

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(20), annual reports of departments and agencies shall stand referred to the committees in accordance with an allocation of departments and agencies in a resolution of the Senate. Each committee shall:

- (a) examine each annual report referred to it and report to the Senate whether the report is apparently satisfactory;
- (b) consider in more detail, and report to the Senate on, each annual report which is not apparently satisfactory, and on the other annual reports which it selects for more detailed consideration;
- (c) investigate and report to the Senate on any lateness in the presentation of annual reports;
- (d) in considering an annual report, take into account any relevant remarks about the report made in debate in the Senate;
- (e) if the committee so determines, consider annual reports of departments and budget-related agencies in conjunction with examination of estimates;
- (f) report on annual reports tabled by 31 October each year by the tenth sitting day of the following year, and on annual reports tabled by 30 April each year by the tenth sitting day after 30 June of that year;
- (g) draw to the attention of the Senate any significant matters relating to the operations and performance of the bodies furnishing the annual reports; and
- (h) report to the Senate each year whether there are any bodies which do not present annual reports to the Senate and which should present such reports.¹

1 Standing Orders and other orders of the Senate, September 2006, p. 27 (This Standing Order was amended 24 August 1994, 13 February 1997, 11 November 1998, 3 December 1998, 13 February 2002, 19 November 2002 and 14 August 2006).

Purpose of annual reports

1.3 The tabling and scrutiny of annual reports by Senate committees, under Standing Order 25(20), 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 programmes.

Requirements

1.4 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: the *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*; and
- 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(20)(f), requires committees to report on annual reports tabled by 31 October each year by the tenth sitting day of the following year. In this instance, the relevant date is 22 March 2007. Committees are also required to report on annual reports tabled by 30 April each year by the tenth sitting day after 30 June of that year.

1.6 This report considers annual reports which were tabled in the Senate or presented to the President between 1 May 2006 and 31 October 2006.

1.7 The committee examined six annual reports of agencies within the Agriculture, Fisheries and Forestry portfolio, and seven 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.

1.8 The committee is not obliged to report on Acts, statements of corporate intent, surveys, corporate plans or errata. Therefore the following 11 documents were referred to the committee but have not been examined:

- *Australian Meat and Live-stock Industry Act 1997*—Report to Parliament on compliance with funding agreement for 2004-05;
- *Australian Meat and Live-stock Industry Act 1997*—Report to Parliament on Live-stock Mortalities for Exports by Sea for the Reporting Period 1 January 2006 to 30 June 2006;
- *Dairy Produce Act 1986*—Funding contract with Dairy Australia Ltd—Report for 2004-05;
- Innovating Rural Australia: Research and development corporation outcomes—Report for 2005;
- National Residue Survey—Report for 2005-06;
- Civil Aviation Safety Authority—Corporate Plan 2006-07 to 2008-09;
- Australian Rail Track Corporation Ltd—Statement of corporate intent 2006-07;
- *Local Government (Financial Assistance) Act 1995*—Report on the operation of the Act for 2004-05;
- *Roads to Recovery Act 2000*—Roads to Recovery Programme—Report on the operation of the Act for 2004-05;
- *Sydney Airport Demand Management Act 1997*—quarterly report on the maximum movement limit for the period 1 January to 31 March 2006; and
- *Sydney Airport Demand Management Act 1997*—quarterly report on the maximum movement limit for the period 1 April to 30 June 2006.

Timeliness

1.9 Standing Order 25(20)(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 for Departments, Executive Agencies and FMA Act Bodies* (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

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

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 A number of annual reports were tabled in the Senate after the relevant deadlines, and consequently beyond the date that they may be considered in this report. In most cases this was due to delays by the agencies in providing the minister with the report. Annual reports which were tabled late will be examined in the next report on annual reports. A list of those reports appears at Appendix 2.

1.12 The following reports were presented to the President out of session and formally tabled on the next sitting day of the Senate, 6 November 2006:

- Department of Agriculture, Fisheries and Forestry *Annual Report 2005-06*;
- Airservices Australia *Annual Report July 2005- June 2006*;
- Australian Maritime Safety Authority *Annual Report 2005-2006*; and
- National Transport Commission *Annual Report 06*.

1.13 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:

- Western Australian Fisheries Joint Authority Report 1 July 2003 to 30 June 2004;
- Northern Territory Fisheries Joint Authority Report 1 July 2003 to 30 June 2004; and
- Northern Territory Fisheries Joint Authority Report 1 July 2004 to 30 June 2005.

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.

