

Chapter 1

Overview

1.1 The committee is responsible for examining the annual reports of departments and agencies within two portfolios:

- Agriculture, Fisheries and Forestry; and
- Transport and Regional Services.

Terms of reference

1.2 Under Senate Standing Order 25(21), annual reports of departments and agencies shall stand referred to the legislation 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

1 Standing orders and other orders of the Senate, February 2002, pp. 27-28. (This Standing Order was amended 24 August 1994, 13 February 1997, 11 November 1998, 3 December 1998 and 13 February 2002).

Purpose of annual reports

1.3 The tabling and scrutiny of annual reports by Senate committees, under Standing Order 25(21), is an important element in the process of accountability to Parliament. The information provided in annual reports is placed on the public record and assists Parliament in its examination of the performance of departments and agencies and the administration of government programs.

Requirements

1.4 The annual reports are examined by the committee to determine whether they are timely and 'apparently satisfactory'. In forming its assessment, the committee considers whether the reports comply with the relevant legislation and guidelines for the preparation of annual reports:

- for departments of state and executive agencies these are: *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, updated June 2005 and approved by the Joint Committee of Public Accounts and Audit on 29 June 2005.
- for Commonwealth authorities and companies: the *Commonwealth Authorities and Companies Act 1997* (the CAC Act), sections 9, 36 and 48, and the *Commonwealth Authorities and Companies (Report of Operations) Orders 2005*.
- for non-statutory bodies: the requirements 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, pp. 2643–45.

Reports referred to the committee

1.5 Standing Order 25(21)(f), requires committees to report on annual reports tabled by 30 April each year by the tenth sitting day after 30 June of that year. In this instance, that date is 6 September 2006. Committees are also required to report on annual reports tabled by 31 October each year by the tenth sitting day of the following year.

1.6 Annual reports which were tabled in the Senate or presented to the President between 1 November 2005 and 30 April 2006 are considered in this report. This includes annual reports submitted to the minister before 31 October 2005, but tabled subsequent to that date and therefore not considered as part of the committee's report, *Annual reports (No. 1 of 2006)*.

1.7 The committee examined 19 annual reports of agencies within the Agriculture, Fisheries and Forestry portfolio and 5 annual reports of agencies within the Transport and Regional Services portfolio. A complete list of reports referred to the committee (including those not examined) appears at Appendix 1.

Reports not examined

1.8 The committee is not obliged to report on Acts, statements of corporate intent, surveys, corporate plans or errata. The following 7 documents were referred to the committee and have not been examined:

- Dairy Australia: Delivering for the dairy industry Annual Report 2004-05
- Department of Agriculture, Fisheries and Forestry – Corrigendum to the 2003-04 Annual Report
- Department of Agriculture, Fisheries and Forestry – Corrigendum to the 2004-05 Annual Report
- *Australian Meat and Live-stock Industry Act 1997* – Report to Parliament on Live-stock Mortalities for Exports by Sea for the Reporting Period 1 July 2005 to 31 December 2005
- *Stevedoring Levy (Collection) Act 1998* – Report for 2005
- Airservices Australia – National Equity and Diversity Program 2004-2007: Progress Report 2004-2005
- Airservices Australia – Corporate Plan July 2005-June 2010

Timeliness

1.9 Standing Order 25(21)(c) requires the committee to report to the Senate on the late presentation of annual reports.

1.10 As stated in the *Requirements for Annual Reports*, annual reports must be tabled in Parliament by 31 October each year, except where an agency's own legislation specifies a timeframe for its annual report.² Those agencies reporting under the CAC Act are required to provide their annual reports to the minister by the 15th day of the fourth month after the end of the financial year.³ Where the financial year ends on 30 June, this deadline translates to 15 October.

1.11 As noted in the committee's report, *Annual reports (No. 1 of 2006)*, a significant number of annual reports were tabled in the Senate after the appropriate deadlines, and consequently, will be examined in this report.⁴

1.12 The committee is particularly concerned that of the 12 agencies subject to the CAC Act examined in this report, only one submitted its annual report to the minister by 15 October as required. The committee would like to commend the Rural

2 Department of Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, June 2005, p. 2.

3 *Commonwealth Authorities and Companies Act 1997*, section 9.

4 *Rural and Regional Affairs and Transport Legislation Committee Annual reports (No. 1 of 2006)*, p. 3.

Industries Research and Development Corporation (RIRDC) for adhering to its legislative responsibilities in this respect. However, due to the 2005 Parliamentary sitting calendar, the abovementioned report was not tabled until after the 31 October deadline. The committee expects that all agencies subject to the CAC Act will adhere to the relevant deadlines in the future.

1.13 The committee notes that as the Wheat Export Authority's (WEA) financial year ends on 30 September annually, it is not required to provide the minister with its annual report until 15 January the following year. The committee is disappointed that the WEA did not meet this deadline, and hopes that this will not occur again.

