

The Parliament of the Commonwealth of Australia
Joint Committee of Public Accounts

REPORT 309

ANNUAL REPORTING GUIDELINES FOR STATUTORY
AUTHORITIES



Australian Government Publishing Service
Canberra

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SEVENTEENTH COMMITTEE

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1. Appointed 6 March 1991
 2. Discharged 6 March 1991
 3. Discharged 13 March 1991

DUTIES OF THE COMMITTEE

Section 8(1) of the Public Accounts Committee Act 1951 reads as follows:

Subject to sub-section (2), the duties of the Committee are:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
- (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of inter-governmental bodies to which this Act applies;
- (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

PREFACE

The Committee initiated its Inquiry into Annual Reporting Guidelines for Statutory Authorities in the context of, and in response to, the significant public sector reforms that have occurred during the 1980s. From the early days of the Inquiry it has been abundantly clear to the Committee that the original 1982 guidelines for annual reporting by statutory authorities are out of date and do not adequately reflect the changes that have taken place in both the current day administrative environment and the legislative framework within which Commonwealth government entities operate.

All statutory authorities are accountable to Parliament for their performance. Accordingly, the Committee strongly endorses the existence of guidelines which lay the foundation for statutory authorities to prepare high quality annual reports that focus on the meaningful reporting of both financial and non-financial performance. Furthermore, the Committee is of the view that no statutory authority - large or small, commercial or budget-dependent - should be exempt from meeting the minimum requirements set down by annual reporting guidelines.

The Committee is particularly concerned that while many statutory authorities have specific annual reporting provisions in the Acts by which they are established and others are subject to the annual reporting provisions of the Audit Act 1901, there is no consistent or all embracing legislative requirement for every statutory authority to report to Parliament annually. The fact that there is no statutory backing for the annual reporting guidelines is incongruous with the existence of statutory backing for the departmental annual reporting guidelines, by virtue of the Public Service Act 1922, and the requirements of the Companies Code in relation to annual reporting by private sector companies. The Committee is of the view that the most effective way to ensure that there is a minimum level of quality information presented by all statutory authorities to Parliament each year is to give new annual reporting guidelines statutory backing.

This Report is seen by the Committee as the overdue impetus for new annual reporting guidelines for statutory authorities. While the Report does not address all detailed issues in annual reporting, it identifies the critical matters that should be included in annual reports. More importantly, the Committee views this Report as the foundation for the creation of relevant annual reporting guidelines and it strongly recommends that any new guidelines are backed by legislation and are issued within a framework of constant review and revision.

The Committee would like to thank the Australian National Audit Office for the secondment of Jenny Peachey to assist with this Inquiry. The Committee wishes to extend to Jenny Peachey its appreciation of her highly professional contribution to its work.

For and on behalf of the Committee.

Hon G F Punch, MP
Chairman
8 May 1991

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RECOMMENDATIONS

The Committee has made a number of recommendations which are listed below, cross-referenced to their location in the text. The Committee recommends that:

1. Criteria used as the basis for the classification of a statutory authority as a government business enterprise be defined and made readily available to interested parties. (paragraph 2.18)
2. The relevant Minister should continue to approve the corporate plans prepared by statutory marketing authorities and should also retain a reserve power to direct the board of a statutory marketing authority in exceptional circumstances and to ratify the remuneration of the chief executive officer. (paragraph 2.24)
3. The annual reporting guidelines for statutory authorities should clearly state the categories of statutory authorities to which the guidelines apply and the categories should include:
 - government business enterprises;
 - statutory marketing authorities;
 - other commercial statutory authorities; and
 - non-commercial statutory authorities. (paragraph 2.28)
4. There should be one set of annual reporting guidelines for statutory authorities. The guidelines should be presented on two levels: the first covering broad issues applicable to all authorities with an emphasis on accountability requirements for both financial and non-financial information; and the second level divided into sections relevant to particular categories of statutory authorities which outline the reporting requirements applicable to each category. (paragraph 3.12)
5. When formulating the new annual reporting guidelines for statutory authorities, stronger consideration be given to the treatment and disclosure in annual reports of commercially sensitive information. (paragraph 3.18)

6. *The annual reporting guidelines for statutory authorities be backed by statute and the legislative reference to the guidelines should state that the guidelines be:*
 - *tabled in Parliament;*
 - *notified in the Gazette;*
 - *reviewed annually by a central agency with amendments, as appropriate, tabled in Parliament; and*
 - *approved by the Joint Committee of Public Accounts. (paragraph 3.26)*

