

The Senate

Foreign Affairs, Defence and Trade
Legislation Committee

Annual reports (No. 1 of 2011)

March 2011

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ISBN 978-1-74229-420-9

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Preface

Introduction

1. The committee is responsible for examining annual reports of departments and agencies within two portfolios: Defence (including the Department of Veterans' Affairs), and Foreign Affairs and Trade.¹

2. Under Standing Order 25(20), the committee is required to report on annual reports tabled by 31 October each year by the tenth sitting day of the following year, and on reports tabled by 30 April each year by the tenth sitting day after 30 June of that year.

3. The standing order states:

Annual reports of departments and agencies shall stand referred to the committees in accordance with an allocation of departments and agencies in a resolution of the Senate. Each committee shall:

- 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 reports 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 to the attention of the Senate any significant matters relating to the operations and performance of the bodies furnishing the annual reports; and
- 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 See Appendix 1 for a list of all departments and agencies under these portfolios.

Role of annual reports

4. Annual reports place a great deal of information about government departments and agencies on the public record. Accordingly, the tabling of annual reports continues to be an important element of accountability to Parliament. The information provided in annual reports assists Parliament in the effective examination of the performance of departments and agencies and the administration of government programs. Indeed, as noted in the *Requirements for Annual Reports*:

Annual reports serve to inform the Parliament (through the responsible Minister), other stakeholders, educational and research institutions, the media and the general public about the performance of departments in relation to services provided. Annual reports are a key reference document and a document for internal management. They form part of the historical record.

...

Annual reports and Portfolio Budget Statements (PBSs) are the principal formal accountability mechanisms between government and departments and from departments through (or on behalf of) government to the Parliament.²

Assessment of annual reports

5. The annual reports are examined by the committee to determine whether they are timely and 'apparently satisfactory'.³ The committee considers whether the reports comply with the relevant requirements for the preparation of annual reports of departments and authorities.

6. The requirements are set down in the following instruments:

- for portfolio departments: *Public Service Act 1999*, subsections 63(2) and 70(2), and the *Requirements for annual reports for departments, executive agencies and FMA Act bodies*, Department of Prime Minister and Cabinet, 23 June 2010;
- for Commonwealth authorities and companies: the *Commonwealth Authorities and Companies Act 1997*; in particular, the Commonwealth Authorities and Companies (Report of Operations) Orders 2002; and
- for non-statutory bodies: the guidelines are contained in the government response to the report of the Senate Standing Committee on Finance and Government Operations on Non-statutory Bodies, Senate *Hansard*, 8 December 1987, vol s124, pp. 2643–45 (requirements were modified in 1987).

2 *Requirements for annual reports for departments, executive agencies and FMA Act bodies*, Department of Prime Minister and Cabinet, 23 June 2010, p. 2. Also at www.dpmc.gov.au/guidelines/index.cfm

3 See Appendix 2 for a compliance table of the reports referred to the committee for scrutiny.

Excerpts of the reporting requirements are at Appendix 3.

Annual reports considered

7. The annual reports of the following organisations have been examined by the committee:

Defence portfolio

Army and Air Force Canteen Service (trading as *Frontline Defence Services*)
ASC Pty Ltd
Australian Military Forces Relief Trust Fund
Australian Strategic Policy Institute Limited
Australian War Memorial
Defence, Department of
Defence Force Remuneration Tribunal
Defence Force Retirement and Death Benefits Authority
Defence Housing Australia
Defence Materiel Organisation
Judge Advocate General
Military Superannuation and Benefits Board
Repatriation Medical Authority
Royal Australian Air Force Veterans' Residences Trust Fund
Royal Australian Air Force Welfare Trust Fund
Royal Australian Navy Central Canteens Board
Royal Australian Navy Relief Trust Fund
Veterans' Affairs, Department of
Veterans' Review Board.

Foreign Affairs and Trade portfolio

Australian Agency for International Development
Australian Centre for International Agricultural Research
Australian Safeguards and Non-Proliferation Office
Australian Trade Commission
Export Finance and Insurance Corporation
Foreign Affairs and Trade, Department of.

General comments on the annual reports

Timeliness in tabling reports

8. It should be noted that on 19 July 2010, the Governor-General prorogued the 42nd Parliament and dissolved the House of Representatives. An election was held on 24 August 2010 and the 43rd Parliament sat for the first time on 28 September 2010. As a result, the Department of Defence and a number of statutory agencies did not table their reports until November 2010 after the due date of 31 October. The Secretary of the Department of Defence, Dr Ian Watt AO, provided an explanation for the delay in tabling Defence's annual report (see paragraph 1.1). A table detailing the dates relating to the timeliness of presentation is at Appendix 2.

Comments made in the Senate

9. The committee is obliged, under Senate 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.

Matters of significance

10. In accordance with SO25, the committee is to note any significant matters relating to the operations and performance of the bodies presenting their annual report. The committee found no matters of significance relating to the operations and performance of the bodies presenting their report. It draws attention, however, to findings contained in the *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2010*.

11. Last year the committee commented on the financial statements of the Department of Defence. It expressed an interest in seeing progress on outstanding matters identified by ANAO. The audit found that the Department of Defence had resolved six moderate audit risk issues previously identified. At the conclusion of the 2009-2010 audit, one significant and 17 moderate risk issues remained outstanding.⁴ These matters are mentioned in detail in the relevant sections of this report.

Bodies not presenting annual reports to the Senate

12. 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, which do not meet their reporting requirements to the Senate.

4 Australian National Audit Office, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2009*, Audit Report No. 17, 2009–2010, p. 88.

Standard of reports

13. The committee found all reports to be generally of a high standard. They effectively described the function, activities and financial positions of the various departments and agencies. The committee therefore finds all of the annual reports to be 'apparently satisfactory'.

Chapter 1

Annual reports of departments

Department of Defence

1.1 The Defence Annual Report 2009–2010 was tabled in the Senate on 24 November 2010.

1.2 At the recent estimates hearing on 23 February 2011, the Secretary of the Department of Defence explained to the committee the reasons for the lateness of report:

...this was a case of competing demands on the Defence organisation in the lead-up to final drafting, including on the CDF and me. These commitments were influenced by the timing of the election, the lengthy caretaker period and incoming government requirements. All of this meant that we could not meet the usual deadlines for production and tabling, which should have seen the report tabled on 31 October 2010, consistent with appropriate processes. We sought, however, and were granted, again consistent with appropriate processes, an extension of time by the Minister for Defence on 22 and 27 October 2010, respectively. As required by section 34C(6)(a) of the Acts Interpretation Act 1901, both documents were laid before each house of parliament on 27 October 2010.¹

Military justice system

1.3 In August 2009, the High Court of Australia in *Lane v Morrison* unanimously found that the part of the *Defence Force Discipline Act 1982* that created the Australian Military Court was invalid. As an interim measure, legislation was passed by Parliament which reinstated the former system of courts martial and Defence Force magistrates, which continues to hear serious offences.

1.4 On 24 June 2010, the *Military Court of Australia Bill 2010* was introduced into the Parliament. This bill proposed the creation of a Military Court of Australia within the federal courts system to try all serious Service offences. Following the prorogation of the Parliament on 19 July 2010, the bill lapsed. At the time of printing the annual report, the bill had not been introduced.²

HMAS Success inquiry

1.5 On 24 February, 2010, the Chief of the Defence Force, Air Chief Marshal Angus Houston, announced the appointment of the Hon Roger Gyles, AO, QC to conduct a CDF's Commission of Inquiry into a range of matters arising from a number of issues on board *HMAS Success*.

1 *Proof Committee Hansard*, 23 February 2011, p. 7.