1.14 The following reports were presented to the Senate out of session, and formally tabled on the next sitting day of the Senate, 7 February 2006:

- Civil Aviation Safety Authority Annual Report 2004-05
- National Rural Advisory Council Annual Report 2001-02
- National Rural Advisory Council Annual Report 2002-03
- National Rural Advisory Council Annual Report 2003-04

1.15 Although not subject to the timeframes in the CAC Act or the *Financial Management and Accountability Act 1997* (FMA Act), there have been substantial delays in the tabling of the following reports:

- National Rural Advisory Council Annual Report 2001-02
- National Rural Advisory Council Annual Report 2002-03
- National Rural Advisory Council Annual Report 2003-04
- Queensland Fisheries Joint Authority Report 1 July 2003-30 June 2004

The committee has noted the delay in the presentation of these reports, and expects that the bodies in question will meet the required deadlines in the future.

1.16 As noted in the committee's report *Annual reports (No. 1 of 2006)*, the committee wrote to the Australian Fisheries Management Authority (AMFA), requesting advice about the significant delays in the tabling of a number of fisheries joint authorities annual reports.⁵ This letter was forwarded to the Department of Agriculture, Fisheries and Forestry in May 2006, and the committee has yet to receive a response to its enquiry.

1.17 The committee recognises that some bodies are required to comply with the timeframes stipulated in their enabling legislation, and appreciates that the relevant deadlines are adhered to by those agencies. Nonetheless, the committee reminds all

5 *Rural and Regional Affairs and Transport Legislation Committee Annual reports (No. 1 of 2006)*, p. 5.

bodies that, as stated in the *Requirements for Annual Reports*, the Government maintains its policy that all annual reports are to be tabled by 31 October.⁶

Comments on reports

1.18 Under Standing Order 25(21)(a) the committee is required to scrutinise annual reports and inform the Senate as to whether they are 'apparently satisfactory'. The committee assesses compliance with the reporting guidelines specified by the legislation under which respective departments and agencies present their annual reports.

1.19 The committee is of the view that the reports examined are generally 'apparently satisfactory', although some do not comprehensively address all of the legislative requirements they are subject to. It is noted, however, that any divergence from these requirements is only minor in nature. The issues of most concern are discussed below.

1.20 As commented in the committee's previous reports on annual reports, although compliance indexes are no longer mandatory, the committee recommends their inclusion in annual reports. Compliance indexes greatly facilitate the committee's task of ensuring adherence to reporting requirements, and also aid agencies in demonstrating that all legislative obligations have been met.

1.21 The committee found that some compliance indexes were more useful than others. Unfortunately, many compliance indexes were not comprehensive and did not address all reporting requirements. Moreover, many of the page references given in the compliance indexes were either incorrect, or too broad to be useful. The committee commends those agencies which included compliance indexes for each piece of legislation they are required to report under, particularly AMFA, which had an exceptional compliance index and comprehensively addressed all its legislative obligations. A number of agencies have also adopted the recommended practice of including a nil, n/a or "-" entry where the body has nothing to report under an item, which has been appreciated by the committee.

1.22 The committee is pleased to note that the WEA included a compliance index in its *Annual Report 2004-05*, as recommended in the committee's *Annual reports (No. 2 of 2005)*. However, three authorities, the Dairy Adjustment Authority (DAA), the Forest and Wood Products Research and Development Corporation (FWPRDC), and the Murray-Darling Basin Commission (MDBC) and two companies, the Maritime Industry Finance Company Ltd (MIFCo) and the Australian Rail Track Corporation Limited (ARTC) did not include compliance indexes in their annual reports. This made it difficult for the committee to determine whether these reports complied with the relevant requirements.

⁶ Department of Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, June 2005, p. 2.

1.23 In addition, the committee draws attention to the importance of an alphabetical index in assisting readers to navigate annual reports. The committee considers that the FWPRDC and the Grape and Wine Research and Development Corporation (GWRDC) would benefit from including indexes. Further, a number of indexes in annual reports examined were quite brief and unhelpful. In contrast, the index included in the National Capital Authority's (NCA) annual report was very comprehensive and easy to use.

1.24 The committee found that a number of agencies did not adequately address factors, trends or events affecting their performance, or the risks and opportunities faced by the agencies during the course of the financial year, as required under subsection 10(1)(b) of the *Commonwealth Authorities and Companies (Report of Operations) Orders 2005*. The committee commends the AMFA and the Cotton Research and Development Corporation who both openly identified the challenges each agency faced and the strategies adopted to manage these.

1.25 The committee observed that some agencies, including the FWPRDC and the WEA, did not clearly identify whether or not they had any subsidiaries. The committee reminds agencies that they are obliged to report against section 15 of the CAC Act, which requires agencies to provide the minister with details of any subsidiaries formed, any interest acquired in existing companies or any significant business activity undertaken by the agency. If no such activity is undertaken, this should be reported as nil.

1.26 The committee calls attention to section 17 of the *Commonwealth Authorities and Companies (Report of Operations) Orders 2005* which notes that the annual reports of Commonwealth authorities must include certain matters required by the relevant sections of the following legislation: *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) section 516A, *Freedom of Information Act 1982* (FOI Act) subsection 8(1), *Occupational Health and Safety (Commonwealth Employment) Act 1991* (OH&S Act) section 74.⁷ The committee encourages agencies to look carefully at the reporting requirements under these pieces of legislation when compiling upcoming reports.