7. *The new annual reporting guidelines for statutory authorities be prepared by the Department of the Prime Minister and Cabinet and the Department be responsible for an annual review and up-date of the guidelines. (paragraph 3.29)*

8. *All statutory authorities should table their annual reports no later than four months after their balance date. (paragraph 4.6)*

9. *The Acts Interpretation Act 1901 be amended to provide for annual reports to be tabled to the Presiding Officers of Parliament when neither House of Parliament is sitting. (paragraph 4.16)*

10. *The annual reporting guidelines for statutory authorities clearly set out the requirements and procedures for the presentation of annual reports to Parliament. The guidelines should also clearly specify that:*
 - *approval for late publication of annual reports must be sought prior to the deadline date from the relevant Minister;*
 - *when an annual report does not meet the reporting deadline the chief executive officer of the statutory authority concerned must lodge an explanation for the late tabling; and*
 - *any explanation for late tabling must be notified in both Houses of Parliament by the relevant Minister when tabling an annual report. (paragraph 4.22)*

11. The scrutiny of annual reports by Parliamentary committees include a thorough examination of the reasons for any late tabling of annual reports and, in so doing, call to account the relevant chief executive officers of the agencies concerned to adequately explain the reasons for late annual report production. The committees' reports emanating from the scrutiny process should present a clear analysis of the reasons provided and proposed remedies for late tabling. (paragraph 4.24)
12. The guidelines require authorities to report details of Ministerial directions issued during the financial year and the impact of those directions on their operations, including any financial loss which it appears is involved, and any off-setting benefits. (paragraph 5.9)
13. The annual report of a statutory authority provide details about external reviews conducted on the authority's operations by the Auditor-General, a *Parliamentary committee* and/or the Ombudsman. Details should be concise but include a list of major recommendations made and any action taken by the authority in accordance with such recommendations. To avoid excessive bulk, details should be cross-referenced to the actual report tabled by the external agency that conducted the review(s). (paragraph 5.14)
14. Statutory authorities be required to detail in their annual reports any judicial decisions or decisions of administrative tribunals having a significant impact on their current or future operations, with a brief description of any remedial action taken in response to those decisions. (paragraph 5.16)
15. Every statutory authority be required to report on equal employment opportunity (EEO) in its annual report. The Committee further recommends that the Equal Employment Opportunity (Commonwealth Authorities) Act 1987 be amended so that the timeframe for lodging EEO reports is extended to four months to more readily enable authorities to include their EEO reports in their annual reports. (paragraph 5.26)
16. The guidelines incorporate details of annual reporting requirements relating to occupational health and safety issues as required by the Occupational Health and Safety (Commonwealth Employment) Act 1991. (paragraph 5.30)

17. The annual reporting guidelines for statutory authorities include requirements for reporting under the Australian Heritage Commission Act 1975 and the Environment Protection (Impact of Proposals) Act 1974. (paragraph 5.35)
18. Annual reports of statutory authorities should provide a summary of an authority's energy use and energy efficiency improvement measures undertaken during the year. (paragraph 5.35)
19. All statutory authorities be required to prepare a corporate plan. The plan should, at a minimum, provide a clear statement of objectives and intended outcomes together with a set of measures against which to judge those outcomes. Furthermore, the annual report of a statutory authority should provide key features of the corporate plan, including targeted performance parameters. (paragraph 6.14)
20. All statutory authorities be required to report on non-financial performance in their annual reports, providing as a minimum, an outline of program objectives and of desired results together with a description of key performance indicators. Comparative data over successive years should be presented where relevant. (paragraph 6.24)
21. In formulating the guidelines for annual reporting by statutory authorities and, in particular, requirements for reporting non-financial performance, the Department of the Prime Minister and Cabinet should consult widely with a range of statutory authorities and central agencies to ensure that the information requirements result in the provision of meaningful data and avoid excessive overlap with information provided in other public documents. (paragraph 6.24)
22. The annual reporting guidelines specify the requirement to incorporate in annual reports audited financial statements in accordance with the Guidelines for Financial Statements of Commonwealth Entities issued by the Minister for Finance from time to time. (paragraph 7.3)
23. With the aim of improving the quality and timeliness of information to Parliament, statutory authorities with commercial operations be required to present to the relevant Minister on a half-yearly basis interim reports on financial position. Furthermore, all statutory authorities should be required to report critical events which have a material effect on financial position to relevant Ministers as they occur. (paragraph 7.15)