2 Department of Defence, Annual Report 2009–2010, p. 9.

1.6 In their 2009–2010 report overview, the Secretary of Defence and the Chief of the Defence Force stated that 'it was extremely disappointing that Defence's inquiry processes up to this point in relation to this matter were found wanting'. They noted that the independent inquiry conducted by Mr Gyles

...has been comprehensive and will identify the areas in which our current procedures may have been deficient. This incident reinforced that there are aspects of the administrative inquiry system that require significant improvement.

...

The first hearing of the Commission of Inquiry was held on 12 March 2010. Due, among other things, to the volume of documents and the requirements to call additional witnesses, the final report and findings are expected to be received by the end of 2010. The focus must be to ensure that procedural fairness and privacy is afforded to all individuals involved, including the complainants and those responding to allegations.³

1.7 The Secretary and CDF concluded their remarks by stating that they continue to work with the Senate References Committee on the matter and have committed to provide the final report to the Senate inquiry when completed. They stated:

It is critically important that inquiry processes followed by Defence are beyond reproach and meet the highest legal standards.⁴

Matters relating to the operations and performance of the department

Defence's financial statements

1.8 The committee is required to note any significant matters relating to the operations and performance of the bodies presenting their annual reports. The committee draws attention to the department's financial statements.

1.9 It is mandatory under section 57 of the *Financial Management and Accountability Act 1997* for the annual report to include a copy of the audited financial statements and the Auditor-General's report thereon.

1.10 In their 2009–2010 overview, Secretary and CDF, stated that 'media scrutiny on the legitimacy and appropriateness of certain Defence expenditure has drawn attention to the substance and consequence of some of Defence's past financial decisions.'⁵ Secretary and CDF stated that:

3 Department of Defence, Annual Report 2009–2010, p. 8.

4 Department of Defence, Annual Report 2009–2010, p. 9.

5 Department of Defence, Annual Report 2009–2010, p. 9.

Accordingly, we have renewed our focus on establishing a more disciplined and cost-effective culture to underpin every-day operations and decision-making in the organisation. A cost-conscious culture encourages paying greater attention to the accuracy of financial information, to the clarity of request for tender, and the maintenance and accessibility of comprehensive records for future reference. Defence business is now conducted more effectively and efficiently, and our spending and procurement processes are more robust.

1.11 They concluded on this topic by stating that continued improvements in this area are a fundamental factor in the success of the Strategic Reform Program (SRP).⁶

ANAO audit

1.12 The Australian National Audit Office (ANAO) performed financial statement audits on all agencies for the period 2009–2010. The audit report for the Department of Defence states:

The results of the 2009–2010 financial statements audit reflect Defence's ongoing focus on improving its financial management and reporting, and the remediation of issues. As a consequence, the number of significant and moderate audit issues continues to trend downwards.

An unqualified audit report was issued on 14 September 2010.

During the final phase of the 2009–2010 audit, the ANAO confirmed that Defence had resolved six moderate audit issues previously identified. At the conclusion of the 2009–2010 audit, one significant and 17 moderate audit issues remained outstanding. The majority of these audit issues relate to Defence's inventory and asset management.⁷

1.13 The areas where significant or moderate risks remain outstanding, are:

- Financial Management Framework (see below)
- Logistics Management General Stores Inventory and Specialist Military Equipment
- Asset Management (general and SME)
- Financial Management Information System
- Purchase to Pay systems and processes

6 Department of Defence, Annual Report 2009–2010, p. 9.

7 Australian National Audit Office, *Audit of the financial statements of Australian Government Entities for the period ended 30 June 2010*, Audit Report no 22, 2010–2011, p. 99.

- Human Resource Management, and
- Information Technology Governance.⁸

Financial management framework

1.14 In its last report on Defence's Annual Report 2009–2010, the committee expressed an interest in seeing progress on the outstanding matter of management and oversight of service bureau arrangements between Defence and the Defence Materiel Organisation (DMO).

1.15 ANAO noted in its Audit Report no 22, 2010–2011, that the business and operational model between Defence and the DMO includes arrangements that involve DMO managing and processing financial transactions and business processes, on behalf of Defence.

These arrangements require Defence to have in place structured monitoring and oversight activities to provide assurance that controls over purchasing, logistics, and the acquisition of specialised military equipment are effective. Weaknesses in these controls increase the risk of inaccurate balances being reported in Defence's financial statements.

The ANAO continues to identify and report weaknesses in the internal control of each agency that is not addressed with the bureau of service arrangements or other formal arrangements. At the completion of the 2008–2009 audit, the issue in relation to the management and oversight of service bureau arrangement between DMO and Defence remained outstanding.

1.16 ANAO reported that Defence is undertaking a review of the financial management framework which is expected to be finalised in 2010–2011.⁹

Strategic Reform Program

1.17 The committee noted in its 2010 report, that Defence stated that the roll out of the Strategic Reform Program, 2008–2009 was 'the start of significant, deep and holistic reform in every part of Defence'¹⁰. The Secretary and CDF stated in their 2009–2010 overview:

After support to operations the Strategic Reform Program (SRP) was Defence's highest priority activity in 2009–2010. Throughout 2009–2010

8 Australian National Audit Office, *Audit of the financial statements of Australian Government Entities for the period ended 30 June 2010*, Audit Report no 22, 2010–2011, pp. 99–103.

9 Australian National Audit Office, *Audit of the financial statements of Australian Government Entities for the period ended 30 June 2010*, Audit Report no 22, 2010–2011, p. 99. See also in the same report, DMO—Areas of audit focus (relating to service bureau arrangements), paragraphs 5.223 to 5.225, p. 108.

10 Department of Defence, Annual Report 2008–2009, p. 3.

Defence has been building a solid foundation to ensure that the SRP reforms are sensibly targeted, achievable and can be sustained into the future. The SRP is a decade-long 'campaign of reform' which will enable Defence to position itself to fund and operate *Force 2030*. This deliberate and managed approach to reform draws on lesson learned from previous organisation-wide reform efforts designed to deliver substantial cost reductions for reinvestment.¹¹

1.18 The committee notes that the SRP was agreed by the Government as part of the 2009 Defence White paper. During the period July 2009 to February 2010, detailed plans were developed for the implementation of the SRP.

These plans detailed over 300 separate reform initiatives which will be managed across 15 individual 'reform streams'. This detailed planning work culminated in the development of a SRP portfolio-wide Implementation Plan which was considered by Government in March 2010. The Government endorsed the Plan and implementation of the SRP began in earnest soon thereafter.¹²

1.19 The Secretary and CDF stated that to ensure reform is sustainable and genuine, Defence has built a strong governance and assurance regime around the SRP.

At the top of this framework is regular reporting to the Government and the newly-established Defence Strategic Reform Advisory Board (DSRAB), which will scrutinise the implementation of the SRP and provide independent advice to the Government.

...

This structure will provide the 'eyes and ears' on the ground to ensure that the SRP is making sustainable and genuine reform, without impacting negatively on capability or safety.¹³

Summary

1.20 The committee finds Defence's 2009–2010 annual report to be both an informative and a well-produced account of the department's activities over the past year and that it meets all the requirements for departmental annual reports.

11 Department of Defence, Annual Report 2009–2010, p. 5.

12 Department of Defence, Annual Report 2009–2010, p. 5.

13 Department of Defence, Annual Report 2009–2010, p. 7.

Department of Foreign Affairs

1.21 The Department of Foreign Affairs and Trade Annual Report 2009–2010 was tabled in the Senate on 27 October 2010.

1.22 The Secretary of the department, Mr Dennis Richardson, stated that 'a fragile global economy and contractions in the gross domestic products of seven of Australia's top 10 trading partners provides a critical context for the Government's foreign and trade policy agenda over the last year':

The changing strategic landscape in East Asia, shaped by the rise of China, was a further important context for our work.