1.27 The committee observed that several agencies did not adequately address all of the requirements under section 516A (6) of the EPBC Act. The committee points to the AMFA annual report as an excellent example of how this requirement should be dealt with.

1.28 The committee was pleased to see that all agencies included a Freedom of Information statement. The committee did, however, identify significant omissions in most agencies' attempts to address their obligations under subsection 8(1) the FOI Act. In particular, the committee found that only a few bodies actually provided information on arrangements that exist for others to participate in the agencies' policy formulation processes. Again, AMFA reported against this in an exceptional manner,

7 *Commonwealth Authorities and Companies (Report of Operations) Orders 2005*, section 17.

as did the Fisheries Research and Development Corporation (FRDC) and the Australian Pesticides and Veterinary Medicines Authority.

1.29 The committee also noted that a number of agencies omitted to provide details required under section 74(1)(c) of the OH&S Act, regarding their Occupational Health and Safety policy. The committee was pleased however, that most agencies provided adequate information on the measures taken to ensure the health and safety of their employees.

1.30 While the majority of agencies provided information on the activities undertaken in order to ensure compliance with the Commonwealth Disability Strategy, the committee draws attention to section 18 of the *Commonwealth Authorities and Companies (Report of Operations) Orders 2005*, which specifically states that an assessment of an authority's performance in implementing the Strategy must be provided in accordance with the terms set out in the Guide to the Performance Reporting Framework.⁸ The committee encourages agencies to adopt this method of assessment in future reports.

1.31 The committee notes sections 6 and 7 of the *Requirements for Annual Reports*, which require a summary statement, separately listing new and ongoing consultancy contracts, in addition to a table containing further detailed information on consultancies in accordance with a mandatory proforma, and a summary statement regarding competitive tendering and contracting undertaken by the agency.⁹ As a matter of best practice, CAC Act bodies should comply with the *Requirements for Annual Reports*, and provide this information.

1.32 In a previous report *Annual reports (No. 2 of 2005)*, the committee raised concerns about some agencies' failure to report on consultancies and competitive tendering and contracting.¹⁰ However, the following agencies have failed again to provide the required information: Land and Water Australia, the Sugar Research and Development Corporation (SRDC) and the FWPRDC. The RIRDC did not provide relevant information either. The committee is pleased to note that the Civil Aviation Safety Authority (CASA) has included information on consultancies in light of comments made in the committee's earlier report.

1.33 The committee is pleased to find that the WEA has implemented the suggestion made in the report *Annual reports (No. 2 of 2005)*, to list consultancy and

8 *Commonwealth Authorities and Companies (Report of Operations) Orders 2005*, section 18. This Guide can be accessed on the Commonwealth Disability Strategy website at <http://www.facs.gov.au/cds>.

9 Department of Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, June 2005, pp. 11-13 and 26-29.

10 *Rural and Regional Affairs and Transport Legislation Committee Annual reports (No. 2 of 2005)*, pp. 5-6.

contract services in the compliance index of its annual report.¹¹ The committee encourages other agencies which do not do so currently, to implement this practice.

1.34 While a number of agencies did provide information on consultancies and competitive tendering and contracting, many of them failed to present it in accordance with the mandatory proforma. The committee reminds agencies that the method of presentation for this information is specified quite explicitly in the *Requirements for Annual Reports*, and encourages agencies to abide by this proforma in the future.¹² The NCA's *Annual Report 2004-05* is highlighted as a perfect example of reporting in this instance.

Senate remarks on annual reports

1.35 In accordance with Senate Standing Order 25(21)(d), the committee is required to take into account remarks made in the Senate which are relevant to the annual reports under consideration.

1.36 While no substantive debate on annual reports within the committee's portfolios took place in the Senate, Senator Ian Campbell referred to CASA's *Annual Report 2004-05* while answering a question asked by Senator Allison in March 2006, regarding CASA and the aviation industry.¹³

Comment on significant matters

1.37 Finally, Senate Standing Order 25(21)(g) directs the committee to comment on significant matters raised in annual reports. The committee has considered the annual reports of the following agencies:

- Australian Fisheries Management Authority;
- Civil Aviation and Safety Authority;
- Fisheries Research and Development Corporation;
- Forest and Wood Products Research and Development Corporation;
- Grains Research and Development Corporation;
- Grape and Wine Research and Development Corporation;
- Sugar Research and Development Corporation;
- Wheat Export Authority;
- Australian Rail Track Corporation Ltd;
- Maritime Industry Finance Company Ltd;

11 *Rural and Regional Affairs and Transport Legislation Committee Annual reports (No. 2 of 2005)*, p. 6.

12 Department of Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, June 2005, pp. 11-13 and 26-29.

13 Senate *Hansard*, 30 March 2006, p. 240.

- Dairy Adjustment Authority; and
- National Capital Authority.