24. The Department of Finance, in conjunction with the Public Sector Accounting Standards Board, investigate and report to this Committee the most appropriate form that interim reporting by statutory authorities should take. (paragraph 7.15)
25. The annual reporting guidelines for statutory authorities explicitly state that responsibility for accuracy of both financial and non-financial information contained in annual reports lies with the management of the reporting entity. (paragraph 8.4)
26. The scrutiny of annual reports conducted by the Senate legislative and general purpose standing committees be examined to provide the highest degree of consistency of the quality of review across all committees. (paragraph 8.10)
27. The standing committees of the House of Representatives be formally assigned responsibility for the scrutiny of annual reports prepared by statutory authorities. The resolution formalising the process of review should be specific in terms of requiring committees to consider whether the annual reports are in accordance with the guidelines for annual reporting by statutory authorities and any departure from the guidelines should be followed up with the relevant authority and reported accordingly. (paragraph 8.12)
28. The standing committees of the Senate and House of Representatives should jointly develop a program of scrutiny of annual reports so that maximum quality coverage can be achieved and overlap of scrutiny reduced. (paragraph 8.12)
29. The Commonwealth printing and publishing manual be updated to incorporate recommendations made in 1986 by the Joint Committee on Publications in its report on the Review of the Cost and Distribution of the Parliamentary Paper Series. (paragraph 9.7)
30. Any update to the Commonwealth printing and publishing manual should take account of recent public sector reforms of commercially oriented statutory authorities, so that constraints on printing for this class of agency are realistic in a commercial environment without jeopardising current publishing requirements for the Parliamentary Paper Series. (paragraph 9.7)

31. All annual reports in excess of 50 pages, including appendices, should provide an index to aid accessibility to information. Where an index is not provided, an annual report should contain a detailed table of contents. (paragraph 9.11)
32. When a statutory authority considers that information required by the annual reporting guidelines is adequately presented in another public document prepared by that statutory authority, it can minimise the amount of information provided by cross-referencing the information contained in the annual report to the other public document, with the following provisos that:
- the annual report must contain enough information to provide the reader with the basic facts;
 - details to the cross-referenced document must be specific in terms of the title of the document and where it is available; and
 - cross-referencing should not be used as the basis for minimising the bulkiness of an annual report if a reference is made to documents that will incur monetary costs upon the user requiring the information. If such costs are likely to be incurred and the information is a requirement under the annual reporting guidelines, the requirement should be fulfilled in total in the annual report of the statutory authority. (paragraph 9.15)

ABBREVIATIONS

AGPS	Australian Government Printing Service
ANAO	Australian National Audit Office
AWB	Australian Wheat Board
EEO	Equal Employment Opportunity
GBE	Government Business Enterprises
JCPA	Joint Committee of Public Accounts
PSASB	Public Sector Accounting Standards Board
SMA	Statutory Marketing Authority
SSCFPA	Senate Standing Committee on Finance and Public Administration

CHAPTER 1

INTRODUCTION

Background to the Inquiry

1.1 In November 1982 the Government tabled its Guidelines for the Content, Preparation and Presentation of Annual Reports by Statutory Authorities (the guidelines). Despite the significant reforms which have occurred throughout the public sector during the 1980s, the guidelines have neither been up-dated nor re-issued since their inception to reflect the major changes to the reporting requirements of all Commonwealth entities.

1.2 In June 1989 the Senate Standing Committee on Finance and Public Administration (SSCFPA) tabled a report on The Timeliness and Quality of Annual Reports which found that the guidelines were outdated and inadequate.¹ That Committee further noted that no section of the Public Service had direct responsibility for the guidelines, nor was there provision for the guidelines to be approved by a parliamentary committee.²

1.3 In November 1989 the Joint Committee of Public Accounts (the Committee) tabled its Report 304, Guidelines for Departmental Annual Reports. The recommendations made in that Report were significant and have given rise to the recent tabling of new annual report guidelines for Commonwealth departments which focus on the reporting of results and the acquittal of each department's accountability obligations to Parliament.

1.4 The Committee considers that the quality of annual reports prepared by Commonwealth statutory authorities should be no different to that of reports prepared by departments. Accordingly, partly in response to the findings of the SSCFPA and largely resulting from its own inquiry into guidelines for departmental annual reports, the Committee announced its Inquiry into Annual Reporting Guidelines for Statutory Authorities in October 1989.