We pushed strongly through the G20, the World Trade Organization (WTO) and bilaterally for a coordinated global response to the economic crisis, to resist protectionist forces and to extend trade liberalisation. We continued to engage within multilateral forums on key issues, including counter-terrorism, non-proliferation, climate change and people smuggling. We engaged with partners on regional economic integration and regional architecture. We strengthened bilateral relations with regional partners and worked to enhance our engagement with Africa, Latin America and the Caribbean.¹⁴

Promoting trade and investment

1.23 The Secretary stated that DFAT 'advanced Australian trade policy priorities through facilitating ministerial participation in key multilateral economic forums, including the G20, the WTO, the APEC forum and the Organisation for Economic Cooperation and Development (OECD)':

To improve market access for Australian exporters, the department continued to work towards concluding the WTO Doha Development Round negotiations. We supported Mr Crean in his efforts, during a gathering of trade ministers in France and at the Cairns Group meeting in Uruguay, to build political will to resume negotiations.

The department coordinated an active schedule of bilateral and regional free trade agreement (FTA) negotiations, including with China, Japan, the Republic of Korea and Malaysia. Australia hosted the first negotiation round of the Trans-Pacific Partnership (a joint FTA with seven of our Asia-Pacific partners)...We finalised a study with India on the feasibility of a bilateral FTA and oversaw the entry into force of the Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area.¹⁵

1.24 The committee notes that the department worked to advance Australia's export competitiveness, which included working with Austrade to assist Australian

14 Department of Foreign Affairs and Trade, Annual Report 2009–2010, p. 3.

15 Department of Foreign Affairs and Trade, Annual Report 2009–2010, p. 6.

businesses access foreign markets and by working with the Export Finance and Insurance Corporation (EFIC) to facilitate access to trade finance for Australian exporters.¹⁶

Enhancing national security

1.25 The secretary recorded the department's continued close cooperation with NATO in Afghanistan, including working with other departments and agencies to provide additional diplomatic personnel to civil-military stabilisation efforts. He noted the work of the department in facilitating the participation of the Minister for Foreign Affairs, as well as that of Australia's Special Envoy for Afghanistan and Pakistan, at international meetings on Afghanistan. Mr Richardson added that:

With the aim of strengthening regional stability, we worked with other agencies to assist Pakistan with its defence, law enforcement and counter-terrorism capabilities and participated in Friends of Democratic Pakistan group.¹⁷

1.26 The department also worked with regional partners in its effort to combat people smuggling:

We coordinated a senior officials' meeting of the Bali Process Ad Hoc Group (aimed at developing regional responses to irregular migration in the Asia-Pacific) and assisted with the organisation of the Bali Process Workshop on Protection, Resettlement and Repatriation.

1.27 The secretary concluded his remarks on the subject by stating that the department 'continued to advance the Government's national security agenda and worked cooperatively with other departments on cyber, maritime and aviation security'.¹⁸

Summary

1.28 The committee finds the Department of Foreign Affairs and Trade's annual report to be both an informative and a well-produced account of the department's activities over the past year and that it meets all the requirements for departmental annual reports.

16 Department of Foreign Affairs and Trade, Annual Report 2009–2010, pp. 6–7.

17 Department of Foreign Affairs and Trade, Annual Report 2009–2010, p. 7.

18 Department of Foreign Affairs and Trade, Annual Report 2009–2010, p. 8.

Department of Veterans' Affairs

1.29 The Department of Veterans' Affairs Annual Report 2009–2010 was presented in the Senate on 16 November 2010. A reprinted version of the report was tabled on 23 November 2010.

1.30 The annual report was originally tabled in both Houses of Parliament on 28 October 2010. It was reprinted in November 2010 due to a production error that caused some figure and table captions to be omitted from the original document. There were no changes to the original document content and reprinting was at no extra cost to the Commonwealth.¹⁹

1.31 The annual report for Department of Veterans' Affairs (DVA) also includes the annual reports of the Repatriation Commission, the Military Rehabilitation and Compensation Commission (MRCC), and the National Treatment Monitoring Committee (NTMC). The Secretary of the department is also the President of the Repatriation Commission and Chair of both the MRCC and the NTMC.²⁰

1.32 In the President/Secretary's overview, Mr Ian Campbell, PSM, stated that 2009–2010 was another busy year for the Repatriation Commission, the Military Rehabilitation and Compensation Commission and the Department of Veterans' Affairs:

The May budget delivered good news for the veteran and defence communities. Our total budget increased for the coming year by more than \$300 million, to a total of \$12 billion. This funding will enable us to continue to provide substantial support to members of the veteran community. We still, however, face the challenge of delivering the same high level of service in an environment of lower operating budgets in the coming years. I am confident that the structural changes we introduced last year will continue to shape the Department as it gradually reduces in size.²¹

1.33 Mr Campbell reported that in 2009–2010, the two commissions and the department 'achieved a number of significant outcomes of benefit to the veteran and defence communities and to the way the department does business'.

1.34 Some of these major achievements included:

- implementing revisited recommendations of the Clarke review;

19 Department of Veterans' Affairs, Annual Report 2009–2010, reprint insert

20 Department of Veterans' Affairs, Annual Report 2009–2010; see pp. 22–24, for the entities covered by this portfolio, a summary of their roles, and, where applicable, their enabling legislation.

21 Department of Veterans' Affairs, Annual Report 2009–2010, p. 11.

- establishing case coordinators to manage clients with complex needs as recommended by the Dunt review;
- successfully implementing secure and sustainable pension reforms arising from the Harmer review, with 320,000 veterans, war widows and widowers benefitting from the changes, and
- enhancing security features of DVA health cards for reissue, including issue to veterans living overseas making it easier for them to access treatment when in Australia.²²

Clarke review

1.35 The committee notes the ongoing work by the department to implement revisited recommendations of the Clark review. Mr Campbell explained:

During the year, 470 submissions were received from the public as part of a 2007 election commitment to revisit the unimplemented recommendations of the 2003 *Clarke Review of Veterans' Entitlements*. In May 2010, the Minister announced the government's response to the revisitation. Of the 45 original recommendations revisited, three have been accepted and already acted upon and a further 22 have been referred for consideration under the current review of military compensation arrangements.

As part of the government's response, the *Veterans' Entitlements Act 1986* (VEA) was amended, through a 2010–2011 Budget initiative, to add a new category of service titled 'British Nuclear Test Defence Service'. Effective from 1 July 2010, defence personnel who participated in the British nuclear test program in Australia will be able to access compensation and health care treatment under the VEA for conditions accepted as related to this service. Widows and dependent children of deceased defence participants will also have access to pensions and health care treatment as a result of this measure²³

1.36 The secretary concluded his remarks by saying that prior to 1 July 2010, Defence British nuclear test participants could only access compensation under the *Safety, Rehabilitation and Compensation Act 1988* and non-liability health care treatment for malignant cancers under the *Australian Participants in the British Nuclear Tests (Treat) Act 2006*.²⁴

1.37 The committee finds that the Department of Veterans' Affairs has submitted a comprehensive and well designed annual report that meets all the reporting requirements for a Commonwealth department.

22 Department of Veterans' Affairs, Annual Report 2009–2010, p. 11.

23 Department of Veterans' Affairs, Annual Report 2009–2010, p. 12.

24 Department of Veterans' Affairs, Annual Report 2009–2010, p. 12.

Chapter 2

Annual reports of statutory and non-statutory authorities and government companies

Defence portfolio

Defence Materiel Organisation

2.1 The annual report of the Defence Materiel Organisation (DMO) is contained in volume 2 of Defence's Annual Report 2009–2010. It was tabled in the Senate on 24 November 2010.

