

Chapter 2

Review of selected reports

2.1 The committee has selected the annual reports of the following bodies and statutory office holders for closer examination:

- Department of Defence;
- Repatriation Commission, Military Rehabilitation and Compensation Commission and Department of Veterans' Affairs;
- Department of Foreign Affairs and Trade;
- Australian Centre for International Agricultural Research;
- Director of Military Prosecutions;
- Export Finance and Insurance Corporation; and
- Repatriation Medical Authority.

Department of Defence

Reviews by the Secretary and Chief of the Defence Force

2.2 The Acting Secretary of the Department of Defence (Defence), Mr Brendan Sargeant,¹ provided an overview of the department's achievements in 2016-17. He noted the delivery of the two-year integrated Defence White Paper implementation strategy and identified a number of initiatives outlined in the White Paper, including the launch of the Centre for Defence Industry Capability and the Defence Innovation Hub, and the commencement of the implementation of the Next Generation Technologies Fund.²

2.3 Mr Sargeant also noted a number of reform initiatives flowing from the First Principles Review implementation including:

- the successful embedding of the Smart Buyer process into business-as-usual processes for Defence procurement projects that need second pass approval to proceed;
- substantial progress in delivering the Integrated Investment Program;
- establishment of the Contestability Division to strengthen policy development and risk management associated with major capability and investment decisions;
- development of the Defence Estate Strategy 2016–2036 which was released in May 2017 to provide the framework to achieve a strategically aligned,

1 Mr Greg Moriarty commenced as Secretary of the Department of Defence on 4 September 2017.

2 *Department of Defence Annual Report 2016-17*, p. 2.

affordable, safe and sustainable estate that enables Defence capability and operations;

- launch of the Defence Service Delivery Framework in February 2017 providing a roadmap to simplify customer access channels, integrate service delivery and improve the customer experience;
- preparation of the Defence ICT Strategic Direction 2016–2020 reflecting the need to manage the increased demands on ICT across Defence, the growing focus on information as a resource, the evolving technology landscape and changes in the way ICT services are delivered.³

2.4 Mr Sargeant recognised the contributions of retiring Secretary, Mr Dennis Richardson,⁴ and thanked him for his five decades of committed public service, noting his contribution in steering Defence through a time of major change and positioning the organisation to take on future challenges.⁵

2.5 The Chief of the Defence Force, Air Marshal Mark Binskin AC, summarised the range of operations abroad and within Australia in which members of the Australian Defence Force (ADF) have participated during the year under review. Areas of particular note included Operation Okra and the 'outstanding contribution' of successive rotations in the fight against Daesh:

The combined Australian-New Zealand Task Group Taji trained around 17,500 Iraqi personnel, while our advise and assist mission and the Air Task Group enabled Iraqi ground forces to destroy Daesh's combat capability and recapture the cities of Fallujah and Mosul.⁶

2.6 He also observed that Australia remains one of the largest non-NATO contributors in Afghanistan, noting the work of the ADF trainers and advisers at the Afghan National Army Office Academy with a focus on developing high-quality leaders.

2.7 Air Marshal Binskin also advised that one of the most significant operations undertaken over the previous year was the response to the damage caused in Queensland by severe Tropical cyclone Debbie. It was noted that the ADF pre-positioned key assets which enabled the provision of immediate assistance to local communities. The ADF's response to support local and state authorities with recovery, known as Joint Task Force 661, deployed air, maritime and land forces along with 1600 ADF personnel under Operation Queensland Assist 2017.⁷

2.8 Finally, Air Marshal Binskin commended the members of the ADF for their service during the year:

3 *Department of Defence Annual Report 2016-17*, pp. 2-3.

4 Mr Richardson retired as Secretary of the Department of Defence on 12 May 2017.

5 *Department of Defence Annual Report 2016-17*, p. 4.

6 *Department of Defence Annual Report 2016-17*, p. 5.

7 *Department of Defence Annual Report 2016-17*, p. 5.

Regardless of the activity or mission, our people have done an excellent job, doing exactly what Government has asked us to do. I remain proud of our people; whether in combat or supporting Australian communities in need of assistance, the Australian Defence Force continues to demonstrate the highest levels of dedication, expertise, and compassion.⁸

Annual Performance Statement

2.9 The Defence 2016-17 Corporate Plan has streamlined the number of the department's purposes from 10 to three,⁹ setting out strategic objectives Defence intends to pursue over the reporting period. The department's purposes for 2016-17 were:

- provide advice to Government;
- deliver and sustain Defence capability and conduct operations; and
- develop the future capability Defence needs to conduct operations.

2.10 The Corporate Plan also maps the programs from the Defence Portfolio Budget Statement (PBS) 2016-17 which contribute to Defence's purposes.

2.11 The department's annual performance is arranged around the Corporate Plan's three purposes and sets out the department's performance in achieving these. The statement is comprehensive and presents results against all of the department's performance criteria in relation to the purposes as set out in the 2016-17 Corporate Plan and outcomes and programs from Defence's PBS and Portfolio Additional Estimates Statement for 2016-17. Results are presented in a tabular format and the reader is aided with the inclusion of the appropriate page references for each performance measure from the relevant source document. The results column indicates whether the measure was achieved and is accompanied by a brief explanation.

2.12 While the performance statement provides a good account of the department's extent to which it is meeting its purposes, the inclusion of more specific quantitative targets for some measures, where possible, would enhance the quality of the performance information. For example, the performance criteria of 'ICT services meet requirements' has a target of 'Satisfaction with the service delivery system increases over time',¹⁰ and reported a result of 'partially achieved', indicating that:

Increased satisfaction with service delivery was evidenced in customer satisfaction surveys, primarily due to improvement in system response times, ease of accessing services and support, and the improvement in confidence with information and communications technology support to the Integrated Investment Program.

8 *Department of Defence Annual Report 2016-17*, p. 6.

9 It is noted that the 2017-18 Plan further streamlines Defence's purposes to two purposes which broadly correspond to the 2017-18 Outcome structure set out in the 2017-18 PBS.

10 *Department of Defence Annual Report 2016-17*, p. 37.

