

The Senate

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Finance and Public Administration  
Legislation Committee

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## INTRODUCTION

1.1 Under Senate Standing Order 25(21) the annual reports of departments and agencies stand referred to legislation committees in accordance with the allocation of departments and agencies in a resolution of the Senate. Each committee is required to:

- (a) examine each annual report referred to it and report to the Senate whether the report is apparently satisfactory;
- (b) consider in more detail, and report to the Senate on each annual report which is not apparently satisfactory, and on the other annual 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.

1.2 In accordance with Procedural Order of Continuing Effect No. 1, relating to the allocation of departments and agencies to Committees and last amended by the Senate in the 40th Parliament on 13 February 2002, the Finance and Public Administration (F&PA) Legislation Committee has responsibility for the oversight of the following portfolios:

- Parliament;
- Prime Minister and Cabinet; and
- Finance and Administration.

## REPORTS EXAMINED

1.3 Standing order 25(2)(b) requires the Committee to inquire into and report upon annual reports referred in accordance with departments and agencies allocated. For reports received by 31 October each year the Committee's report must be tabled by the tenth sitting day of the following year. Reports referred to the Committee after 31 October and before 30 April each year are to be reported on by the tenth sitting day after 30 June of that year, in this instance 9 September 2003.

1.4 On 20 March 2003 the Committee tabled its first report on the 2001-2002 annual reports. A copy of this report is available at the following internet address: [http://www.apf.gov.au/Senate/committee/fapa\\_ctte/annreport.htm](http://www.apf.gov.au/Senate/committee/fapa_ctte/annreport.htm)

1.5 The Following 12 reports were tabled or presented to the President of the Senate between 1 November 2002 and 30 April 2003<sup>1</sup> and referred to the Committee:

### *Statutory Offices or Bodies*

- Commissioner for Superannuation (ComSuper);
- Commonwealth Superannuation Scheme Board (CSS);
- Inspector-General of Intelligence and Security; and
- Public Sector Superannuation Scheme Board (PSS).

### *Commonwealth Companies, including Government Business Enterprises*

- Australian River Co. Limited (formerly ANL Limited);<sup>2</sup>
- Bankstown Airport Limited;<sup>3</sup>
- Camden Airport Limited;<sup>4</sup>
- Hoxton Park airport Limited;<sup>5</sup>
- National Australia Day Council; and
- Sydney Airports Corporation Limited.<sup>6</sup>

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1 The Australian River Co. Limited Annual Report 2002 was tabled on 18 June 2003. While the Committee is not obliged in this report to examine reports tabled after 30 April 2003, it has chosen to do so in order to provide the agency with a timely response.

2 Also referred to the Rural and Regional Affairs and Transport Legislation Committee.

3 Also referred to the Rural and Regional Affairs and Transport Legislation Committee.

4 Also referred to the Rural and Regional Affairs and Transport Legislation Committee.

5 Also referred to the Rural and Regional Affairs and Transport Legislation Committee.

6 In June 2002, the Corporation became a privatised entity with the Commonwealth divesting its share holding. Also referred to the Rural and Regional Affairs and Transport Legislation Committee



## OTHER REPORTS

In addition to the above annual reports, the following reports were referred to the Committee when tabled or presented to the President of the Senate on or before 30 April 2003:

- Australian Political Exchange Council;
- *Members of parliament (Staff) Act 1984*—Consultants engaged under section 4 of the Act; and
- Official Establishments Trust.

## TIMELINESS

1.6 The Committee notes that all reports examined met respective legislative requirements for the timing of tabling or presentation. In addition, in examining the timeliness of reports the Committee considered the following four dates:

- date of letter of transmittal;
- date report submitted to Minister;<sup>7</sup>
- date report received by the Minister; and
- date report is tabled or presented to the President or a temporary chair of committee.

1.7 The Committee observes that the report of the Australian River Co. Limited was submitted to the Minister on 26 March 2003, received by the Minister on 7 April 2003 and tabled on 18 June 2003. Although the report was tabled within 15 sitting days of receipt by the Minister, the Committee suggests that the report could have been presented to the President earlier, affording the Parliament and Committee more time to examine its contents.

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<sup>7</sup> The Daily Senate Order of Business includes these dates when listing Government documents to be presented. This practice arose in response to concerns raised by this Committee in its 1989 report *The Timeliness and Quality of Annual Reports* and the 1991 *Report on Annual Reports* about the length of time reports spent in Minister's office. The Government included in its 1991 *Guidelines for the Preparation of Departmental Annual Reports* the requirement that the dates of submission to and receipt by the Minister be included when tabling arrangements are made. The Legal and Constitutional Affairs Committee in its 1991 *Report on Annual Reports* further recommended this practice be extended to non-departmental bodies. Today the *Guidelines for Presentation of Government Documents, Ministerial Statements, and Government Responses to the Parliament*, referred to by the current Requirements, includes the obligation to provide the dates.