2.2 On 1 July 2005, the organisation became a prescribed agency under the *Financial Management and Accountability Act 1997*. It has a CEO with statutory responsibilities and authority under the Act. The Chief Executive Officer (CEO) DMO also has 'joint responsibilities to the Secretary and the Chief of the Defence Force under section 9A of the *Defence Act 1903* and is delegated significant powers from the Secretary to manage and allocate staff resources under the *Public Service Act 1999*'. The majority of its funding comes from Defence under agency agreements.¹

2.3 DMO is one of Australia's largest project management organisations. Its business 'is complex and involves purchasing, upgrading and maintaining a range of specialist military and other equipment. It is typified by high-end technology and highly complex project and systems integration, and demands a mature approach to risk management'.²

2.4 In his year in review, the CEO, Dr Stephen Gumley, noted that the DMO had again made a major contribution to overseas deployments and to providing and supporting equipment needed urgently overseas:

Responding to emerging operational demands within very tight timeframes is challenging. The reprioritisation of work is often a test of the adaptability of our people and processes, and the capacity and responsiveness of our suppliers. It can also, on occasion, leave us vulnerable to criticism for delays with lower-priority tasks, but there is no more important task for the DMO than to ensure the provision of safe, fit-for-purpose and high quality equipment to the men and women of the ADF.

From the supply and maintenance of front-line warfighting equipment in the Middle East to the modification of commercial vehicles to be used as patient transports for wounded soldiers on their return to Australia, the DMO continues to respond well to the operational requirements of the ADF.³

1 Defence Annual Report 2009–2010, Volume two, Defence Materiel Organisation, p.17.

2 Defence Annual Report 2009–2010, Volume two, Defence Materiel Organisation, p.17.

3 Defence Annual Report 2009–2010, Volume two, Defence Materiel Organisation, p. 2.

2.5 Dr Gumley said that DMO 'is witnessing the tangible results of the continued hard work of hundreds of DMO staff as carefully laid plans—each many years in the making—are now coming to fruition'.⁴

Financial statements

2.6 The Australian National Audit Office (ANAO) performed financial statement audits on all agencies for the period 2009–2010. The audit report for the DMO states:

At the conclusion of the 2009–2010 audit, three moderate audit issues remained outstanding. These issues relate to the DMO's financial reporting framework, the reporting of the commitments in the financial statements, and the need to improve bureau service arrangements between Defence and the DMO.

The DMO has been proactive in actioning issues identified by the ANAO. This is reflected in the decrease in the number of audit issues and as a result four moderate audit issues have been resolved.

An unqualified audit report was issued on 10 September 2010.⁵

2.7 The committee notes that the Australian National Audit Office has again provided an unqualified opinion on the DMO's 2009–2010 Financial Statements. Dr Gumley stated that:

Additional assurance activities were undertaken to support the 2009–2010 Financial Statements. These activities highlighted that our financial processes and records are of a satisfactory standards, but there is still room for improvements.'

...

I am very proud of our financial management performance, it reflects well on the whole of the DMO as a key measure of our professional management and our credibility with Defence, the central agencies and with Government.⁶

2.8 The committee looks forward to reviewing these results against next year's audit of financial statements.

2.9 The committee finds that DMO's annual report provides a comprehensive coverage of the organisation's activities during 2009–2010. The committee considers that DMO fully met its respective reporting requirements.

4 Defence Annual Report 2009–2010, Volume two, Defence Materiel Organisation, p. 2.

5 Australian National Audit Office, *Audit of the financial statements of Australian Government Entities for the period ended 30 June 2010*, Audit Report no 22, 2010–2011, p. 109. See also in the same report, Defence–Financial management framework (relating to service bureau arrangements), paragraphs 5.184 to 5.186, p. 99.

6 Defence Annual Report 2009–2010, Volume two, Defence Materiel Organisation, p. 4.

Australian War Memorial

2.10 The Australian War Memorial Annual Report 2009–2010 was tabled in the Senate on 26 October 2010.

2.11 The Australian War Memorial (AWM) is a statutory authority within the Veterans' Affairs portfolio and functions in accordance with the requirements of the Australian War Memorial Act 1980 and the Commonwealth Authorities and Companies (CAC) Act 1997.⁷

2.12 The purpose of the AWM is 'to commemorate the sacrifice of those Australians who have died in war'.⁸

2.13 The Council Chair, General Peter Cosgrove AC MC (Ret'd), stated that 'at the end of yet another year...the Australian War Memorial has achieved much, reached many milestones, and overcome various challenges'.⁹ General Cosgrove stated further that:

In the broader Australian community there has been a certain dynamism, with an evolving political and economic landscape, including, thankfully, the steady recovery from the global financial crisis. The Memorial cannot operate in isolation from the state of the national economy which impacts on appropriations. Our present circumstances reflect this and the corporate sector's ability to provide substantial funding to cultural institutions.

This year has seen a further reduction in the operational budget for the Memorial, and for other federal cultural agencies, through the ongoing application of the efficiency dividend. The challenge for the Memorial is to do more with less, but there are limits to how far this approach can be taken. In response, the Memorial has continued to review the ways activities and events are provided to the public. Cuts have been unavoidable in these areas.¹⁰

2.14 General Cosgrove stated that the continuing reduction in the operating budget of the Memorial means that further rationalisation of staff positions and program has had to occur during this financial year, and will continue in the next.¹¹

Major projects

2.15 The committee notes that the Memorial has completed the Eastern precinct, which opened in April 2010. The Chair explained:

This has altered the previously undeveloped eastern side of the Memorial's grounds by providing a new cafe facility, a large underground carpark, and

7 Australian War Memorial, Annual Report 2009–2010, pp. 3, 45–53.

8 Australian War Memorial, Annual Report 2009–2010, p. 9.

9 Australian War Memorial, Annual Report 2009–2010, p. 1.

10 Australian War Memorial, Annual Report 2009–2010, p. 1.

11 Australian War Memorial, Annual Report 2009–2010, p. 1.

the long-awaited National Service memorial that sits beautifully amid the enhanced landscaping. We are looking forward to the dedication of the National Service memorial in September later this year.¹²

Council was also pleased to see this year the continued dedication of management and staff to progress the Enterprise Content Management project. This project is scheduled for implementation in late 2010, and will improve the Memorial's information systems by the introduction of three integrated IT components

2.16 The Chair concluded on this topic by stating that the remaining major project for this past year has been the half-life refurbishment of the Second World War galleries, and the redevelopment of the Hall of Valour...both projects are ongoing and due for completion in 2010.¹³

2.17 The committee finds that the AWM's annual report provides a comprehensive coverage of the organisation's activities during 2009–2010. It is an informative and well-produced document, which allows the reader to access information easily. The committee is of the view that this report complies with all reporting requirements for statutory authorities.

Judge Advocate General

2.18 The Judge Advocate General report for the period 1 January to 31 December 2009 was tabled in the Senate on 29 September 2010.

2.19 The Office of Judge Advocate General of the Australian Defence Force (ADF) is a statutory body created under the *Defence Force Discipline Act 1982* (DFDA). The Judge Advocate General (JAG) must be, or have been, a Federal Court or a Supreme Court judge.¹⁴

2.20 The functions of the JAG are prescribed by the DFDA. It should be noted that legislation subsequent to the High Court ruling in *Lane v Morrison* have effectively restored to the JAG the roles and responsibilities that existed prior to the legislation that created the Australian Military Court. The JAG is responsible for the following functions:

- reporting annually to Parliament on the operation of DFDA the regulations, the Rules of Procedures, and, the operation of any other law of the Commonwealth or of the ACT insofar as that law relates to the discipline of the Defence Force;
- making Procedural Rules for Service tribunals, being Court Martial and Defence Force Magistrate Rules, and Summary Authority Rules;

12 Australian War Memorial, Annual Report 2009–2010, p. 2.

13 Australian War Memorial, Annual Report 2009–2010, p. 1.

14 Judge Advocate General, Annual Report for 2009, p. 1.

- nominating the judge advocate (JA) for a court martial and Defence Force magistrates (DFMs);
- nominating to a Service Chief, officers to be members of the judge advocate's panel;
- appointing DFMs from officers appointed as members of the JA's panel;
- nominating to a Service Chief, legal officers for the purposes of DFDA s.154(1)(a); and
- if requested, providing a final and binding legal report in connection with the internal review of proceedings before Service tribunals.¹⁵

2.21 The current Judge Advocate General, Major General the Honourable Justice Tracey, was re-appointed on 10 February 2010, for a term of four years. He is also President of the Defence Force Discipline Appeals Tribunal (DFDAT).