The implementation of the Infrastructure Transformation Program is expected to improve service delivery satisfaction in 2017–18 through improvements to terrestrial communication upgrades, improvements to centralised processing and improvements to end-user computing.¹¹

2.13 The inclusion of a more specific target, including the level of satisfaction to indicate the achievement of this measure; and quantitative data to indicate the actual level of customer satisfaction achieved, would improve the quality of the information and provide a stronger basis to compare performance over time. The result indicates that there was positive progress of 'increased satisfaction', but the size of the increase and the starting point this increase was measured against is not indicated.

2.14 Similarly, the performance criteria 'achievement of ADF recruitment targets' had a target of 'meet recruitment targets as specified by the Services' and reported a result of being partially achieved, advising that:

ADF permanent full-time recruitment performance, across all avenues of entry, improved from 92 per cent in 2015–16 to 97.4 per cent achievement in 2016–17. Recruitment targets for part-time (Reserves) increased from 74.1 per cent in 2015–16 to 80.4 per cent achievement in 2016–17.¹²

2.15 While an overall commendable result was reported, this performance measure does not include a breakdown of what the actual targets were across the Services and categories of entry, and the figures for the results attained, only that there was an increase for all avenues of entry from the previous year. It is noted that more detailed performance information, including the targets and actual results across different categories of service were included in last year's annual report.¹³

2.16 The committee recognises that, in preparing performance statements, departments need to balance the level of appropriate detail to be presented to form a clear and concise performance story, against the resources required to maintain and extract that performance information. However, where more detail can be included, without the requirement for excessive resources to capture that information, this would be welcomed.

2.17 A performance snapshot which presents a summary of performance results against Defence's purposes for 2016-17 at the beginning of this section is a useful inclusion. For the 61 performance criteria across the department's three purposes, 50 were achieved and 11 were partially achieved. For each purpose, the report included a one page discussion analysing performance against that purpose.¹⁴

2.18 Defence is commended for its clear presentation and structure of the annual performance statement.

11 *Department of Defence Annual Report 2016-17*, p. 37.

12 *Department of Defence Annual Report 2016-17*, p. 38.

13 *Department of Defence Annual Report 2015-16, Volume One*, p. 50.

14 *Department of Defence Annual Report 2016-17*, p. 24.

Financial performance

2.19 The report's summary of financial performance advises that departmental net cash spend at 30 June 2017 was \$31.9 billion, and there was an underspend of \$30.5 million, compared to the revised estimate in the Defence PBS 2017-18.¹⁵ The Financial performance report includes tables representing expenses by outcomes and cost of operations.

2.20 The Australian National Audit Office (ANAO) audit statement on the Defence financial statements determined those matters that were most significant in the audit of the financial statements for the period and identified four key audit matters regarding:

- existence, completeness and valuation of specialist military equipment;
- completeness and valuation of general intangible assets;
- accuracy and completeness of inventories; and
- valuation of employee provisions.

2.21 The auditor's report includes a description each matter and how it was addressed in the audit.¹⁶

Summary

2.22 The Defence annual report provides a good account of the department's performance, management and accountability arrangements and financial position for the year under review and meets the annual reporting requirements for a non-corporate Commonwealth entity under the PGPA Rule. The consolidation of the required elements into one report for the 2016-17 year is a more convenient approach, rather than separating the financial statements in a separate volume as was done in the previous year.

2.23 The inclusion of the web links to supplementary online material at Appendix B was a useful addition in this year's report. The appendix makes available online a wide range of reports and information on acquisitions, sustainment, and facilities and infrastructure for 2016-17. When material is made available in this way, the committee notes the importance of maintaining the web links to ensure future availability of this material.

Repatriation Commission, Military Rehabilitation and Compensation Commission and Department of Veterans' Affairs

2.24 The 2016-17 annual reports of the Repatriation Commission, Military Rehabilitation and Compensation Commission (MRCC) and Department of Veterans' Affairs (DVA) are combined into a single volume. The Secretary of DVA, Mr Simon Lewis PSM, also holds the positions of President of the Repatriation Commission and Chair of the MRCC.

15 *Department of Defence Annual Report 2016-17*, p. 50.

16 *Department of Defence Annual Report 2016-17*, pp. 146-148.

2.25 The annual report provides an overview, including reports by the Secretary and Chief Operating Officer, followed by brief annual reports for the two commissions describing their functions and powers, structure, membership, relationship with DVA, and key results for 2016-17. The DVA annual report follows the structure for non-corporate Commonwealth entities under the PGPA Rule.

2.26 The Secretary's comprehensive review highlighted not only the positive outcomes for the year under review but areas of challenge which the organisation was addressing. Mr Lewis noted that in 2016-17 DVA began implementation of Veteran Centric Reform (VCR), a significant program of reform which will include modernising outdated ICT systems and redesigning business processes to better support the needs of veterans and their families. The Chief Operating Officer, Ms Liz Cosson, noted in her report that funding of \$166.6 million was provided in the 2017-18 Budget towards the first year of the VCR program.¹⁷

2.27 Mr Lewis outlined some of the results from the 2016 Client Satisfaction Survey which indicated that 73 per cent of clients agree that DVA is client focussed; 83 per cent agree that DVA is honest and ethical in its interactions; and 60 per cent of claimants rating the time taken for DVA to process their claim or application as having met or exceeding their expectations.¹⁸ In the results for the satisfaction with the interactions with DVA during the previous 12 months, there was significant difference between the older and younger cohort, with those clients over 65 years much more satisfied (92 per cent), than those under the age of 45 (49 per cent). The Secretary advised that:

DVA needs to continue adapting and working to address the specific needs and concerns of members of the less satisfied younger cohort, especially during their transition from the Australian Defence Force...to civilian life.¹⁹

2.28 The Secretary also outlined some impressive results on the improvement to the processing times for rehabilitation and compensation claims which had been a key priority for the organisation. The launch of the Improving Processing Systems Program in July 2016 to redesign and rebuild the rehabilitation and compensation processing systems delivered two major releases in 2016-17 with positive results:

We have already seen processing times for the delivery of non-liability health care reduced from around 20 days to a few days and we expect to achieve further improvements to both claims processing times and the consistency of decision-making through the remaining releases.²⁰

2.29 A joint project which DVA undertook with the Department of Human Services to develop MyService, an online tool streamlining the application process for eligible clients. Mr Lewis advised of the positive result:

17 *Department of Veterans' Affairs Annual Report 2016-17*, pp. 2 and 6.

18 *Department of Veterans' Affairs Annual Report 2016-17*, p. 2.