## **SATISFACTORINESS OF REPORTS**

1.8 The Committee considers that all the reports examined are ‘apparently satisfactory’. Additionally, it notes that, where applicable, all financial statements included in the reports received an unqualified report by the Auditor-General.

1.9 As noted in previous reports of the Committee, it is pleased to observe that the majority of reports of departments and statutory authorities contain compliance indexes. The inclusion of such indexes is recommended as it enhances transparency and accountability.

1.10 As also stated in earlier reports, the Committee suggests that, when agencies have nothing to report in an area that is a mandatory reporting requirement, agencies state that that is the case. Reporting explicitly that there is nothing to report against a criterion would clarify that the matter has not been overlooked or omitted.<sup>8</sup>

## **NON-REPORTING BODIES**

1.11 Under standing Order 25(21)(h) the Committee is required to report to the Senate on whether there are any bodies which do not present annual reports to the Senate but should present such reports. The Committee is not aware of any such bodies at present, but is keeping the matter under review.

## **SELECTED AGENCIES**

### **PRIME MINISTER AND CABINET PORTFOLIO**

#### **Inspector-General of Intelligence and Security**

1.12 With the current prominence of security issues, intelligence matters and the role of Australia’s intelligence agencies have attracted growing interest within the Parliament and community. The Committee has therefore paid particular attention to the 2001-2002 report of the Inspector-General of Intelligence and Security (IGIS).

1.13 The role of IGIS is to help the ministers responsible for Australia’s major intelligence agencies to oversee and review their activities. Those agencies are:

- Australian Security Intelligence Organisation (ASIO);
- Australian Secret Intelligence Service (ASIS);

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8 Committee, *Scrutiny of Annual Reports No.1 of 2002*, p.21

- Defence Signals Directorate (DSD);
- Defence Imagery and Geospatial Organisation (DIGO);
- Defence Intelligence Organisation (DIO); and
- Office of National Assessments (ONA).

1.14 According to the report, ‘the purpose of this oversight and review is to ensure that the agencies act legally and with propriety, comply with ministerial guidelines and directives and respect human rights’.<sup>9</sup>

1.15 The IGIS annual report is a useful reference tool. It explains the functions of each of the intelligence agencies that it oversees as well as the degree to which the IGIS is involved in their activities. For instance, the report points out that since ASIO is the agency most likely to have contact with members of the Australian public, it receives more attention from IGIS than those agencies that collect foreign intelligence (ASIS, DSD and DIGO). In contrast, because DIO and ONA are assessment and analytical agencies rather than collectors of intelligence, IGIS has fewer powers and responsibilities in relation to these bodies compared to the collection agencies.

1.16 The report provides an account of an eventful year for Australia’s intelligence community. It covers significant changes to the legislation governing ASIO, ASIS and DSD as well as IGIS itself. The September 11 terrorist attacks in New York and their repercussions for security intelligence bodies punctuated the period. Other prominent matters included allegations about both DSD activities during the Tampa incident and the intelligence community’s role in relation to SIEV X. IGIS also reported on the conviction and sentencing of former DIO officer Jean-Philippe Wispelaere and the controversial historical case of the ‘Balibo Five’. The annual report provides useful summaries of the Tampa and Balibo Five inquiries in its annexes.

1.17 The Committee notes that IGIS reports on the responsiveness of agencies to its suggestions and recommendations for improving procedures. The Inspector-General indicates that, on the whole, agencies have accepted and acted upon such suggestions. He notes that ASIS and DSD consulted IGIS extensively and incorporated its ‘suggestions with alacrity’ in revising their procedures to meet the requirements of the Intelligence Services Act and in particular its privacy rules. The report observes:

The willingness of agencies to seek and accept input from my office demonstrates a genuine commitment on their part to conduct their activities legally and with propriety.<sup>10</sup>

1.18 This observation seems borne out in the case of DSD by the report’s account of that agency’s acceptance of IGIS recommendations to tighten operational procedures in light of issues that arose during the course of the Tampa inquiry. Those

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9 IGIS, *2001-2002 Annual Report*, 22 October 2002, p.1

10 IGIS, *2001-2002 Annual Report*, 22 October 2002, p.9

improvements include, among other things, enhancing IGIS's computer search capacity of DSD records, more detailed reporting and recording of intelligence reports that include information on communications by Australians and the need for DSD to have its own in-house legal advice to deal with issues on a day-to-day basis. The first two measures should strengthen the accountability and governance framework for DSD; the third measure, if adopted, should minimise the risk of legal problems occurring and therefore also reduce the need for IGIS to conduct formal inquiries into the agency on such matters.