1.14 As noted in the committee's reports *Annual reports (No. 1 of 2006)*, and *Annual reports (No. 2 of 2006)*, the committee wrote to the Australian Fisheries Management Authority, requesting advice about the significant delays in the tabling of a number of fisheries joint authorities' annual reports.⁴ This letter was forwarded to the Department of Agriculture, Fisheries and Forestry (DAFF) in May 2006. The department responded that state and territory governments are primarily responsible for the collation and drafting of joint authority reports. DAFF has received advice from jurisdictions indicating that the timely provision of these reports is usually

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. 5; *Rural and Regional Affairs and Transport Legislation Committee Annual reports (No. 2 of 2006)*, p. 4.

constrained by difficulties encountered in finalising data collection and research programs in time to comply with standard reporting requirements. In 2005 the then Minister for Fisheries, Forestry and Conservation placed a priority on preparing reports, however, some jurisdictions are still one or two reporting periods behind. The committee was also informed that a review of the arrangements for joint authority fisheries is currently underway.

1.15 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 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.⁵

Comments on reports

1.16 Under Standing Order 25(20)(a) the committee is required to scrutinise annual reports and inform the Senate whether they are 'apparently satisfactory'. The committee assesses compliance with the reporting guidelines specified by the legislation that respective departments and agencies present their annual reports in accordance with.

1.17 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. However, the committee notes that any divergence from these requirements is minor. The issues of most concern are discussed below.

1.18 As commented in the committee's previous reports on annual reports, although compliance indices are no longer mandatory, the committee recommends their inclusion in annual reports. Compliance indices greatly assist the committee in its task of ensuring adherence to reporting requirements, and also serve to help agencies demonstrate that all legislative obligations have been met.

1.19 The committee found that some compliance indices were more useful than others. Unfortunately, many compliance indices were not comprehensive and did not include all reporting requirements. The committee commends the Department of Agriculture, Fisheries and Forestry (DAFF) for including a comprehensive and accurate compliance index. The adoption of the recommended practice of including a nil, n/a or "-" entry where the body has nothing to report under an item by various agencies has been appreciated by the committee.

1.20 The compliance index in the Department of Transport and Regional Services (DOTARS) annual report listed references to whole chapters against each reporting

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

requirement, as opposed to page numbers. Due to this lack of precision, the committee found it difficult to determine if various reporting requirements had been met.

1.21 The committee is disappointed that despite comments made in its *Annual reports (No. 1 of 2006)*, neither the Australian Maritime College (AMC) nor the National Transport Commission (NTC), included compliance indices in their annual reports.⁶ Consequently the committee encountered significant difficulty in determining whether these two agencies had complied with reporting requirements under section 15 of the CAC Act.

1.22 The committee also found it difficult to ascertain whether Airservices Australia had adequately reported against section 15 of the CAC Act, and therefore considers that their annual report would benefit from a more comprehensive compliance index in the future.

1.23 Further, the committee draws attention to the importance of an alphabetic index in assisting readers to navigate annual reports. While some reports did include alphabetic indices, they were often quite brief and did not effectively aid readers of those reports. The committee considers that the NTC and AMC would both benefit from including alphabetic indices.

1.24 The committee observed that while most agencies mentioned the factors, trends or events affecting their performance, and the risks and opportunities faced by the agencies during the course of the financial year, these issues could have been more comprehensively addressed. The committee further notes that the Australian Maritime Safety Authority (AMSA) addressed this requirement particularly well, but did not include a reference to it in the annual report's compliance index.

1.25 The committee calls attention to section 17 of the *Commonwealth Authorities and Companies (Report of Operations) Orders 2005* (CAC Orders) 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, and *Commonwealth Electoral Act 1918* section 311A.⁷ The committee encourages agencies to look carefully at the reporting requirements under these pieces of legislation when compiling upcoming reports.

1.26 The committee notes the importance of environmentally friendly practice by organisations, and suggests that the Australian Wine and Brandy Corporation and the AMC address requirements under the EPBC Act in more detail in the future.

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

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

1.27 The committee was satisfied with the degree of reporting against agencies' obligations under the FOI Act, but does encourage AMSA to provide more comprehensive information on arrangements that exist for others to participate in AMSA's policy formulation processes.

1.28 The committee was pleased to note that most agencies reported on the measures taken to ensure the health and safety of their employees. However, 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 encourages agencies to address this in future reports.

1.29 The committee notes that many agencies omitted to include a statement of expenditure on advertising and marketing as required under section 311A of the *Commonwealth Electoral Act 1918*. The committee considers the DOTARS and DAFF annual reports are excellent examples of how this requirement should be addressed.

1.30 The committee reminds agencies that under section 14 of the CAC Orders they are required to disclose specific details pertaining to the board and to each director. The committee encourages agencies to specify this information in upcoming reports.

1.31 The committee observed that the level of detail provided in reporting on compliance with the Commonwealth Disability Strategy varied greatly. The committee is disappointed that despite comments made in its *Annual reports (No. 1 of 2006)* neither the AMC nor the NTC provided an assessment of their implementation of the Strategy.⁸ The committee notes 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.⁹ Agencies are encouraged to adhere to this method of reporting in the future.