19 *Department of Veterans' Affairs Annual Report 2016-17*, p. 2.

20 *Department of Veterans' Affairs Annual Report 2016-17*, p. 3.

Through MyService, the initial liability processing time for some claims has reduced from the key performance indicator of 120 days to only four days.²¹

Performance information

2.30 The first part of the performance section of the report was set out by departmental outcomes and programs, including a description of each program and the deliverables. The accompanying discussion was informative and included a range of tables and graphs with results for the current and preceding four years to provide trend information.

2.31 The second part of the performance section of the report was the Annual Performance Statements which present performance information against the department's purposes as set out in the Corporate Plan which advised:

There is a direct relationship between DVA's three outcomes, as defined in the DVA Portfolio Budget Statements 2016-17, and the Department's three purposes, as defined in the DVA Corporate Plan 2016-17.²²

2.32 At the time of reporting, a copy of the DVA Corporate Plan for 2016-17 could not be located on the department's website. However, the corporate plans relating to the previous and subsequent years were both available.²³

2.33 Corporate plans, together with the PBS where relevant, set out the performance measures which departments and agencies are required to report against in their annual performance statement. Therefore, continued access to earlier corporate plans, and not only the current one, is necessary to be able to review the quality and completeness of annual performance statements. The Department of Finance, which has responsibility for the Commonwealth performance framework, has noted the critical importance of having continued access to departments and agencies corporate plans on their respective websites as they form the basis of reporting outcomes in future performance statements.²⁴

2.34 The Annual Performance Statements set out performance against all the performance criteria for each departmental program as set out in the 2016-17 PBS. Results are clearly presented in tabular format and include both the results for 2016-17 and 2015-16 for comparative purposes.

2.35 The performance criteria include a combination of quantitative and qualitative measures, and included targets. The accompanying discussion highlights notable results and addresses performance criteria which did not achieve their respective

21 *Department of Veterans' Affairs Annual Report 2016-17*, p. 3.

22 *Department of Veterans' Affairs Annual Report 2016-17*, p. 107

23 See <https://www.dva.gov.au/about-dva/publications/corporate/corporate-plans> (accessed 6 February 2018).

24 Department of Finance, *Public Management Reform Agenda*, Newsletter 39, dated 22 September 2016, p. 1.

target. The results tables for each program include footnotes with page references to the relevant PBS and Corporate Plan to aid in navigation between the documents.

2.36 Of the 101 individual performance criteria listed across the three outcomes/purposes and the department's enabling services, 27 were identified as not being achieved in 2016-17.

2.37 The performance information is clear and easy to navigate, and the department is commended for its clear presentation.

Financial performance

2.38 The overview of financial performance for 2016-17 reported a consolidated operating surplus (excluding depreciation) of \$1.71 million, against the estimated actual of \$1.29 million reported in the 2016-17 PBS.²⁵ This compares to a consolidated operating surplus (excluding depreciation) of \$19 million for the 2015-16 year.²⁶

2.39 It was further noted that the Defence Service Homes Insurance Scheme (DSHIS), which operates as a separate entity, but is reported as part of DVA, returned an operating loss of \$0.71 million (excluding depreciation) in 2016-17.²⁷

2.40 This section of the report also included a helpful table which presented financial performance and financial position for DVA and DSHIS across the financial years 2014-15 to 2016-17 for comparative purposes.²⁸

Summary

2.41 The department is commended for its thoughtful and interesting use of photographs in the annual report depicting the veteran experience in a range of contemporary and historical images. It is a restrained but effective use of photographs which adds interest without excessive bulk to the report.

2.42 DVA's report is an informative document and provides a good account of the activities and operations during the year and the department's level of achievement to meet its purposes and outcomes. The report meets the annual reporting requirements set out under the PGPA Rule for a non-corporate Commonwealth entity.

Department of Foreign Affairs and Trade

Secretary's review

2.43 The Secretary of the Department of Foreign Affairs and Trade (DFAT), Ms Frances Adamson, provided a comprehensive review of the department's priorities and achievements during 2016-17 where she described the economic, political and strategic environment as 'more complex and contested than at any time since the end

25 *Department of Veterans' Affairs Annual Report 2016-17*, p. 131.

26 *Department of Veterans' Affairs Annual Report 2015-16*, p. 107.

27 *Department of Veterans' Affairs Annual Report 2016-17*, p. 131.

28 *Department of Veterans' Affairs Annual Report 2016-17*, p. 131.

of the Second World War'.²⁹ Some of the outcomes of note which were highlighted in her review included:

- support for the Australia-New Zealand Leaders' Meeting in February 2017;
- facilitation of the conclusion of the PACER [Pacific Agreement on Closer Economic Relations] Plus Agreement negotiations;
- engagement with the new United States administration;
- celebration of the 40th anniversary of the Basic Treaty of Friendship and Cooperation with Japan;
- securing agreement to hold an Australian-based Special ASEAN Summit in 2018.
- support for free trade agreement (FTA) negotiations, including with Indonesia, Hong Kong, Peru and the Pacific Alliance; and work to ensure effective implementation of existing FTAs with Japan, the Republic of Korea and China;
- delivering an aid program which is better integrated with foreign and trade policy objectives; and advocacy with development organisations securing increased resources for Australian development priorities; and
- held the first Global Heads of Mission Meeting in March 2017 which facilitated the opportunity for engagement with the Australian community to examine ways to advance Australia's foreign, trade and development policy objectives.³⁰

2.44 Ms Adamson also noted the high levels of support the department provided to Australians travelling overseas during the year, including the issuing of a record number of passports (more than two million) and improving the average processing time by 38 per cent. It was also noted that on a typical day the department was managing 1500-1600 active consular cases.³¹

Annual Performance Statement

2.45 The Secretary noted a new 'streamlined approach' to the presentation of this year's annual performance statement. She described the new format as more effectively demonstrating the department's performance against its purpose as set out in the DFAT Corporate Plan 2016-20.³²

In 2016–17, the APS [annual performance statement] specifically addresses the department's eight corporate plan priority functions, rather than presenting activities across our many business areas. This provides a clearer line of sight between the APS, the Corporate Plan and the Portfolio Budget

29 *Department of Foreign Affairs and Trade Annual Report 2016-17*, p. 13.

30 *Department of Foreign Affairs and Trade Annual Report 2016-17*, pp. 13-16.