1.19 The Committee also notes that the report includes a forecast of IGIS's expected activities in relation to each agency for the next year. This indicates that IGIS plays an active role in assisting each agency comply with legal obligations, rather than reacting only to issues or complaints as they arise. For example, during 2002-2003 the Inspector-General will continue to meet with ASIS officers before they take on overseas postings to remind them that they are subject to internal and external scrutiny and accountable for their conduct. IGIS also intends to increase the frequency of its meetings with DSD staff from once every two months to once a month.

1.20 The Committee observes that the inclusion of a 'year in prospect' summary of this nature is also a valuable accountability and transparency tool by which IGIS's own performance can be measured by the Parliament and its committees through the estimates process and scrutiny of annual reports.

1.21 In Australia's new security environment, it is important that IGIS, as the principal oversight body for Australia's intelligence community, present annual reports that improve the transparency of a sector of government that traditionally has not been open to close scrutiny. In view of the inquiries into intelligence matters currently before several parliamentary committees, the Committee anticipates that it will also examine IGIS's next annual report with particular interest.

### **National Australia Day Council**

1.22 The National Australia Day Council (NADC) is responsible for programs that promote Australia Day (26 January), such as the Australia Day Awards and Australia Day celebrations. It comprises a board of directors and small staff, and receives and disperses a relatively small amount of Commonwealth funds in the form of grants. The Council's annual report is accordingly quite short.

1.23 While the Committee appreciates that annual reporting can be rather onerous for small bodies, it is nonetheless an important exercise for both external scrutiny and internal management and transparency purposes. In this regard, the Committee considers that the Council should consider the following suggestions in preparing its next annual report.

1.24 The report states that 2001-2002 saw the Council and its staff engage in an 'intense business planning process' that led to developing a new charter and establishing three priority areas for its operations. It would have been interesting if the Council had said more about the reasons behind this planning process than the rather

bland rationale of ‘re-focussing on [its] priority areas and core business’. The Committee will be interested to read in the Council’s next report of the impact of this business ‘re-focussing’ and see if it has improved the Council’s effectiveness.

1.25 The report also says that in response to the new charter ‘a major restructure of staff took place’. It is not obvious from the report, however, what this restructure entailed, for instance, whether it led to downsizing or merely a reallocation of responsibilities or something else altogether. A brief explanation of ‘major restructures’ should be included in annual reports to help the reader ascertain what has taken place and the possible impact of such changes on a body’s business and performance.

1.26 The Committee also notes that some significant financial fluctuations occurred between the 2001 and 2002 reporting periods. Profit from ordinary activities dropped from \$457,092 to \$1,988, largely reflecting a considerable decrease in Government grants from \$2.2 million to \$1.06 million. Cash held also decreased from \$157,307 in 2001 to \$16,040 in 2002.

1.27 In the Committee’s view, these are sizeable changes in the Council’s finances that warrant some explanation, both in terms of the reason for them occurring and their expected impact on the Council’s activities. However, in the explanatory notes to the report’s financial tables there is no explanation provided of the reasons for the reduction in Government grants or cash held. The Committee considers that these omissions should be rectified in the Council’s next annual report and any further shifts in its financial position similarly explained.

1.28 The Committee also notes that the report includes neither an index nor a glossary. These are mandatory items in annual reports but given the conciseness of the Council’s report, the Committee does not consider that the report suffers for their omission. The report is reasonably reader-friendly in terms of accessing key information. It would be improved if the Committee’s suggestions above were incorporated in the Council’s next annual report.

## **FINANCE AND ADMINISTRATION PORTFOLIO**

### **Commissioner for Superannuation (ComSuper)**

1.29 The Commissioner’s report provides useful information relating to his operations over the reporting period. The Committee notes the reader-friendly format of the report that helps make it easy to find information. It further notes that the use of appendices for reporting certain mandatory information also helps with locating that information, while also alleviating potential problems of disjointed discussion and analysis in other sections of the report.

1.30 ComSuper's performance against its primary outcome<sup>11</sup> is measured in terms of meeting set service standards, demonstrated improvements in service delivery, feedback from clients and benchmarking of services and costs against other defined benefit schemes administrators. The report claims that ComSuper's assessment rated high at achieving its goals.<sup>12</sup>

1.31 Increasing demand for internet-based services from both members and employers has continued ComSuper's development in this area, with individual sites for various schemes and significant enhancements to these services introduced during the reporting period.<sup>13</sup>

1.32 The Committee is pleased to observe that ComSuper's service levels, quality and other factors are above average with below average costs, when assessed against international benchmarks and the performance of its overseas equivalents.<sup>14</sup> Furthermore, the Committee notes that client surveys over the past five years have consistently yielded high levels of satisfaction.<sup>15</sup>

1.33 From the 2002–03 financial year onwards, the CSS and PSS Boards will report independently of ComSuper as prescribed agencies under the Financial Management and Accountability Act. ComSuper will continue to collect scheme administration fees from agencies on behalf of the Boards.<sup>16</sup> As these Boards are now self-governing entities each will produce its own budget statements for inclusion in the Portfolio Budget Statements.<sup>17</sup>

### **The CSS and PSS Boards**

1.34 Both reports of the CSS and PSS Boards share the same reader-friendly arrangement of information mentioned above for ComSuper. In addition, both share the same level of client satisfaction as ComSuper.