2.22 On 26 August 2009, the High Court of Australia handed down its decision in *Lane v Morrison*, declaring invalid, Division 3 of the Part VII of the DFDA. Following that decision, the Military Justice (Interim Measures) Acts (Nos 1 and 2) 2009 were enacted.¹⁶ The JAG commented that:

The legislation concerned was struck down for non-compliance with the Constitution. There was no criticism of the work of the AMC or of the standards of justice dispensed. Tangible evidence of the quality of the work of the AMC is provided by the very small number of appeals taken to the DFDAT, and by the independent review of the military justice system, which then included the AMC, conducted by Sir Laurence Street AC, KCMG, QC and Air Marshal Les Fisher AO FRAeS, MAP (Ret'd) (the Street/ Fisher Review).

So far as appeals to the DFDAT are concerned, there were four appeals taken from the AMC during its twenty months of operation. Of these, only one was successful.¹⁷

2.23 The JAG acknowledged the work of Defence Legal Office, stating that the High Court decision striking down the legislation creating the AMC had the immediate result of rendering the disciplinary system inoperable:

The fact that this hiatus was restricted to a period of weeks is a testament to the extreme hard work, forethought and planning of all those involved in instituting the interim measures ... this process was, to a large extent, managed by Defence Legal.¹⁸

...

15 Judge Advocate General, Annual Report for 2008, p. 3.

16 Judge Advocate General, Annual Report for 2009, p. 2.

17 Judge Advocate General, Annual Report for 2009, p. 6.

18 Judge Advocate General, Annual Report for 2009, p. 8.

Following the decision in *Lane v Morrison*, it was necessary for the two volumes of the DLM to be substantially re-written to reflect the reinstatement of the proceedings before courts-martial and DFM. While the volumes have not been re-issued in hard copy, the Defence Legal Office is to be commended on the extent of the material that was made available in electronic form.¹⁹

2.24 In conclusion, the JAG stated that it is disappointing that the significant effort that had gone into reforming the military justice system in recent years should have been found constitutionally wanting:

The interim arrangements appear to be operating satisfactorily. However, the number of matters proceeding to court martial (as opposed to DFM) is placing a burden on the available administrative support out of proportion with the demands in recent years.²⁰

2.25 The JAG's 2009 annual report again demonstrates the value of having such a strong independent civilian judicial oversight of the operation of the DFDA and related legislation.

2.26 The committee finds that the report adequately complies with all reporting requirements for statutory authorities.

Other reports

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

Army and Air Force Canteen Service (trading as *Frontline Defence Services*)
Australian Military Forces Relief Trust Fund
Australian Strategic Policy Institute
Defence Force Remuneration Tribunal
Defence Force Retirement and Death Benefits Scheme
Defence Housing Australia
Military Superannuation and Benefits Scheme
Repatriation Medical Authority
Royal Australian Air Force Welfare Trust Fund
Royal Australian Navy Central Canteens Board
Royal Australian Navy Relief Trust Fund
Veterans' Review Board.

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

19 Judge Advocate General, Annual Report for 2009, p. 13.

20 Judge Advocate General, Annual Report for 2009, p. 17.

Foreign Affairs and Trade portfolio

Australian Agency for International Development

2.29 The Australian Agency for International Development Annual Report 2009–2010 was tabled in the Senate on 27 October 2010.

2.30 AusAID provides advice to the government on development policy and manages the implementation of Australia's overseas aid program. AusAID plans, leads and coordinates Australia's poverty reduction activities and its response to humanitarian disasters. It evaluates and improves Australia's overseas aid program as well as analyses and publishes data relating to development.²¹

2.31 Its objective is 'to assist developing countries reduce poverty and achieve sustainable development, in line with Australia's national interest. The focus of Australia's development assistance on poverty 'is guided by the Millennium Development Goals (MDGs), the internationally agreed targets for poverty reduction'.²²

2.32 AusAID is an administratively autonomous agency within the Foreign Affairs and Trade portfolio. The Director General reports directly to the Minister for Foreign Affairs on all aspects of aid policy and operations and is responsible for the agency's financial and personnel management.²³

2.33 The Director General, Mr Peter Baxter, stated in his review that the impact of the global recession continued to be felt by many developing countries throughout 2009–2010:

While a global recovery is now underway, with growth strongest in the major developing economies, uncertainties remain and many smaller developing countries continue to struggle. The World Bank has estimates that there will be 64 million more people in developing countries living in extreme poverty by the end of 2010 than would have been the case without the crisis.

Having followed a prolonged period of volatility in food and fuel prices, the global recession exacerbated hardship and suffering for many people in developing countries. Falling revenues also made it increasingly difficult for some governments to provide essential services. In this context, meeting the Millennium Development Goals remains a challenge for many developing countries, including those in our immediate area.²⁴

2.34 Mr Baxter said that Australia responded effectively to the crisis by building partner country resilience and implementing targeted assistance programs:

21 AusAID, Annual Report 2009–2010, p. iii.

22 AusAID, Annual Report 2009–2010, p. iii.

23 AusAID, Annual Report 2009–2010, pp. iii, 16.

24 AusAID, Annual Report 2009–2010, p. 2.

We gave priority to generating employment and restoring growth, supporting delivery of basic services, such as health care and education, and protecting the vulnerable.

Against this backdrop the Australian Government provided an estimated \$3.818 billion in official development assistance (ODA) in 2009–2010, and the Minister for Foreign Affairs, Mr Smith, reaffirmed the government's commitment to increase ODA to 0.5 per cent of gross national income by 2015–2016 to address poverty in the Asia Pacific region and globally.²⁵

2.35 The committee notes that this is in keeping with the objectives of the *AusAID 2010 Director General's blueprint 2007*:

...AusAID's overseas presence, which is primarily in the Asia Pacific region, has grown to meet the increased need for effective management and implementation of our expanding development program. Best practice networks for staff working on similar development topics in different program areas, known as thematic networks, and the Office of Development Effectiveness exist to enhance AusAID's analytical capacity and the quality and performance of its programs. These are further supported by a responsive and connected management framework which incorporates stronger business systems and processes and controls.²⁶

ANAO performance audit

2.36 In its report on annual reports last year, the committee drew attention to the ANAO's audit report on AusAID's management of Australia's aid program. It identified program running costs as an important area of the aid program's funding that 'is not yet transparent'. The audit suggested that over the last decade AusAID has 'increasingly funded staff and other administration costs using the administered appropriation, on the basis of their proximity to aid'. This practice was based on AusAID's interpretation of government guidelines. The audit found that:

AusAID's approach to classifying expenses is not in line with conventional practices, and the extent of use of aid funds in this matter is not transparent. It is, therefore, difficult for external stakeholders to hold AusAID to account on the costs that it controls.²⁷

2.37 It concluded:

25 AusAID, Annual Report 2009–2010, p. 2.

26 AusAID, Annual Report 2009–2010, p. 10.

27 Australian National Audit Office, *AusAID's Management of the Expanding Australian Aid Program, The Australian Agency for International Development (AusAID)*, The Auditor-General, Audit Report No. 15, 2009–2010, Performance Audit, p. 22.