31 *Department of Foreign Affairs and Trade Annual Report 2016-17*, p. 15.

32 *Department of Foreign Affairs and Trade Annual Report 2016-17*, p. 13.

Statements (PBS). This streamlined approach is intended to demonstrate more effectively our performance against our purpose.³³

2.46 The committee notes that the DFAT Corporate Plan 2016-20 was located via an Internet search but a link to the document could not be located on DFAT's website. The website did have a link to the current Corporate Plan which covers the period 2017-21. Corporate plans are an important element of the Commonwealth performance framework.

2.47 The DFAT Corporate Plan 2016-20 sets out the major operational activities and performance measures for each of the priority functions. The performance measures use predominantly a combination of case studies and reviews. The report also notes the other mechanisms available which provide performance information, including feedback from ministers and the Government, internal and external audits, the performance framework for Australian aid, and a range of internal processes (including internal governance committees).³⁴

2.48 The report includes a map which cross references the outcomes and programs as set out in the 2016-17 PBS to the Corporate Plan's priority functions and includes a page reference in the annual report where the department's performance in relation to these activities is reported on. It was also noted on this page that where programs from the 2016-17 PBS were omitted from the performance statement, an explanation was provided.³⁵ This committee commends the report's clarity in aligning the information from the Corporate Plan and PBS for the purpose of reporting on performance, allowing a clearer analysis across the documents.

2.49 The annual performance statement is structured to address each of the Corporate Plan's priority functions sequentially, providing an overview and analysis, followed by results against performance criteria. Each performance criterion references the relevant page number in the source document, that is, the Corporate Plan and/or the PBS, and indicates whether it had been met.

2.50 It was noted that out of a total of 36 performance criteria across the eight priority functions, 26 were met and 10 were partially met. Where performance criteria were not fully met, in some cases a more detailed explanation of why would have been helpful. For example, the performance criterion on 'Informing and influencing media reporting in Australia' achieved a result of 'partially met'. The subsequent discussion was a case study regarding an international media visit by Indian health journalists, which appeared to be a successful initiative, but the discussion did not clearly articulate why this criterion was only partially met.³⁶

2.51 Most performance criteria used qualitative measures and given the role and purpose of DFAT, this approach is generally appropriate. However, as the Department

33 *Department of Foreign Affairs and Trade Annual Report 2016-17*, p. 16.

34 *Department of Foreign Affairs and Trade Annual Report 2016-17*, p. 16.

35 *Department of Foreign Affairs and Trade Annual Report 2016-17*, p. 20.

36 *Department of Foreign Affairs and Trade Annual Report 2016-17*, p. 80.

of Finance has noted in its guide to developing good performance information, 'as a general rule, a meaningful performance story will be supported by both quantitative and qualitative information.'³⁷ The development of more quantitative measures with targets, where appropriate, would enhance the performance framework. A recognition of this was noted for the performance criterion regarding 'The management of domestic and international media enquiries, including departmental responses' where the report noted the difficulties of assessing a qualitative measure and the undertaking to develop a quantitative element:

Assessing the quality of our responses to media enquiries is an inherently subjective exercise. However, we are confident that our responses were consistently accurate and appropriate. We did not formally measure media enquiry response times this year but have implemented a new process to measure timeliness that will allow the department to report on this requirement in 2017–18.³⁸

Financial performance

2.52 The Secretary described the department's financial performance as strong.³⁹ The report's summary of financial performance advised that the departmental operating result for 2016-17 was a surplus of \$34.5 million before depreciation and amortisation; and the financial statements reported an operating deficit of \$136.8 million, including depreciation and amortisation expenses of \$171.3 million.⁴⁰

2.53 The summary of financial performance also included revenue and expenses reported from the Statement of Comprehensive Income. Revenue was reported as \$1,534 million, an increase of \$16.5 million over the previous year, mainly attributed to the increased revenue for services provided to attached agencies at overseas posts. The departmental expenses were reported as \$1,671.6 million, representing an increase of \$24.8 million from the previous year, mainly attributed to increased depreciation and amortisation expenses, increase in grant expenses, and offset by a reduction in overall supplier expenses due to cost savings on specific suppliers.⁴¹

2.54 The independent auditor's report by the ANAO on the financial statements determined those matters that were most significant in the audit of the financial statements for the period and identified three key audit matters regarding:

- accuracy and completeness of international development assistance;
- valuation of overseas property; and
- valuation of other investments.

37 Department of Finance, *Resource Management Guide No. 131, Developing Good Performance Information*, April 2015, p. 23.

38 *Department of Foreign Affairs and Trade Annual Report 2016-17*, p. 89.

39 *Department of Foreign Affairs and Trade Annual Report 2016-17*, p. 16.

40 *Department of Foreign Affairs and Trade Annual Report 2016-17*, p. 134.

41 *Department of Foreign Affairs and Trade Annual Report 2016-17*, p. 134.

2.55 The auditor's report includes a description of each matter and how it was addressed in the audit.⁴²

Summary

2.56 The DFAT annual report is an informative document and presents a comprehensive review for 2016-17. It complies with the reporting requirements for a non-corporate Commonwealth entity under the PGPA Rule.

Australian Centre for International Agricultural Research

Chief Executive Officer's review

2.57 The Chief Executive Officer of the Australian Centre for International Agricultural Research (ACIAR), Professor Andrew Campbell, provides an interesting overview of the organisation's activity and achievements during 2016-17. He notes the work on the development of a new high-level ten-year strategic vision for ACIAR,⁴³ which intends to complement the strengths of the ACIAR's partnership model with significant reform and improvement in communicating its role and the back office business systems that underpin its work in developing countries:

Our new strategy will articulate clearly how ACIAR's research for development partnerships contribute to Australia's Official Development Assistance objectives and in turn to the Sustainable Development Goals to which Australia is committed under the United Nations Agenda 2030 initiative.⁴⁴

2.58 ACIAR also initiated organisational change, which included the restructure of the senior management team, elevating Outreach and Capacity Building to senior executive level, introducing a new Chief Scientist position, establishing a new Associate Program Manager position, and commencing the process of consolidating the research portfolio from 13 programs into 10.⁴⁵

2.59 Professor Campbell provided a number of examples of the 221 research projects which ACIAR funded and managed during the year (most of which were commenced in previous years). Set out under ACIAR's six strategic objectives, the variety of projects highlighted included the following:

- research support to tackle problems in Cambodia's mango industry where farmers have been trained to identify pests and diseases and to manage and prune mangoes for high productivity;
- collaboration of Australian scientists with China's citrus industry for over two decades, where researchers identified drought-hardy and disease-resistant rootstocks among Chinese varieties, with benefits to both countries and

42 *Department of Foreign Affairs and Trade Annual Report 2016-17*, pp. 155-156.