1. SSCFPA. The Timeliness and Quality of Annual Reports, AGPS, Canberra, June 1989, p. 14.

2. Ibid.

Terms of Reference

1.5 In commencing the Inquiry, the Committee indicated that it would examine, report and make recommendations with a view to obtaining maximum benefit from the experience that the Parliament, authorities and other interested bodies have gained through the regular production and use of annual reports since the guidelines were introduced.

1.6 Particular aspects addressed during the Inquiry were:

- . timeliness of reports including methods for reducing the time required to produce reports;
- . relevance of the contents of annual reports, with an emphasis on the *relevance and methods of measurement and reporting* of achievement of non-financial objectives;
- . accuracy of information and methods of enhancing and ensuring the accuracy of information; and
- . accessibility of information contained in annual reports in terms of layout, use of indexes and avoidance of excessive bulk.

1.7 On commencing the Inquiry the Committee indicated that it would place emphasis on the meaningful reporting of performance of the tasks for which authorities exist.

Conduct of the Inquiry

1.8 The Committee invited all federal parliamentarians, departments, statutory authorities and individuals/organisations with a specific interest in the Inquiry to make a submission. Statutory authorities not intending to make a submission were requested to advise the Committee on their current annual reporting arrangements.

1.9 Sixty two submissions to the Inquiry were received, a list of which is at Appendix A. Numerous letters were also received advising of authorities' current reporting arrangements.

1.10 Three public hearings were conducted in November and December 1990. Appendix B provides a list of witnesses who gave evidence at these hearings. The Committee also inspected a number of statutory authorities. A list is provided at Appendix C.

The Role of Annual Reports

1.11 Statutory authorities have generally been afforded more management autonomy and flexibility in financial administration than departments of state. This is particularly the case in the light of the ongoing reforms to public sector management and since the issue of the Government's Policy Guidelines for Commonwealth Statutory Authorities and Government Business Enterprises in October 1987.

1.12 The increased autonomy and the associated degree of management flexibility it provides has created an even greater need for detailed and proper reporting by statutory authorities to fulfil their accountability requirements to Parliament and through Parliament to the public at large. The annual report is one of the most important vehicles for effective Parliamentary scrutiny. This fact is recognised in the Government's Policy Guidelines:

An Authority's annual report to the responsible Minister, which is required to be tabled in the Parliament, is the centre-piece of its accountability.³

1.13 The Australian accounting profession has also recently endorsed the importance of annual reports in the accountability process. Its Statement of Accounting Concepts SAC 2⁴ supports the preparation of a "general purpose financial report"⁵ to provide information to users that is useful for making and

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3. Minister for Finance Policy Guidelines for Commonwealth Statutory Authorities and Government Business Enterprises, AGPS, Canberra, October 1987, p. 10.
 4. Australian Accounting Research Foundation, Statement of Accounting Concepts, SAC 2 "Objective of General Purpose Financial Reporting," August 1990, p. 9, paragraph 21.
 5. A "general purpose financial report" is defined by SAC 2 as a financial report intended to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs.

evaluating decisions about the allocation of scarce resources. SAC 2 states that these reports are:

...the means by which managements and governing bodies discharge their accountability to the uses of the reports... particularly in relation to public sector entities..⁶

The Role of this Report

1.14 In this Report, the Committee has endeavoured to set the major parameters for the drafting of new guidelines for annual reporting by statutory authorities. The issues raised in the Report are by no means exhaustive and do not address all issues and alternatives raised in the submissions to the Inquiry. Rather, it is the intention of the Committee that the Report address the principal issues that should be included in annual reports and some lesser ones which, for various reasons, attracted the attention of the Committee.

1.15 The following chapters of this Report address a number of issues which relate not only to the requirements for annual reporting by statutory authorities but also to the applicability of guidelines for certain classes of statutory authorities, desirable formats that annual reports should take and the role of Parliament in providing review and feedback to authorities on the standard of annual reports. Throughout this Report there is an emphasis on accountability and performance reporting - two elements on which the Committee considers management must focus in the planning and production of any annual report.

6. Australian Accounting Research Foundation. Statement of Accounting Concepts SAC 2 "Objective of General Purpose Financial Reporting", August 1990, p. 11, paragraph 27.