Clarifying the classification of AusAID's expenses would improve transparency and accountability of aid program expenditure, in a way that maintains the integrity of the budget system.²⁸

2.38 To improve transparency and accountability for aid program expenditure, the ANAO recommended that AusAID:

- obtain clarification from the Department of Finance and Deregulation on its use of administered expenses for departmental purposes; and
- if the current approach to classifying administered expenses is to be continued, disclose, in its annual report, details of the program, role and cost of Australian Public service and locally engaged staff funded from the administered appropriation, as well as travel, accommodation, information technology and other administration costs paid from this source.²⁹

2.39 AusAID agreed with this recommendation and the Department of Finance and Deregulation supported it. In this regard, the committee looks forward to a change in practice consistent with the ANAO's recommendation.

Areas of audit focus

2.40 The ANAO's audit approach identified the following areas that were significant in terms of their potential impact on the 2009–2010 financial statements:

- valuation, accounting and reporting disclosures associated with Australia Indonesia Partnership for Reconstruction and Development (AIPRD) loan agreements;
- accounting, reporting and disclosures relating to international payments and subscriptions, primarily International Development Association/Asian Development Fund (IDA/ADF), and multi-lateral liabilities and grant funding;
- appropriation accounting and disclosures;
- administered and departmental classification of items;
- IT general and application controls as they relate to the financial statements; and
- financial statement preparation processes.³⁰

28 Australian National Audit Office, *AusAID's Management of the Expanding Australian Aid Program, The Australian Agency for International Development (AusAID)*, The Auditor-General, Audit Report No. 15, 2009–2010, Performance Audit, p. 22.

29 Australian National Audit Office, *AusAID's Management of the Expanding Australian Aid Program, The Australian Agency for International Development (AusAID)*, The Auditor-General, Audit Report No. 15, 2009–2010, Performance Audit, p. 24.

30 Australian National Audit Office, *Audit of the financial statements of Australian Government Entities for the period ended 30 June 2010*, Audit Report no 22, 2010–2011, pp. 167–168.

2.41 The committee notes that audit coverage of these matters was finalised during the 2009–2010 final audit. The ANAO concluded the matter by stating that there were no significant or moderate audit issues identified during the 2009–2010 audit.³¹

2.42 The committee finds that AusAID's annual report provides a comprehensive coverage of the organisation's activities during 2009–2010. As usual the committee considers it to be generally of high quality; it is informative and well produced. The committee concludes that this report complies with all reporting requirements for non-statutory authorities.

Australian Trade Commission

2.43 The Australian Trade Commission Annual Report 2009–2010 was tabled in the Senate on 16 November 2010.

2.44 The Australian Trade Commission (Austrade) is a statutory authority established by the *Australian Trade Commission Act 1985* and is responsible to the Minister for Trade and the Australian Government. On 1 July 2006, following amendments to the *Australian Trade Commission Act 1985* and the *Export Market Development Grants Act 1997*, Austrade became an agency under the *Financial Management and Accountability Act 1997* and the *Public Service Act 1999* and is managed by a Chief Executive Officer.³²

2.45 The annual report states that 'Austrade is the Australian Government's trade and investment development agency helping businesses of all sizes across all sectors to success in international trade and investment'.³³

2.46 The Chief Executive Officer, Mr Peter Grey, in his first 'year in review', noted that a 12.2 per cent contraction in the volume of global trade in 2009 has provided a challenging backdrop for Australian exporters.

Foreign direct investment (FDI) flows have been impacted to an even greater extent during this period, with the United Nations Conference on Trade and Development (UNCTAD) reporting a 37 per cent decline in global FDI inflows in 2009.

Australian exports have nevertheless shown notable resilience, with the Treasury reporting that export growth for Australia in 2009 was among the highest in the world.³⁴

31 Australian National Audit Office, *Audit of the financial statements of Australian Government Entities for the period ended 30 June 2010*, Audit Report no 22, 2010–2011, p. 168.

32 Australian Trade Commission, Annual Report 2006–2007, p. 6; and Australian Trade Commission, Annual Report 2009–2010, p. 5.

33 Australian Trade Commission, Annual Report 2009–2010, p. 5.

34 Australian Trade Commission, Annual Report 2009–2010, p. 2.

2.47 The committee notes that Austrade's operating environment is expected to remain dynamic and complex and will continue to be impacted by changes in the global economy. Mr Grey stated:

However, according to the Treasury, Australian export volumes are forecast to increase by approximately 5 per cent and the terms of trade are forecast to grow by more than 14 per cent in 2010-2011 to their highest level in 60 years.³⁵

2.48 The committee notes that during the course of the year, Austrade took responsibility for a number of significant new projects:

- The Government's Brand Australia program, with the launch of Australia Unlimited in Australia and internationally;
- Preparing for the 1 July 2010 transfer of responsibility for the international marketing of education to Austrade from the Department of Education, Employment and Workplace Relations;
- Extending Austrade's network in India to support the Government's commitment to enhance Australia's relationship with India; and
- Working with the Department of Foreign Affairs and Trade (DFAT) to promote two-way trade and investment, and strengthen institutional and people-to-people links through the Shanghai World Expo.³⁶

2.49 In addition, with the conclusion of the ASEAN-Australia-New Zealand Free Trade Agreement, Austrade has worked closely with DFAT and other parties to help Australian businesses leverage opportunities made possible through the agreement.³⁷

2.50 The committee finds that Austrade's annual report provides a comprehensive coverage of the organisation's activities during 2009–2010. The committee concludes that this report complies with all reporting requirements for statutory authorities.

Other reports

2.51 Other Foreign Affairs and Trade portfolio authorities and/or agencies which had their annual reports examined by the committee but were otherwise not commented upon in this edition, include:

Australian Centre for International Agricultural Research
Australian Safeguards and Non-Proliferation Office
Export Finance and Insurance Corporation.

35 Australian Trade Commission, Annual Report 2009–2010, p. 3.

36 Australian Trade Commission, Annual Report 2009–2010, p. 2

37 Australian Trade Commission, Annual Report 2009–2010, p. 2.

2.52 The committee considers that all the annual reports of the abovementioned organisations fully met their respective reporting requirements.



Senator Mark Bishop

Chair

Appendix 1

Annual reports referred to the committee

Defence portfolio

Departments

Department of Defence

Department of Veterans' Affairs, Repatriation Commission and the National Treatment Monitoring Committee (NATMOC)

Statutory authorities

Army and Air Force Canteen Service Board of Management

Australian Military Court

Australian Military Forces Relief Trust Fund

Australian Strategic Policy Institute Limited

Australian War Memorial

Commonwealth Ombudsman and Defence Force Ombudsman

Defence Force Remuneration Tribunal

Defence Force Retirement and Death Benefits Authority

Defence Housing Authority

Defence Materiel Organisation

Director of Military Prosecutions

Judge Advocate General

Inspector-General of Intelligence and Security, Office of the *(not tabled)*

Military Superannuation and Benefits Board of Trustees No 1

Repatriation Medical Authority

Royal Australian Air Force Veterans' Residences Trust Fund

Royal Australian Navy Central Canteens Fund

Royal Australian Navy Relief Trust Fund

Veterans' Review Board

Non-statutory authorities and government companies

ASC Pty Ltd, formerly known as Australian Submarine Corporation Pty Limited

Foreign Affairs and Trade portfolio***Department***

Department of Foreign Affairs and Trade

Statutory authorities

Australian Centre for International Agricultural Research

Australian Safeguards and Non-Proliferation Office

Australian Trade Commission (Austrade)

Export Finance and Insurance Corporation

Non-statutory authorities and government companies

Australian Agency for International Development (AusAID)

Appendix 2

Compliance table of the annual reports referred to the committee for scrutiny for the period 2009–2010