43 The ACIAR 10 Year Strategy was launched on 26 February 2018 by the Hon Julie Bishop MP, Minister for Foreign Affairs, at Parliament House, Canberra.

44 *Australian Centre for International Agricultural Research Annual Report 2016-17*, p. 4.

45 *Australian Centre for International Agricultural Research Annual Report 2016-17*, p. 4.

culminating in 2016-17 with the release of seven new rootstocks to the Australian citrus industry; and

- adoption of disease control practices by a co-operative of smallholder farmers in the southern Philippines which were introduced through an ACIAR project is reducing the impact of Fusarium wilt TR4 on banana yields.⁴⁶

2.60 Professor Campbell noted the initiatives ACIAR worked on in Australia and overseas during 2016-17 to improve the communication of ACIAR investments in identifying and fostering research partnerships and the subsequent impacts. He noted comments by the Minister for Foreign Affairs, the Hon Julie Bishop MP, who has described ACIAR as both a 'national treasure' and a 'best kept secret'.⁴⁷ Strategies to address this issue included overhauling the website, improving the social media following, and producing over 100 project factsheets.⁴⁸ Work in this area will continue to be an important focus of the organisation, with Professor Campbell noting his desire to make more Australians aware of the research work ACIAR leads across the region to assist partner countries to meet their own food and nutrition security needs, noting that:

This is in Australia's own long-term self-interest, as ACIAR-supported research also brings widespread benefits for Australian primary industries and for Australia's own scientific capability.⁴⁹

Performance information

2.61 A large proportion of the report provides details on the regional programs and achievements for the year in review, and includes a number of case studies. The annual performance statement sets out ACIAR's purpose as taken from the ACIAR Corporate Plan 2016-20 (which also appears as a single outcome for ACIAR's entry in the Foreign Affairs and Trade Portfolio PBS 2016-17). The annual performance statement includes a table which indicates whether the key performance indicators (KPIs) from the PBS and the Performance Focus Areas from the Corporate Plan were achieved with illustration by means of a sample list of relevant projects. The report explains ACIAR's approach to assessing performance in the context of the work it undertakes:

Delivery of research projects is a major indicator of our performance. In assessing the benefits of the projects, it is important to recognise that most agricultural research has long term pathways to development impact.

Along these impact pathways, project outputs (deliverables) are adopted by next and ultimately final users, leading to improvements in the social, economic and environmental conditions. Generally, farm-level impacts are

46 *Australian Centre for International Agricultural Research Annual Report 2016-17*, pp. 4-11.

47 *Australian Centre for International Agricultural Research Annual Report 2016-17*, p. 13.

48 *Australian Centre for International Agricultural Research Annual Report 2016-17*, p. 12.

49 *Australian Centre for International Agricultural Research Annual Report 2016-17*, p. 13.

realised over many years after the completion of the project, most often concentrated in the first 5-20 years.⁵⁰

2.62 It is noted that all KPIs and Performance Focus Areas were achieved in 2016-17.

Summary

2.63 The ACIAR report is an informative document and complies with the requirements for a non-corporate Commonwealth entity under the PGPA Rule.

Director of Military Prosecutions

2.64 The position of Director of Military Prosecutions (DMP) is established under section 188G of the *Defence Force Discipline Act 1982* (DFD Act). The DMP Report for the Period 1 January to 31 December 2016 was tabled in the Senate on 9 August 2017. The current Director is Brigadier Jennifer Woodward CSC, who was appointed on 1 July 2015.

2.65 Section 196B of the DFD Act requires the DMP to, as soon as practicable after each 31 December, prepare and give to the Minister, for presentation to the Parliament, a report relating to the operations of the Director of Military Operations during the year ending on 31 December.

2.66 Under section 196B(2) of the DFDA the report must:

- (a) set out such statistical information as the DMP considers appropriate; and
- (b) include (i) a copy of each direction given or guideline provided under subsection 188GE(1) during the year to which the report relates, and (ii) a copy of each such direction or guideline as in force at the end of the year.⁵¹

Director's overview

2.67 The DMP's report begins with useful background on the establishing legislation and the Director's role, followed by a summary of significant achievements in what she described as 'against a backdrop of general dissatisfaction by the Services at the current state of the military justice system'.⁵²

2.68 She remarked on the unique role and challenging career path for military prosecutors and the impact on the office. It was noted that prosecutors are directed to post into the office, generally without prior advocacy experience, with the expectation that any lawyer admitted to practice, can become an advocate. The DMP disagrees with this view noting that appearing in court can be a daunting experience and points out that many officers are subsequently posted out of the office just at the time when they are becoming competent advocates.⁵³

50 *Australian Centre for International Agricultural Research Annual Report 2016-17*, p. 157.

51 Section 196B, *Defence Force Discipline Act 1982*.

52 *Director of Military Prosecutions Report for the period 1 January to 31 December 2016*, p. 4.

53 *Director of Military Prosecutions Report for the period 1 January to 31 December 2016*, pp. 2-3.

2.69 She outlined her response to this address this issue:

I am endeavouring to influence the individual Services to create a career path for permanent ADF legal officers through the military justice sphere, so those lawyers who want to be advocates, can be posted in and out of the office and then ultimately be trained as judge advocates and Defence Force magistrates. Currently there appears to be little recognition of officers, by the Service career management agencies, who wish to focus their careers in the military justice arena. With the centralisation of much of the discipline law work undertaken by ADF legal officers to my office, it has also become apparent that the principal means by which knowledge and experience of the discipline system is gained by permanent legal officers is through a posting as a prosecutor.⁵⁴

2.70 The DMP also commented briefly on the responsibility facing military prosecutors who may be called upon to make unpopular decisions and sometimes stand up against entrenched command interests. She noted that '[p]rosecuting is not a posting for those lawyers yearning popularity'.⁵⁵

2.71 Brigadier Woodward noted that the number of appeals before the Defence Force Discipline Appeal Tribunal (DFDAT) is at a record level, however the number of trials before Superior Service tribunals has dropped. She attributed this to several factors, including:

...a decision not to proceed with prosecutions relating to certain ICT-related offending because of the lack of proper investigative capacity within the Defence Force, decisions to refer matters to the Services for administrative action, where such a course seemed appropriate and the referral of purely disciplinary matters back to unit level where there is capacity to deal with them.⁵⁶

2.72 The DMP also noted that there had been an increase in the number of prosecutions for low-level sexual misconduct perpetrated by males on subordinate female members of the Defence Force. She observed that in the final year of implementation of the five-year strategy for cultural change arising from the publication of *Pathway to Change: Evolving Defence Culture* in 2012:

...it appears to me, based on the matters we have received, that complainants now feel that they have greater empowerment to report alleged sexual misconduct. Complainants appear to believe that command and the military justice system are a means to take appropriate action against alleged perpetrators. Furthermore, although there has been an increase, when one considers the size of the Defence Force, and the fact that it is predominantly male, compared to the general community the level of offending is low.⁵⁷

54 *Director of Military Prosecutions Report for the period 1 January to 31 December 2016*, p. 3.

55 *Director of Military Prosecutions Report for the period 1 January to 31 December 2016*, p. 3.

56 *Director of Military Prosecutions Report for the period 1 January to 31 December 2016*, p. 4.

57 *Director of Military Prosecutions Report for the period 1 January to 31 December 2016*, p. 5.

- 2.73 The DMP summarised the most significant features of 2016 as follows:
- a. the Defence Force magistrate trial of TPR W⁵⁸...[which] was a catalyst for the current military justice review;
 - b. the DFDAT decision in *Williams v Chief of Army*;
 - c. a marked increase in the number of cases that involve accused persons asserting mental health issues either as a factor that influenced the offending, their capacity to participate in a trial, or post-conviction in mitigation;
 - d. prosecution of the first 'upskirting' case under the newly created provision of s 61B of the *Crimes Act 1900*; and
 - e. increased use of Victim Impact Statements, particularly in sexual offence proceedings.⁵⁹

Comments on reporting of sexual offences in Service newspapers

2.74 In the report's discussion of sexual offences and sexually-related conduct, the DMP indicated her dissatisfaction of the way convictions of this nature are reported in Service newspapers:

...due to what I regard as a wholly unnecessary and overly cautious approach, the reports are obscured so as to de-identify the convicted member to such a degree that they seldom convey anything resembling the circumstances behind the conviction. This is patently at odds with the open nature of Superior Service tribunals (see DFDA s 140) and the fact that civilian newspapers, in the absence of a specific non-publication order by the tribunal, openly print names and the details of the circumstances when they cover military trials.

In my view this is a missed opportunity to reinforce the message that Defence reforms, such as *Pathway to Change*, are gaining traction and not only denounce such conduct but encourage others who, in similar circumstances, may be reluctant to make a complaint.⁶⁰

2.75 During the committee's Supplementary Budget Estimates hearing on 25 October 2017, Defence was asked to respond to the DMP's comments above from the annual report. Acting Chief of the Defence Force, Vice Admiral Ray Griggs AO CSC, advised the committee:

I think most of the senior leadership of the ADF would have sympathy with the Director of Military Prosecutions's view. There is this thing called the Privacy Act, though. The Director of Military Prosecutions doesn't publish

58 This case concerned a confession of misconduct by a soldier in an interview conducted by the Australian Defence Force Investigative Service which was eventually excluded on the grounds that the member had not participated voluntarily as he had been encouraged by his Squadron Sergeant Major to participate in the interview. See *Director of Military Prosecutions Report for the period 1 January to 31 December 2016*, pp. 42-43.

59 *Director of Military Prosecutions Report for the period 1 January to 31 December 2016*, p. 4.

60 *Director of Military Prosecutions Report for the period 1 January to 31 December 2016*, p. 31.

the service newspapers; we do—and we are subject to the Privacy Act. This has been a long and tortuous debate inside the ADF for a number of years. It has certainly not just been going on in the last 12 months; it's been going on for years, in terms of: have we got the balance right between publicising the consequences of unacceptable and disciplinary behaviour through publishing the outcome of results versus the protection of people's privacy in accordance with the law.

...

We do take on board the annual report. We have a military justice coordination committee which looks at the broader running of the military justice system, and that considers things like the report from the director.⁶¹

Comments on reform

Military justice system

2.76 The DMP has taken the opportunity to use the annual report to comment on the need for reform in the military justice system:

During the reporting period it has been evident to me, from discussions with command and anecdotal evidence, that there is a level of dissatisfaction with the current state of the military discipline system by command across the ADF. The concern was that the system had become overly complex and difficult to use, unresponsive and characterised by delay, and was costly to operate.

As a consequence, there have been a number of initiatives to reform the discipline system in order to ensure it would become responsive, and enable command to take timely and effective action in response to allegations of misconduct.⁶²

2.77 To address the perceived delay in higher tribunal disciplinary proceedings she advised that as part of the military discipline reform process, the DMP, the Registrar of Military Justice and the Defence Counsel Services agreed to reduce the benchmarked time for their completion.⁶³

2.78 During questioning at the Supplementary Budget Estimates hearing on 25 October 2017 about the DMP's comments in the annual report on the need for reform in some areas, the Acting CDF, Vice Admiral Griggs advised the committee on a number of processes of review of the military justice system:

CDF directed a series of actions to improve the efficiency and the efficacy of all components in the military justice system, and since early 2016 the Military Justice Coordination Committee has been progressively assuming responsibility in Defence for proposing high-level reform measures and coordinating the ongoing reform of the military justice system. There have been a number of activities: a review of the summary discipline system,

61 *Committee Hansard*, 25 October 2017, p. 37.

62 *Director of Military Prosecutions Report for the period 1 January to 31 December 2016*, p. 44.