CHAPTER 2

STATUTORY AUTHORITIES

2.1 The purpose of this chapter is to illustrate the vast array of public bodies that can be classified as statutory authorities. The chapter also focuses on the classes of statutory authorities to which the annual reporting guidelines should apply.

What's in a Name?

2.2 Statutory authorities can very broadly be defined as:

...bodies (and statutory officers) established pursuant to Commonwealth statute, and their sub-bodies.¹

2.3 It was on the basis of this type of broad definition that the Committee, at the commencement of the Inquiry, sought submissions from all bodies considered to be statutory in nature. Some 185 responses to the Committee's request for information were received, of which 62 were published as formal submissions as indicated in paragraph 1.9.

2.4 The statutory bodies that responded to the Committee's Inquiry included various government business enterprises, statutory marketing authorities, off-budget agencies, budget-dependent agencies and a number of other bodies not normally regarded as statutory authorities, such as advisory committees and trust funds. The function of the responding bodies varied greatly and included organisations involved in business enterprises, such as Australia Post; in marketing, such as the Australian Wheat Board; in regulatory activities, like Austel; in the service industry, such as the Australian Broadcasting Corporation; in research, like the Australian Institute of Marine Science; and in custodial activities, such as the National Library of Australia.

2.5 A review of the responses to the Inquiry received by the Committee indicated that some statutory bodies do not prepare annual reports, or if they do,

1. SSCFPA. List of Commonwealth Bodies, June 1990, p. 2.

have relevant information incorporated into departmental annual reports rather than publishing and tabling separate annual reports.

2.6 Other organisations advised that while they are statutory bodies they are also 'departmental outriders'. These organisations are defined as departments for the purpose of reporting in accordance with section 51 of the Audit Act 1901. Typically, these bodies are ones which:

- . are funded almost totally from the budget;
- . operate on the Commonwealth Public Account; and
- . are non-commercial in character and operations.

2.7 While legislation creating these bodies makes them statutory authorities, it does not give them the status of a body corporate and does not give them any financial powers in their own right. These bodies operate largely in the same manner as a department of state and in many cases operate through a department of state.² Examples of departmental outriders are the National Crime Authority, the Textiles, Clothing and Footwear Development Authority and the Australian Taxation Office.

2.8 During the Inquiry it became apparent to the Committee that the term 'statutory authority' covers such a broad spectrum of government bodies, in terms of size, function and level of managerial autonomy, that a high degree of diversity exists across the statutory authority spectrum in terms of the quality and content of annual reports. The situation is further exacerbated by the fact that there exists a multitude of guidelines for annual and financial reporting across the public sector as a whole, and within specific portfolios. There appears to be scant centralised direction as to which authority certain guidelines apply and which set of guidelines takes precedent over others. This issue is addressed more comprehensively in Chapter 3 of this Report but it is illustrated by the following extract from the Commissioner of Taxation's response to the Inquiry:

Although the Commissioner is a statutory office holder, his annual report is prepared using the guidelines for departmental annual reports. We feel that this is appropriate as the Australian Taxation Office is a large organisation employing 10% of the Australian Public Service. We have

2. Evidence, p. S450.

never received clear guidance from the Department of the Prime Minister and Cabinet as to which guidelines we should use.³

A Classification for Statutory Authorities

2.9 For the purpose of this Report the Committee has identified four main categories of statutory authority: government business enterprises (GBEs); statutory marketing authorities (SMAs); commercial statutory authorities; and non-commercial statutory authorities. Each category is described below. While there is obvious overlap between the first three categories in that GBEs and SMAs are also commercial statutory authorities, it is considered that due to the nature of their operations each category needs to be treated independently from the other commercially oriented statutory bodies.

Government Business Enterprises

2.10 Most GBEs are statutory authorities although some have been established under the Uniform Companies Code.⁴ In a 1986 policy discussion paper government business enterprises were defined as those that:

...sell their services and derive a substantial proportion of their revenue from those sales.⁵

2.11 The paper also advises that Budget funding for GBEs usually represents a smaller proportion of total funding than for other classes of statutory authorities and that some GBEs are completely independent of the Budget.

3. Evidence, p. S447.

4. Government companies include OTC Limited, Australian Airlines Limited, Australian National Line Limited, Qantas Airways Limited, Aussat Pty Limited.