1.32 The committee draws attention to sections 6 and 7 of the *Requirements for Annual Reports*, which require agencies to provide specific details about consultancy contracts and any competitive tendering and contracting undertaken.¹⁰ The committee notes that CAC Act bodies should comply with the *Requirements for Annual Reports* as a matter of best practice, and should provide the relevant information in the

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

9 *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>.

10 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.

required form. While the committee appreciates that DOTARS has provided a substantial amount of information on consultancies and contracting, the committee reminds DOTARS that under the *Requirements for Annual Reports*, this information must be presented in accordance with a mandatory proforma. The committee encourages DOTARS to adhere to this proforma in the future. DAFF is commended for its flawless reporting in this respect.

1.33 The committee notes that both DAFF and DOTARS report on their purchasing policies and procedures. However, the committee reminds both departments that under section 12(5) of the *Requirements for Annual Reports*, they are also required to provide an assessment of the performance of these policies and procedures.

1.34 The committee appreciates the information provided by DOTARS on fraud control and management practices. However the committee notes that a mandatory requirement under the *Requirements for Annual Reports* checklist is a certification of compliance with Commonwealth Fraud Control Guidelines by agency heads. Such certification is often included in the letter of transmittal of an annual report, as exemplified in the DAFF annual report.

1.35 The committee found that the AMC did not address a number of its legislative requirements under the CAC Act. While the details omitted are minor in nature, the AMC is still required to report on all requirements under the CAC Act, and the committee expects the AMC to comply with these requirements in the future. The committee is also concerned that even though the AMC's previous failures to appropriately date letters of transmittal, have been noted in the committee's reports *Annual reports (No. 1 of 2005)*, and *Annual reports (No. 1 of 2006)*, the agency has again failed to provide a specific date with its letter of transmittal.¹¹

1.36 The committee notes that while the NTC is not a Commonwealth authority for the purposes of the CAC Act, the NTC's enabling legislation states that certain sections of the CAC Act apply to it, including section 9.¹² Under schedule 1 of the CAC Act, an agency's annual report must include a report of operations prepared in accordance with the CAC Orders. The NTC has not addressed the majority of requirements under the CAC Orders, and the committee expects the NTC to ensure that its upcoming annual report satisfies all of its legislative obligations.

1.37 The committee is disappointed that although it advised in its report *Annual reports (No. 1 of 2006)* that the size of the NTC's annual report was inappropriate, the NTC has clearly not taken heed of this. The committee again draws the agency's attention to the document *Printing standards for documents presented to Parliament*

11 *Rural and Regional Affairs and Transport Legislation Committee Annual reports (No. 1 of 2005)*, p. 5; *Rural and Regional Affairs and Transport Legislation Committee Annual reports (No. 1 of 2006)*, p. 5.

12 *National Transport Commission Act 2003*, section 38.

which clearly states that all documents that are to be presented to Parliament must be printed in international standard B5 size.¹³ The NTC's *Annual Report 06* was an A4 sized document. The committee expects that the NTC will take note of these printing standards when producing future reports.

1.38 The committee is pleased to find that LiveCorp and the Australian River Company Limited have complied with reporting obligations under the *Corporations Act 2001*. However, the committee notes that in the audit reports of both companies the auditors did not detail an opinion on whether they had received all information and assistance necessary to conduct the audit, or whether the respective company had retained sufficient financial records, as required under section 307 of the *Corporations Act 2001*. The committee encourages both companies to ensure that this information is incorporated in future reports.

1.39 In addition, the committee noted that the Australian River Company Limited omitted to report on any legal proceedings on behalf of the company as required under sections 300A(14)-(15) of the *Corporations Act 2001*, details of any shares, interests or options granted under sections 300(1)(d), and 300(5)-(7) or the qualifications and experience of the company secretary under section 300(10)(d). The committee expects the company to take these requirements into consideration when preparing upcoming annual reports.

Senate remarks on annual reports

1.40 In accordance with Senate Standing Order 25(20)(d), the committee is required to take into account remarks made in the Senate which are relevant to the annual reports under consideration.

1.41 Although no extensive debate on annual reports within the committee's portfolio's took place in the Senate, Senator Ian MacDonald drew attention to the Western Australian Fisheries Joint Authority's *Report 1 July 2003 to 30 June 2004* and spoke briefly about the problems faced by fisheries under the Authority, due to illegal incursions by Indonesian fishers.¹⁴

Comment on significant matters

1.42 Finally, as required under Senate Standing Order 25(20)(g), which directs the committee to comment on significant matters raised in annual reports, the committee has considered the annual reports of the:

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

13 This document can be accessed at http://www.aph.gov.au/house/committee/publ/printing_standards.htm.

14 *Senate Hansard*, 9 November 2006, p. 126.