63 *Director of Military Prosecutions Report for the period 1 January to 31 December 2016*, p. 44.

which commenced in November 2016 and is reporting next month; efforts to improving the timeliness of completion of matters within the superior tribunal system, which commenced in October last year; and a range of possible legislative reforms, which are ongoing.⁶⁴

Investigative provisions of the DFDA

2.79 The DMP also set out in the report her views on what she considers are the limitations of investigative provisions of the DFD Act, which are over 40 years old, and the urgent need for their review. She notes that the Australian Defence Force Investigative Service (ADFIS) are precluded from obtaining much material relevant to their briefs of evidence because amendments to the *Privacy Act 1988* and certain other legislation. She further notes that the ADFIS is not able to issue search warrants, or rely on civilian police to exercise service warrant powers on their behalf for the production of material from civilian authorities:

The investigatory powers of ADFIS are therefore significantly limited, which greatly inhibits investigations into fraud and related matters. As much of the evidence required for prosecution of fraud and related offences now comes from external sources outside the Department of Defence, it is increasingly apparent that without DFDA reform, all fraud offences committed by ADF members will need to be investigated and prosecuted outside the ADF.⁶⁵

Summary

2.80 The DMP's annual report provides a comprehensive and forthright account of the activities, achievements and issues relating to the office of the DMP during 2016. The report includes details of corporate matters, covering organisational structure and staffing, policy, training and outreach.⁶⁶ The DMP also outlined the reasons why she believes the current office location is unsuitable to the office's role and needs, and set out the preferred option for relocation.⁶⁷ There is a brief discussion of the office's finances, indicating that it was adequately funded during the reporting period and had complied with relevant legislative financial management policies of the ADF.⁶⁸ While not a specific requirement under the DFD Act, the inclusion of more detail on the office's budget, including funding and expenditure during the year would enhance transparency.

2.81 The report meets the annual reporting requirements under section 196B. It includes statistics on a range of matters and provides a good account of the significant

64 *Committee Hansard*, 25 October 2017, p. 121.

65 *Director of Military Prosecutions Report for the period 1 January to 31 December 2016*, p. 51.

66 There appeared to be some minor errors relating to dates within the report. The Copyright date at the beginning of the report was '2013'; and the headings for the two appendices indicated that the report covered the period '01 Jan 15 to 31 Dec 16'.

67 *Director of Military Prosecutions Report for the period 1 January to 31 December 2016*, pp. 6-18

68 *Director of Military Prosecutions Report for the period 1 January to 31 December 2016*, p. 51.

issues during the year under review, including the use of graphs where appropriate to convey trend information.⁶⁹ Appendix B provides a useful table of representing the class of offence by Service for 2016.

2.82 The report complies with the annual reporting requirement under section 196B(2)(b) of the DFDA with the DMP advising that during the reporting period there were no directions or guidelines given in relation to the prosecution of Service offences to investigating officers or prosecutors pursuant to section 188GE of the DFDA.⁷⁰

Export Finance and Insurance Corporation (Efic)

Background

2.83 Efic is established under the *Export Finance and Insurance Act 1991* (EFIC Act) and is a corporate Commonwealth entity under the PGPA Act. Its primary purpose is to facilitate and encourage Australian export trade on a commercial basis. The report states that the organisation's primary focus is 'small to medium-sized enterprises (SMEs), larger transactions in emerging markets, or transactions that can crowd SMEs into the supply chain, as this is where the need for our support is greatest'.⁷¹

2.84 The EFIC Act provides for two platforms from which Australian exports can be supported:

- the Commercial Account - where the risks underwritten are carried by Efic, and premiums and fees are retained by Efic and any losses are borne from Efic's accumulated capital and reserves; and
- the National Interest Account - where the Minister can direct Efic to enter into a facility, or give approval for Efic to enter into a facility, if the Minister believes it is in the 'national interest' to do so, and the Commonwealth receives the net income from Efic and must reimburse Efic for any losses.⁷²

2.85 The report explains the purpose of each account and includes the current status/composition of each as at 30 June 2017, including a breakdown of exposure by region and industry sector.⁷³

Chairman's and Managing Director's report

2.86 The report of the Chairman and Managing Director provides a helpful overview of the main results for the organisation and initiatives over the past financial year. They note that while the number and value of transactions declined marginally in

69 *Director of Military Prosecutions Report for the period 1 January to 31 December 2016*, pp. 18-50.

70 *Director of Military Prosecutions Report for the period 1 January to 31 December 2016*, p. 12.

71 *Efic Annual Report 2016-17*, p. 4.

72 *Efic Annual Report 2016-17*, pp. 20-21.

73 *Efic Annual Report 2016-17*, pp. 20-21.

2016-17, Efic was able to maintain its profit and supported 17 per cent more SME exporters than in the previous year. It was noted that SMEs accounted for 96 percent of all transactions.⁷⁴

2.87 One of the initiatives during 2016-17 which were highlighted included modification of the Small Business Export Loan product by giving clients the ability to borrow between \$20k and \$350k,⁷⁵ providing Efic with the ability to provide support to smaller businesses.

2.88 The introduction of a 90-day conditional approval for businesses that may not have secured their export order, but were in the process of doing so, was also highlighted. The report noted that this initiative would provide small businesses with an added level of security to pursue export opportunities with the knowledge that financial support is available when needed.⁷⁶

2.89 The Chairman's and Managing Director's report also included a brief summary of Efic's Service Level Agreement with the Northern Australia Infrastructure Facility (NAIF) which was entered into during 2016-17. Under this arrangement, Efic will provide a range of specialist services under the direction of the Chief Executive Officer of the NAIF which the report advised would reduce the duplication of back-office resourcing requirements across government entities.⁷⁷ The report later advises that the services provided to the NAIF are reimbursed on a cost recovery basis.⁷⁸

Annual performance statement

2.90 Efic's annual performance statement is concise and clearly sets out results against targets set out in the 2016-17 Corporate Plan in relation to the results for the agency's commercial account. The committee notes that the Corporate Plan was accessible on the agency's website. The performance tables include references to the relevant page and table item in the Corporate Plan and were supported by discussion of the results. The use of graphs, charts and diagrams assisted with presenting results for the 2016-17 financial year.⁷⁹

2.91 In relation to the commercial account, the report advises that it has been a successful year for Efic noting that the Corporate Plan:

...had set ambitious targets this year in both number of transactions, value of transactions and export contracts supported. When assessing performance against these targets, the eventual outcomes are significantly influenced by the risk appetite of the private sector and the degree of market

74 *Efic Annual Report 2016-17*, p. 16.

75 The *Efic Annual Report 2015-16* advised that the Small Business Export Loan was typically between \$50,000 and \$250,000, see p. 12.

76 *Efic Annual Report 2016-17*, p. 17.

77 *Efic Annual Report 2016-17*, p. 18.