<i>Scrutiny of reports tabled by 31 October 2010</i>				
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
<i>Departments</i>				
Defence [Vol 1]	<i>Public Service Act 1999</i> , s63 (1). To be tabled by 31 October.	19 Nov 10	@ 10 Nov 10 % 10 Nov 10	# 24 Nov 10 ^ 24 Nov 10
Defence Materiel Organisation [Vol 2]	Prescribed agency ¹ under the <i>Financial Management and Accountability Act 1997</i> , and the <i>Public Service Act 1999</i> , s63 (1). To be tabled by 31 October.	19 Nov 10		# 24 Nov 10 ^ 24 Nov 10
Foreign Affairs and Trade [Vol 1]	<i>Public Service Act 1999</i> , s63 (1). To be tabled by 31 October.	23 Sep 10	@ 14 Sep 10 % 14 Sep 10	# 27 Oct 10 ^ 27 Oct 10

1 A prescribed agency is an agency established by regulation under the *Financial Management and Accountability Act 1997*. It provides financial management authority to, and required accountability by, the Chief Executive of an agency. An agency can be prescribed but not be an independent entity under the *Public Service Act 1999*. This is the case for the DMO, which is prescribed and so independent under the FMA Act but is part of the Department of Defence for the purposes of the *Public Service Act 1999*, Defence Materiel Organisation Annual Report, 2005–2006, p. 186.

Scrutiny of reports tabled by 31 October 2010

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
Departments				
Veterans' Affairs	<i>Public Service Act 1999</i> , s63 (1) and (2); <i>Financial Management and Accountability Act 1997</i> , s45 and s57(7); <i>Defence Service Homes Act 1918</i> , s50B; <i>War Graves Act 1980</i> , s13(1)	13 Oct 10	@ 15 Oct 10 % 15 Oct 10	^ 28 Oct 10 # 16 Nov 10 ^ 18 Nov 10 A reprint was tabled on #23 Nov 10
Incorporating the reports of ...				
Repatriation Commission and	<i>Veterans' Entitlement Act 1986</i> , s215	14 Oct 10		
The National Treatment Monitoring Committee (NATMOC)	<i>Veterans' Entitlement Act 1986</i> , s90A [Both reports to be tabled by 31 October.]			

Scrutiny of reports tabled by 31 October 2010

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—statutory authorities				
Army and Air Force Canteen Service, trading as <i>Frontline Defence Services</i>	Established by regulations under the <i>Defence Force Act 1903</i> ; and, <i>Commonwealth Authorities and Companies Act 1997</i> , s9. Minister to table within 15 days of receiving report (by 31 Oct).	15 Sep 10	@ 19 Oct 10 % 19 Oct 10	# 26 Oct 10 ^ 26 Oct 10
Australian Military Forces Relief Trust Fund	<i>Services Trust Funds Act 1947</i> ; and, <i>Commonwealth Authorities and Companies Act 1997</i> , s9. Minister to table within 15 days of receiving report (by 31 Oct).	Report of operations dated 14 Sep 10	@ 28 Oct 10 % 28 Oct 10	# 16 Nov 10 ^ 16 Nov 10
Australian Strategic Policy Institute Limited	<i>Commonwealth Authorities and Companies Act 1997</i> , s36. Minister to table within 15 days of receiving report (by 31 Oct).	07 Oct 10	@ 19 Oct 10 % 19 Oct 10	^ 28 Oct 10 # 16 Nov 10
Australian War Memorial	<i>Commonwealth Authorities and Companies Act 1997</i> , s9. Minister to table within 15 days of receiving report (by 31 Oct).	11 Aug 10		# 26 Oct 10

<i>Scrutiny of reports tabled by 31 October 2010</i>				
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 Force Remuneration Tribunal		14 Oct 10	@ 14 Oct 10 % 14 Oct 10	^ 28 Oct 10 # 16 Nov 10
Defence Force Retirement and Death Benefits Authority	<i>Defence Force Retirement and Death Benefits Act 1973, s16(2). To be tabled by minister as soon as practicable (by 31 Oct).</i>	21 Sep 10	@ 28 Sep 10 % 28 Sep 10	# 26 Oct 10 ^ 26 Oct 10
Defence Housing Australia	<i>Defence Housing Authority Act 1987; and, the Commonwealth Authorities and Companies Act 1997, s9. Minister to table within 15 days of receiving report (by 31 Oct).</i>	15 Oct 10	@ 15 Oct 10 % 15 Oct 10	^ 28 Oct 10 # 16 Nov 10
Judge Advocate General	<i>Defence Force Discipline Act 1982, section 196A(1). As soon as practicable after 31 December each year. JAG reports for the period 1 January to 31 December each year.</i>	Report for 2009 10 May 10		# 29 Sep 10
Military Superannuation and Benefits Board of Trustees	<i>Military Superannuation and Benefits Act 1991, s26(3). Minister to table 15 days after receiving report (by 31 Oct).</i>	Letter of transmission not dated	@ 13 Oct 10 % 13 Oct 10	# 26 Oct 10 ^ 26 Oct 10
Repatriation Medical Authority (RMA)	<i>Veterans' Entitlement Act 1986, s196B To be tabled by 31 October.</i>	17 Sep 10	@ 21 Sep 10 % 23 Sep 10	* 14 Oct 10 # 25 Oct 10

Scrutiny of reports tabled by 31 October 2010

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
Royal Australian Air Force Veterans' Residences Trust Fund	<i>Services Trust Funds Act 1947</i> ; and, <i>Commonwealth Authorities and Companies Act 1997</i> , s9. Minister to table within 15 days of receiving report (by 31 Oct).		@ 18 Nov 10 % 18 Nov 10	^ 25 Nov 10 # 09 Feb11
Royal Australian Air Force Welfare Trust Fund	<i>Services Trust Funds Act 1947</i> ; and, <i>Commonwealth Authorities and Companies Act 1997</i> , s9. Minister to table within 15 days of receiving report (by 31 Oct).	Report of operations dated 27 Aug 10	@ 28 Oct 10 % 28 Oct 10	# 16 Nov 10 ^ 16 Nov 10
Royal Australian Navy Central Canteens Fund	Navy (Canteens) Regulations 1954 under the <i>Defence Act 1910</i> . <i>Commonwealth Authorities and Companies Act 1997</i> .	Report of operations dated 23 Sep 10	@ 18 Oct 10 % 18 Oct 10	^ 28 Oct 10 # 16 Nov 10
Royal Australian Navy Relief Trust Fund	<i>Services Trust Funds Act 1947</i> ; and, <i>Commonwealth Authorities and Companies Act 1997</i> , s9. Minister to table within 15 days of receiving report (by 31 Oct).	Report of operations dated 23 Sep 10	@ 28 Oct 10 % 28 Oct 10	# 16 Nov 10 ^ 16 Nov 10
Veterans' Review Board	<i>Veterans' Entitlement Act 1986</i> , subsection 215(4). To be tabled by 31 October.	01 Oct 10	@ 18 Oct 10 % 19 Oct 10	# 27 Oct 10 ^ 27 Oct 10

Scrutiny of reports tabled by 31 October 2010

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 & Trade—statutory authorities				
Australian Centre for International Agriculture Research (ACIAR)	<i>Australian Centre for International Agriculture Research Act 1982</i> , s39. To be tabled by 31 October.	October 2010	@ 05 Oct 10 % 05 Oct 10	^ 28 Oct 10 # 16 Nov 10
Australian Safeguards and Non-Proliferation Office	<i>Nuclear Non-Proliferation (Safeguards) Act 1987</i> , s51; <i>Chemical Weapons (Prohibition) Act 1994</i> , s96; <i>Comprehensive Nuclear-Test-Ban Treaty Act 1998</i> , s71. To be tabled by 31 October.	28 Oct 10	@ 22 Oct 10 % 22 Oct 10	# 27 Oct 10 ^ 27 Oct 10
Australian Trade Commission (Austrade)	<i>Australian Trade Commission Act 1985</i> , s92; the <i>Financial Management and Accountability Act 1997</i> , and the <i>Public Service Act 1999</i> . To be tabled by 31 October.	18 Sep 10	@ 15 Sep 10 % 15 Sep 10	^ 28 Oct 10 # 16 Nov 10
Export Finance and Insurance Corporation (EFIC)	<i>Commonwealth Authorities and Companies Act 1997</i> , s9. Minister to table within 15 days of receiving report (by 31 Oct).	No letter of transmittal. Summary and statement by the Board dated 20 Aug 10	@ 07 Oct 10 % 08 Oct 10	# 26 Oct 10 ^ 26 Oct 10