5. Minister for Finance and Minister Assisting the Prime Minister for Public Service Matters, Statutory Authorities and Government Business Enterprises: A Policy Discussion Paper concerning the Efficiency and Accountability of Commonwealth Statutory Authorities and Government Business Enterprises, AGPS, Canberra, June 1986, p. 1.

2.12 GBEs have undergone major reforms over the last few years which have had a significant impact on the way in which they report their performance and activities to Parliament. The Policy Guidelines for Commonwealth Statutory Authorities and Government Business Enterprises, tabled in October 1987, gave impetus to the reforms, recognising the importance of the enterprises within the business sector and to the economy at large.

2.13 In essence, the reforms have brought about revised corporate and financial structures and have emphasised the need for more effective target-related planning and greater accountability for performance. Hand-in-hand with the reforms has been the reduction of major government controls over day-to-day activities such as contracting, industrial relations coordination and decisions relating to executive remuneration and superannuation schemes.

2.14 For most GBEs the Parliament has legislated to provide specific annual reporting requirements. The following points summarise evidence presented to the Committee by representatives from the Australian Postal Corporation and illustrate the types of annual reporting requirements incorporated in its legislation. The example provided is typical of legislative requirements for reporting by other GBEs. Sections 42 to 44 of the Australian Postal Corporation Act 1989 require that:

- . the annual report of the Corporation be provided as soon as practicable after the end of each financial year;
- . the annual financial statements be audited by the Auditor-General;
- . the Corporation's objectives and strategies be specified in its annual report together with the policies to achieve them and the related performance indicators and targets set for both commercial and community service activities;
- . the annual report should specify financial targets and achievement of targets, the dividend that is payable to Government, the cost of community service obligations or costs arising from public ownership, and the cost of compliance with general Government policies or directions;
- . the annual report include the extent, if any, and the impact of Government notifications of general policies or directions by the Minister; and

the Corporation report on the operations of its subsidiaries and on the exercise of powers in relation to the opening of mail.⁶

2.15 The Committee notes that those GBEs that are government companies rather than statutory authorities are under no statutory requirement to report to Parliament. This issue was addressed in the SSCFPA report on Government Companies and their Reporting Requirements⁷. The Committee is keen to strengthen the reporting link between GBEs and the Parliament and accordingly endorses the recommendations made in that Report which stated that:

...all government companies, other than subsidiaries of other government companies or of statutory authorities, should conform to the financial reporting requirements applying to statutory authorities...[and]...a statutory requirement be introduced for the annual reports of all directly owned government companies to be tabled in Parliament...⁸

2.16 While the Committee can readily identify the common characteristics of all GBEs, despite some inquiry it is still unsure about when a statutory authority becomes a GBE. It seems that the uncertainty is not isolated to this Committee. At a Senate Estimates Committee hearing on 25 September 1990 representatives from the Department of Finance were asked to provide a definitive definition of a GBE. The response was:

We have a list of GBEs. That is the definitive definition.⁹

2.17 At the time of writing this Report there were 22 GBEs in existence, although the determination of how they were created is less than clear. A current list of GBEs is provided at Appendix D.

6. Evidence, p. 11.

7. SSCFPA, Government Companies and their Reporting Requirements, AGPS, Canberra, November 1989.

8. Ibid, p. 34.

9. Estimates Committee Hansard, Committee A, 25 September 1990, p. 322.

2.18 **The Committee recommends that:**

Criteria used as the basis for the classification of a statutory authority as a government business enterprise be defined and made readily available to interested parties.

Statutory Marketing Authorities

2.19 There are currently nine SMAs established within the Primary Industries and Energy portfolio to coordinate the marketing of primary produce. A list of SMAs is provided at Appendix E.

2.20 SMAs are statutory authorities established through legislation and accordingly are accountable to the Government through the Minister for Primary Industries and Energy. As the SMAs are funded via industry levies they are also directly accountable to their levy payers.

2.21 Like GBEs, SMAs have undergone significant reform in recent years as a result of Government initiatives laid down in 1987 Policy Guidelines for Commonwealth Statutory Authorities and Government Business Enterprises. Broadly, the reforms have led to the greater autonomy of SMAs with their Board of Directors being responsible to direct business along commercial lines, free from day-to-day Government oversight. The recently tabled Review of the Commonwealth Primary Industry Statutory Marketing Authorities emphasised the unique funding base of SMAs which distinguishes them from companies in the private and public sectors and most other statutory authorities and concluded that:

...the SMA should be directly accountable for its performance to the levy payers.¹⁰

10. Committee of Review of Commonwealth Statutory Marketing Authorities. Review of the Commonwealth Primary Industry Statutory Marketing Authorities, AGPS, Canberra, April 1990, p. vii.