78 *Efic Annual Report 2016-17*, p. 42.

79 *Efic Annual Report 2016-17*, pp. 4-15.

gap. These factors are beyond our control and this year there was greater private sector financial support for exporters than expected, and so maintaining existing levels of Efic support was a positive outcome for Efic.⁸⁰

2.92 The annual performance statement also discusses the difficulties in measuring Efic's performance due to the nature and processes of its work, particularly in regard to the 'market gap' mandate model under which it operates:

Our market gap mandate also means we cannot provide financial services or solutions to companies unless we are satisfied that private sector providers are unable or unwilling to do so. In a practical sense, it means we cannot compete with the banks and, as such, we apply procedures to ensure that we notify the banks of our transactions before proceeding. When we step forward, our intended participation often encourages the participation of other financiers. This catalytic role is consistent with our mandate to 'crowd in'⁸¹ the private sector and in many cases may require Efic to step away from the transaction.

If our early involvement means our clients' needs may be met at a later stage by the private sector, then we have been successful in achieving our mandate, even though this is not reflected in our performance. For example, this year we saw the private sector assist with over \$55 million of business that we were considering, but we stepped away when the private sector was willing to step in.⁸²

Financial operations

2.93 The report provides a brief summary of the organisation's financial operation during the year under review, noting that it is a self-funding organisation and operates on a commercial basis, 'receiving fees and risk premiums from clients, and earning interest on loans and investments that reflect risk'.⁸³

2.94 The report states that, at the time of its finalisation, no dividend had been agreed at that point. At the committee's Supplementary Budget Estimates hearing on 26 October 2017, Efic advised the committee that the dividend for 2016-17 was 50 per cent of its operating profit of \$11.6 million, that is, \$5.7 million.⁸⁴ The report also states that in addition to the payment of dividends, the payments to be made under competitive neutrality arrangements comprised:

80 *Efic Annual Report 2016-17*, p. 4.

81 'Crowding in' is defined in the report as referring to the occasions where Efic's intended participation in a transaction results in interest in that transaction from private market financiers. In many cases, this means that Efic will step away from the transaction. All SME transactions are formally referred to the banks before Efic offers financial support to the transaction. See *Efic Annual Report 2016-17*, p. 3.

82 *Efic Annual Report 2016-17*, pp. 4-5.

83 *Efic Annual Report 2016-17*, p. 42.

84 *Committee Hansard*, 26 October 2017, p. 132.

a debt neutrality charge of \$1.1 million, state equivalent taxes of \$4.13 million and an income tax equivalent charge of 30 per cent of accounts profit, equal to \$5.0 million.⁸⁵

2.95 Efic's financial statements were unmodified by the ANAO.⁸⁶

Summary

2.96 The Efic annual report for 2016-17 is a comprehensive document and meets the annual reporting requirements for a corporate Commonwealth entity under the PGPA Act and PGPA Rule, and other legislative requirements.

2.97 The report includes an index of statutory reporting requirements identifying where in the annual report the requirements of the PGPA Act and PGPA Rule, the EFIC Act, and other legislative reporting requirements, including the *Environmental Protection and Biodiversity Conservation Act 1999*, the *Equal Employment Opportunity (Commonwealth Authorities) Act 1987* and the *Work Health and Safety Act 2011*, are located.⁸⁷

Repatriation Medical Authority

2.98 The Repatriation Medical Authority (RMA) is established under section 196A(1) of the *Veterans' Entitlements Act 1986* (VE Act). As noted in Chapter 1 of this report, there appears to be no statutory requirement under the VE Act for the RMA to prepare an annual report for presentation to the Parliament, but it has done so since its establishment in 1994.

2.99 The functions of the RMA as set out in section 196B of the VE Act are:

...to determine Statements of Principles (SOPs) in respect of particular kinds of injury, disease or death, based on 'sound medical scientific evidence' for the purpose of applying the applicable standards of proof relating to veterans' matters; the 'reasonable hypothesis' standard and the 'reasonable satisfaction' (or 'balance of probabilities standard').⁸⁸

2.100 The 2016-17 report is the 23rd annual report of the RMA and includes an executive statement by the Chairperson, Professor Nicholas Saunders AO, where he noted that:

Mental health issues featured prominently in the Authority's deliberations over the year, along with ionising radiation and investigations which led to a further expansion of the diseases and injuries covered by Statements of Principles (SOPs). The Authority continued to review and refine its drafting standards for SOPs to ensure these legislative instruments are of the highest standard.

85 *Efic Annual Report 2016-17*, p. 42.

86 *Efic Annual Report 2016-17*, pp. 64 and 89.

87 *Efic Annual Report 2016-17*, pp 148-150.

88 *Repatriation Medical Authority Twenty-third Annual Report 2016-2017*, p. 8.

It also continued to improve its website and records management practices to ensure its services for stakeholders are clear and accessible.⁸⁹

2.101 In relation to the Authority's workload in 2016-17, Professor Saunders notes that the RMA was able to notify 172 investigations and reviews, which was an unprecedented number. It was also noted that the backlog of investigations and reviews was kept around or below 60 over most of the reporting period, which compares to a peak of 150 in 2012, and has enabled a significant reduction in the time required to complete an investigation or review of a SOP.

2.102 The Chairperson also noted that the reduced backlog has enabled a reduction in the time required to complete an investigation or review of a SOP by more than 40 per cent from the previous year's average.⁹⁰

The Authority now has greater capacity to proactively incorporate the most up-to-date medical science as it becomes available. It can ensure consistency in factor terminology across conditions. The review of ionising radiation, work associated with the SOPs concerning suicide and attempted suicide, and a further eleven investigations of injuries or diseases not previously covered by SOPs demonstrate the positive benefit of this capacity.⁹¹

2.103 In addition to detailed information of the Statements of Principles determinations, investigations and reviews, the report describes the RMA's background and function. The report also includes details on membership and meetings, and corporate matters such as staffing and financial expenditure.

2.104 The RMA is commended for its accountability and transparency to the Parliament through its consistent reporting since its inception.

Senator Linda Reynolds CSC

Chair

89 *Repatriation Medical Authority Twenty-third Annual Report 2016-2017*, p. 5.

90 *Repatriation Medical Authority Twenty-third Annual Report 2016-2017*, p. 5.

91 *Repatriation Medical Authority Twenty-third Annual Report 2016-2017*, p. 5.

