28 Oct 16	@16 Nov 16 % 16 Nov 16	#28 Nov 16 ^28 Nov 16
Director of Military Prosecutions	<p>Statutory body established under the <i>Defence Force Discipline Act 1982</i></p> <p>Section 196B of the DFDA requires the DMP to table its report as soon as practicable after 31 Dec each year</p>	14 July 16	@12 Oct 16 % 12 Oct 16	*1 Nov 16 #7 Nov 16 ^7 Nov 16

Scrutiny of reports to be tabled by 31 October 2016				
Department/agency	Enabling legislation and timeliness	Date on letter of transmittal	@ Date report submitted to minister (if known) % Date report received by minister (if known)	* Date report presented to President # Date tabled in the Senate ^ Date tabled in H/Representatives
Defence portfolio				
Inspector-General of the Australian Defence Force	Statutory body established under the <i>Defence Act 1903</i> Section 110R of the <i>Defence Act 1903</i> requires the IGADF to table its report as soon as practicable after 31 Dec each year	8 Dec 15	@17 Dec 15 %17 Dec 15	*1 Nov 16 #7 Nov 16 ^7 Nov 16
Judge Advocate General	Statutory body established under the <i>Defence Force Discipline Act 1982</i> Section 196B of the DFDA requires the JAG to table its report as soon as practicable after 31 Dec each year	13 Sep 16	@15 Sep 16 %15 Sep 16	#8 Nov 16 ^8 Nov 16
Royal Australian Air Force Veterans' Residences Trust Fund	Corporate Commonwealth entity, established under the <i>Royal Australian Air Force Veterans' Residences Act 1953</i> , limited by guarantee, subject to the PGPA Act To be tabled by 31 October	28 Sep 16	@28 Sep 16 %30 Sep 16	#28 Nov 16 ^28 Nov 16

Scrutiny of reports to be tabled by 31 October 2016

Department/agency	Enabling legislation and timeliness	Date on letter of transmittal	@ Date report submitted to minister (if known) % Date report received by minister (if known)	* Date report presented to President # Date tabled in the Senate ^ Date tabled in H/Representatives
Defence portfolio				
Royal Australian Air Force Welfare Recreational Company	Commonwealth company, limited by guarantee, subject to the PGPA Act To be tabled by 31 October	29 Sep 16	@29 Sep 16 %6 Oct 16	#28 Nov 16 ^28 Nov 16
Navy Canteens	Corporate Commonwealth entity, established by regulations under the <i>Naval Defence Act 1910</i> , subject to the PGPA Act To be tabled by 31 October	10 Oct 16	@14 Oct 16 %14 Oct 16	#8 Nov 16 ^8 Nov 16
Services Trust Funds—Royal Australian Navy Relief Trust Fund, Australian Military Forces Relief Trust Fund; and Royal Australian Air Force Welfare Trust Fund	Corporate Commonwealth entity, established under the <i>Services Trust Funds Act 1947</i> , subject to the PGPA Act To be tabled by 31 October	24 Aug 16 25 Aug 16 29 Aug 16 respectively	@5 Oct 16 %6 Oct 16	#8 Nov 16 ^8 Nov 16

Scrutiny of reports to be tabled by 31 October 2016				
Department/agency	Enabling legislation and timeliness	Date on letter of transmittal	@ Date report submitted to minister (if known) % Date report received by minister (if known)	* Date report presented to President # Date tabled in the Senate ^ Date tabled in H/Representatives
Foreign Affairs and Trade portfolio				
Australian Centre for International Agriculture Research	Non-corporate Commonwealth entity, established under the <i>Australian Centre for International Agriculture Research Act 1982</i> , as a statutory agency, subject to the PGPA Act To be tabled by 31 October	Oct 2016	@13 Oct 16 %13 Oct 16	*28 Oct 16 #7 Nov 16 ^7 Nov 16
Australian Safeguards and Non-Proliferation Office	Established under the <i>Nuclear Non-Proliferation (Safeguards) Act 1987</i> ; <i>Chemical Weapons (Prohibition) Act 1994</i> ; <i>Comprehensive Nuclear-Test-Ban Treaty Act 1998</i> , subject to the PGPA Act To be tabled by 31 October	7 Oct 16	@30 Sep 16 %30 Sep 16	#12 Oct 16 ^12 Oct 16