1.35 As predicted in their previous year's reports, both schemes have reported a negative return on investment for the year. Investment performance for each scheme for the year ended 30 June 2002 was negative 5.1 per cent (-5.1%) and negative 5.6 per cent (-5.6%) respectively.

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11 To provide public sector superannuation services which meet the expectations of government, trustees, employers, members and beneficiaries (ComSuper, *2001-2002 Annual Report*, 2 October 2002, p.6).

12 ComSuper, *2001-2002 Annual Report*, 2 October 2002, pp.6-11

13 ComSuper, *2001-2002 Annual Report*, p.24

14 ComSuper, *2001-2002 Annual Report*, 2 October 2002, pp.6, 8-9

15 ComSuper, *2001-2002 Annual Report*, 2 October 2002, pp.8-9

16 ComSuper, *2001-2002 Annual Report*, 2 October 2002, p.12

17 ComSuper, *2001-2002 Annual Report*, 2 October 2002, p.19

1.36 The Committee notes that each report states that the last time the schemes experienced a negative return was in the 1990-91 financial year. The reports also state that the consistently high returns over past years are an 'exception rather than the rule and that negative returns are part of a normal long-term investment cycle'.<sup>18</sup>

1.37 During the year under review corporate governance was very topical with the collapse of companies, not only in Australia but also overseas, affecting substantial numbers of businesses and shareholders. The Committee is pleased to observe that both boards are committed to strong governance practices.

1.38 Both Boards report that in December 2001, with the support of the Minister for Finance and Administration, Westpac Investment Management was appointed as a primary governance advisor to protect the schemes investments and therefore members' retirement incomes. The Chairman's overview says that this development was a first for Australia and notes that media reports at the time suggested that this had 'raised the bar' for standards across the Australian corporate sector.<sup>19</sup>

1.39 Another significant event during the reporting period was a major review conducted, as part of an ongoing triennial review process, of the schemes investment strategies. The review assessed factors that influence the returns on investment, examined the appropriateness of the schemes' objectives and formulated investment strategies to respond to national and international economic conditions and to meet these objectives. For each Board, the review resulted in:

- lowering its average real return objective from 5% per annum after tax and fees to 4.5% per annum after tax and fees;
- changes in specific asset allocations, most notably a reduction in investment in international equities from 47% to 25% and an increase in international bonds from 0% to 15%(CSS) 13%(PSS); and
- a slight variance in the strategic asset allocation between the PSS and CSS [and vice versa], reflecting the net outflow situation of the CSS [PSS] which, as a closed fund, has withdrawals exceeding contributions.<sup>20</sup>

1.40 In discussing the outlook for future years both Boards state that, continued development in the area of governance issues is high on the agenda. The Committee looks forward to hearing of further developments that enhance accountability and transparency in relation to corporate governance.

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18 CSS and PSS Boards, *2001-2002 Annual Report(s)*, p.ix

19 CSS and PSS Boards annual report(s) 2001-02, p.x

20 CSS and PSS Boards annual report(s) 2001-02, p.xi

***Members of parliament (Staff) Act 1984—Consultants engaged under section 4 of the Act (MOPS)***

1.41 During the 2001-02 financial year, two consultants were engaged under the provisions of the Act. These were:

- Mr Geoffery Cousins, engaged on a part-time basis and paid a salary for the period 1 July 2000 to 31 December 2001 and re-engaged from 1 January 2002 to 31 December 2002. Mr Cousins' main task was to advise and assist the Prime Minister in relation to the formulation of communications strategies to promote Government's policies.<sup>21</sup>
- Mr Graeme Starr, engaged from 3 September 2001 to 31 December 2001. Mr Starr's main task was to provide high level research and writing for the Prime Minister. Mr Starr was paid a daily rate for his services.<sup>22</sup>

1.42 Both of these consultancies were examined on three occasions during the estimates hearings of the Committee: at the supplementary hearing of 20 November 2002, the additional hearings of 10 to 11 February 2003 and at the budget hearings from 26 to 29 May 2003. Most of the questions focused on whether additional Commonwealth resources were provided to the consultants. The Committee notes that answers to questions on notice stated that no additional Commonwealth resources were provided in either case.

**Senator Brett Mason**

**Chair**

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21 MOPS, *2001-2002 Report*, 3 December 2002, p.4

22 MOPS, *2001-2002 Report*, 3 December 2002, p.5