2.22 The Review further concluded that :

...almost all government controls over the managerial autonomy of SMA boards and their executives should be removed....Notwithstanding this, as SMAs are bodies established through legislation and the Government is accountable for how that legislation is used, the Minister for Primary Industries and Energy should retain responsibility for approving their corporate plans to ensure that they comply with their legislated charter. The Minister should also retain a reserve power to direct the board of an SMA in exceptional circumstances and to ratify the remuneration of the chief executive officer.¹¹

2.23 Like GBEs, SMAs must prepare both corporate and annual plans which are approved by the Minister. The legislation of SMAs is also quite explicit regarding their annual reporting requirements. None of the representatives from SMAs who appeared before the Committee in public hearings or lodged submissions with the Inquiry questioned the need for accountability by SMAs to Parliament. However, the following statement from a representative of the Australian Wheat Board (AWB) reflects the general desire by SMAs to maintain a high degree of managerial autonomy:

While the AWB recognises its accountability obligations to both the Parliament and to the industry, it is concerned to ensure that its report requirements are not caught up in a secondary web of regulatory details....¹²

2.24 The Committee strongly supports the need for accountability links between statutory marketing authorities and Parliament and accordingly recommends that:

The relevant Minister should continue to approve the corporate plans prepared by statutory marketing authorities and should also retain a reserve power to direct the board of a statutory marketing authority in exceptional circumstances and to ratify the remuneration of the chief executive officer.

11. *Ibid*, p. viii.

12. Evidence, p. 81.

Commercial Statutory Authorities

2.25 Commercial statutory authorities are those which are not solely dependent upon Budget funding. In fact, some commercial statutory authorities, like the SMAs, receive no budget funding. This group of statutory authorities includes the SMAs and other organisations such as the Royal Australian Mint, the Superannuation Fund Investment Trust and the Aboriginal and Torres Strait Islander Commission.

Non-Commercial Statutory Authorities

2.26 Non-commercial statutory authorities are those bodies that rely almost exclusively on the Budget for funding and include such organisations as the Australian War Memorial, the National Library of Australia, the Australian Broadcasting Corporation and the Australian National University. To a large extent they are similar to departments of state and usually employ staff under the Public Service Act 1922. This group of statutory authorities does not include the departmental outriders referred to in paragraph 2.6 because, although budget-funded, unlike the departmental outriders they operate their own bank accounts and have control over their own assets.

Application of Guidelines

2.27 Chapter 3 of this Report considers the format that the revised guidelines for annual reporting by statutory authorities should take. At this point in this Report it suffices to state that the Committee is of the view that each of the four categories of statutory authorities identified above should be bound by the relevant annual reporting requirements defined by the guidelines. The failure to include any one of these classes of statutory authorities from being bound by the reporting requirements contained in the guidelines would result in different standards of reporting and accountability across the public sector - a current phenomenon which the Committee is actively seeking to reduce.

2.28

The Committee recommends that:

The annual reporting guidelines for statutory authorities should clearly state the categories of statutory authorities to which the guidelines apply and the categories should include:

- **government business enterprises;**
- **statutory marketing authorities;**
- **other commercial statutory authorities; and**
- **non-commercial statutory authorities.**

CHAPTER 3

GUIDELINES

45 Different Shades of Grey

3.1 During the Inquiry, the Committee was presented with a wealth of differing opinion about the actual need for annual reporting guidelines and the format that new guidelines should take. A common fear expressed in the submissions to the Inquiry, particularly by those organisations involved in more commercial endeavours, is that new annual reporting guidelines could be too prescriptive, inhibiting unique reporting features and resulting in the production of a series of annual reports of varying shades of grey. A representative from the Health Insurance Commission, for instance, stated that:

...it would be inappropriate for the guidelines for statutory authorities to be unduly prescriptive. We are concerned that this would have a number of unwelcome effects. Firstly, it has the potential to make annual reports too large and unwieldy to be truly useful. Secondly, there is also the potential that there would be an emphasis on authorities to comply with the guidelines rather than produce a meaningful and sensible report and lose sight of the means and ends, as it were. Thirdly, we think there is a danger that information having become standard would blur the differences between statutory authorities.¹

3.2 In the Committee's view, given the increasing number of reporting requirements that have emanated from recent public sector reforms (such as disclosure of Equal Employment Opportunity practices, Freedom of Information details and an increased emphasis on reporting of performance), it is difficult not to recommend guidelines which give specific direction about the type of information that must be reported in annual reports. However, the Committee does not consider that such direction will result in over-standardisation of annual reports. Rather, the Committee strongly believes that new and comprehensive annual reporting guidelines will give rise to the production of annual reports that meet the accountability obligations of authorities to Parliament and create unique reporting mechanisms for all statutory authorities.