Scrutiny of reports to be tabled by 31 October 2016

Department/agency	Enabling legislation and timeliness	Date on letter of transmittal	@ Date report submitted to minister (if known) % Date report received by minister (if known)	* Date report presented to President # Date tabled in the Senate ^ Date tabled in H/Representatives
Foreign Affairs and Trade portfolio				
Australian Trade Commission	Non-corporate Commonwealth entity, established under the <i>Australian Trade Commission Act 1985</i> , subject to the PGPA Act To be tabled by 31 October	21 Sep 16	@2 Sep 16 %2 Sep 16	#7 Nov ^17 Oct 16
Department of Foreign Affairs and Trade	Non-corporate Commonwealth entity, established under the <i>Australian Constitution</i> and <i>Administrative Arrangements Order</i> , subject to the PGPA Act To be tabled by 31 October	12 Sep 16	@12 Sep 16 %13 Sep 16	#10 Oct 16 ^10 Oct 16
Export Finance and Insurance Corporation	Corporate Commonwealth entity, established under the <i>Export Finance and Insurance Corporation Act 1991</i> , subject to the PGPA Act To be tabled by 31 October	25 Aug 16	@7 Sep 16 %7 Sep 16	#7 Nov 16 ^17 Oct 16

Scrutiny of reports to be tabled by 31 October 2016				
Department/agency	Enabling legislation and timeliness	Date on letter of transmittal	@ Date report submitted to minister (if known) % Date report received by minister (if known)	* Date report presented to President # Date tabled in the Senate ^ Date tabled in H/Representatives
Foreign Affairs and Trade portfolio				
Tourism Australia	Corporate Commonwealth entity, established under the <i>Tourism Australia Act 2004</i> , subject to the PGPA Act To be tabled by 31 October	14 Oct 16	@13 Oct 16 %13 Oct 16	*31 Oct 16 #7 Nov 16 ^7 Nov 16

Scrutiny of reports to be tabled by 31 October 2016

Department/agency	Enabling legislation and timeliness	Date on letter of transmittal	@ Date report submitted to minister (if known) % Date report received by minister (if known)	* Date report presented to President # Date tabled in the Senate ^ Date tabled in H/Representatives
Veterans' Affairs portfolio				
Australian War Memorial	Corporate Commonwealth entity, established under the <i>Australian War Memorial Act 1980</i> , subject to the PGPA Act To be tabled by 31 October	No date	@28 Sep 16 %29 Sep 16	*26 Oct 16 #7 Nov 16 ^7 Nov 16

Scrutiny of reports to be tabled by 31 October 2016				
Department/agency	Enabling legislation and timeliness	Date on letter of transmittal	@ Date report submitted to minister (if known) % Date report received by minister (if known)	* Date report presented to President # Date tabled in the Senate ^ Date tabled in H/Representatives
Veterans' Affairs portfolio				
Department of Veterans' Affairs Incorporating the reports of ... Repatriation Commission and Military Rehabilitation and Compensation Commission	Non-corporate Commonwealth entity, established under the <i>Australian Constitution</i> and <i>Administrative Arrangements Order</i> , subject to the PGPA Act To be tabled by 31 October <i>Veterans' Entitlement Act 1986</i> <i>Military Rehabilitation and Compensation Act 2004</i> and <i>Safety, Rehabilitation and Compensation Act 1988</i> As soon as practicable after 30 June	6 Sep 16	@21 Sep 16 %21 Sep 16	*31 Oct 16 #7 Nov 16 ^7 Nov 16
Repatriation Medical Authority	Established under the <i>Veterans' Entitlement Act 1986</i> No statutory reporting requirement	21 Sep 16	@21 Sep 16 %21 Sep 16	#7 Nov 16 ^20 Oct 16

Scrutiny of reports to be tabled by 31 October 2016

Department/agency	Enabling legislation and timeliness	Date on letter of transmittal	@ Date report submitted to minister (if known) % Date report received by minister (if known)	* Date report presented to President # Date tabled in the Senate ^ Date tabled in H/Representatives
Veterans' Affairs portfolio				
Veterans' Review Board	Established under the <i>Repatriation Legislation Amendment Act 1984</i> and continued by the <i>Veterans' Entitlement Act 1986</i> As soon as practicable after 30 June	Sep 2016	@13 Oct 16 %13 Oct 16	*31 Oct 16 #7 Nov 16 ^7 Nov 16
Other reports				
Defence Abuse Response Taskforce—Final Report	No legislative requirement to table the report	31 Mar 16	@25 Aug 16 %25 Aug 16	#10 Oct 16 ^10 Oct 16
Schedule of Special Purpose Flights	No legislative requirement to table the report	No date	@21 Sep 16 %21 Sep 16	#29 Nov 16 ^29 Nov 16