Scrutiny of reports tabled by 31 October 2010

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
<i>Defence and FA&T—Non-statutory authorities and government companies</i>				
ASC Pty Ltd	ASC Pty Ltd is a proprietary company limited by shares registered under the Corporations Act and is subject to the <i>Commonwealth Authorities and Companies Act 1997</i> .	15 Sep 10		# 23 Nov 10
Australian Agency for International Development (AusAID) [FA&T Vol 2]	<i>Public Service Act 1999</i> , s63. To be tabled by 31 October.	23 Sep 10	@ 14 Sep 10 % 14 Sep 10	# 27 Oct 10 ^ 27 Oct 10

Appendix 3

Reporting requirements and guidelines

Departmental reports¹

Authority for requirements

These annual report requirements are prepared pursuant to subsections 63(2) and 70(2) of the *Public Service Act 1999* and were approved by the Joint Committee of Public Accounts and Audit on 23 June 2010.

Commencement and reporting period

The requirements apply for annual reports for financial years ending on or after 30 June 2010.

Application

- (1) The requirements apply to annual reports for departments of state pursuant to subsection 63(2) and for executive agencies pursuant to subsection 70(2) of the *Public Service Act 1999*. As a matter of policy, they also apply to prescribed agencies under section 5 of the *Financial Management and Accountability Act 1997* (FMA Act).

In respect of Commonwealth authorities and companies, section 9 of the *Commonwealth Authorities and Companies Act 1997* (CAC Act) provides that the directors of Commonwealth authorities must prepare an annual report for the responsible Minister who must, in turn, table the annual report in both houses of the Parliament 'as soon as practicable'. Part 1 of Schedule 1 to the CAC Act details content that must be included in annual reports. Under section 36 of the CAC Act, the content of annual reports for Commonwealth companies is based on reporting requirements under the *Corporations Act 2001*.

- (2) In most cases the term 'department' is used in these requirements to refer to all departments and agencies that will be preparing annual reports under these requirements. Similarly, 'secretary' is used to refer to a departmental secretary or to an agency head of one of those other bodies.
- (3) In the case of an agency (including an executive agency established under section 61 of the *Public Service Act 1999*) that is neither prescribed under

1 Excerpt from the *Requirements for annual reports for departments, executive agencies and FMA Act bodies*, Department of Prime Minister and Cabinet, 23 June 2010, pp. 1 and 2.

the FMA Act nor comes with the *Commonwealth Authorities and Companies Act 1997* (CAC Act), these requirements may be used to the extent that they are consistent with any reporting requirements contained in the agency's own legislation (if any).

- (4) In cases of machinery of government change during the reporting period, where functions or offices are gained or lost, the established practice is that the gaining department must report on that function or office for the entirety of the reporting period, whether or not the losing department continues to exist. However, in relation to financial statements, the general rule is that each Chief Executive who had responsibility for a function must sign off on financial statements relating to the period of their individual responsibility and include them in their own annual reports. If, for any reason, the losing department does not produce an annual report that covers the period it had the function, the financial statements from the earlier period must be published in the gaining department's annual report.

Timetable

A copy of the annual report is to be laid before each House of the Parliament on or before 31 October in the year in which the report is given.

The provisions of subsections 34C(4)–(7) of the *Acts Interpretation Act 1901* apply in relation to an application for extension of the period.

Where an agency's own legislation provides a timeframe for its annual report, for example 'within six months' or 'as soon as practicable after 30 June in each year', that timeframe applies. An extension under the Acts Interpretation Act would need to be sought only should a specified timeframe not be met.

However, it remains the Government's policy that all annual reports should be tabled by 31 October.

Commonwealth authorities and companies

The *Commonwealth Authorities and Companies Act 1997* (the CAC Act) contains detailed rules about reporting and accountability for commonwealth authorities and commonwealth companies. Commonwealth companies also must meet other reporting requirements as set out in Corporations Law.

The *Commonwealth Authorities and Companies (Report of Operations) Orders 2002*, made under section 48 of the CAC Act, enables organisations to comply with the specific requirements for tabling reports.

The notes from the *Commonwealth Authorities and Companies (Report of Operations) Orders 2002* are set out below.

- **Basis for annual report:** Section 9 of the *CAC Act* requires directors of a Commonwealth authority to prepare an annual report in accordance with Schedule 1 of the *CAC Act*.
- **Report of operations requirement:** The annual report must include a report of operations prepared by the directors in accordance with Finance Minister's Orders (clause 1 of Schedule 1 of the *CAC Act*).
- **Financial statements requirement:** The annual report must include financial statements prepared by the directors (clause 2 of Schedule 1 of the *CAC Act*) and the Auditor-General's report on those financial statements.
- **Tabling requirements:** Section 9 of the *CAC Act* provides that the directors must give the annual report to the responsible Minister by the 15th day of the 4th month after the end of the Commonwealth authority's financial year. Where a Commonwealth authority's financial year ends on 30 June, this means that the annual report must be given to the responsible Minister by 15 October. The responsible Minister must in turn table the annual report in both Houses of the Parliament 'as as soon as practicable'. Under subsection 34C(3) of the *Acts Interpretation Act 1901*, this means within 15 sitting days.

Non-statutory bodies

The annual report of a non-statutory body shall contain the following information (after Senate *Hansard*, 8 December 1987, pp. 2643–2645):

- The annual report shall show the date of establishment of each new non-statutory body (NSB) and, in relation to each existing NSB, information regarding the date of its establishment in as much detail as is available.
- The annual report shall contain a statement of each NSB's objectives and functions.
- The annual report shall contain an account of each NSB's significant activities during the year.
- The annual report shall contain an indication that the creation or continued existence of each NSB, its functions and its organisation have received Ministerial approval.
- The annual report shall show the date in which each NSB will cease to exist or before which it will be reviewed (whichever is the earlier).
- In the case of any NSB whose continued existence, functions and organisation have been reviewed and whose continued existence has been approved by the Minister, the annual report shall show a summary of the outcome of the review.
- The annual report will contain a list of any positions provided for ex-officio government members on each NSB and of any positions provided for representatives nominated by particular non-government organisations.

- The annual report shall show the maximum term of appointment of each on an NSB.
- Except in cases where there may be little or no continuity of membership from one meeting to the next, the annual report will show the names of individual members of each NSB, and their terms of appointment.
- The report will show the manner in which the level of remuneration paid (if any) to members of each NSB is determined.
- The report will show the manner in which each NSB is funded.
- The report will show a summary of any other financial arrangements such as the kinds of expenditure that can be made from the funds provided, and the nature of secretariat services provided and the way in which these are funded.
- In respect of each NSB, the annual report shall indicate whether one of its functions is to distribute funds to other organisations or individuals.
- AN NSB with its own accounting system shall provide an audited financial statement.
- When an NSB operates through its parent body accounts, the NSB shall provide an account of receipts and expenditure on a program basis. It will also show:
 - the NSB's work reflected in the parent body's published program structure,
 - performance related to objectives and measured in terms of stated criteria, in accordance with standard program budgeting techniques, and
 - the amounts of any grants made by each NSB.