1. Evidence, pp. 166-7.

Other Guidelines

3.3 A compounding factor that blurs the direction that guidelines should take is that the current guidelines do not exist in isolation. In fact the requirements for annual reporting in the enabling legislation of many statutory authorities, particularly that of GBEs and SMAs, is often more explicit than those laid down in the guidelines. Furthermore, there are specific groups of organisations that refer to annual reporting guidelines other than those for statutory authorities as their primary source of reference. Examples of this are the rural industry research councils and research and development corporations which follow a set of annual report guidelines prepared in 1989 for the Department of Primary Industries and Energy by Lionel E. Ward.

3.4 The Committee is also aware that a number of statutory authorities choose to follow the guidelines for annual reporting by departments because they have found the departmental guidelines to be more explicit. This is particularly the case for those authorities that are non-commercial and budget dependent in nature. The Committee considers that once new guidelines for annual reporting by statutory authorities have been issued, the need for statutory authorities to refer to departmental guidelines will be minimal.

3.5 Hand-in-hand with the guidelines for annual reporting go guidelines issued annually by the Minister for Finance relating to the form and standard of financial statements of both Commonwealth entities (statutory authorities) and Commonwealth departments.² Both sets of Minister for Finance guidelines have a list of bodies to which the guidelines apply. The lists are provided at Appendix F of this Report.

3.6 While the Minister for Finance guidelines only govern the financial content of the annual report, there is a distinct difference between the quality of financial data provided by organisations to which departmental financial statement guidelines apply and those organisations which prepare financial statements in accordance with the guidelines for Commonwealth entities. Specifically, while Commonwealth entities prepare financial statements based on accrual accounting principles currently, most Commonwealth departments and departmental outriders still largely apply cash-based accounting principles. The Committee is pleased to

2. Minister for Finance. Guidelines for Financial Statements of Commonwealth Entities, Department of Finance, June 1990 and Department of Finance. Financial Statements Guidelines for Departmental Secretaries, Department of Finance, May 1990.

note, however, that departments and outriders are progressively adopting financial reporting mechanisms that go beyond traditional cash accounting, with the disclosure of more detailed information on certain assets and liabilities even though a move to full accrual accounting is not envisaged.³

One Set of Guidelines

3.7 It is apparent to the Committee that most statutory bodies involved in commercial undertakings would argue that they should not be bound to comply with many of the reporting requirements applicable to the budget-dependent statutory authorities. The Committee agrees with this point of view, especially for those authorities to which the Public Service Act 1922 does not apply. Nevertheless, the Committee is of the view that one set of general guidelines, which focuses on reporting of financial and non-financial performance, could exist and apply equally to all statutory bodies. Guidelines in this format could be supplemented by specific reporting requirements relevant to each classification of statutory authority. This opinion is shared by a number of central agencies, accounting firms and accounting bodies. For instance, a senior representative from the Australian National Audit Office stated at a public hearing that:

...one set of guidelines would be appropriate. Whether that means that there is a broad covering framework document with a number of subsets under it or the one document, I am not sure really matters. But yes, you put all the information that deals with the accountability of responsibilities of statutory authorities in a document.⁴

3.8 Similarly, a partner from the accounting firm of Ernst & Young advised the Committee:

I see no reason why one should not be able to accept one set of reporting guidelines in terms of format. There may be issues that are pertinent to each individual authority, which might require to be addressed separately, but the basics, I think, could be enunciated for all of them.⁵

3. Evidence, p. S367.
4. Evidence, p. 215.
5. Evidence, p. 323.

3.9 The Australian Accounting Research Foundation also supports the Committee's view that one set of annual reporting guidelines could be used for all statutory authorities. At a public hearing a representative from the Foundation advised that:

...organisations should be accountable for the resources they control and the results of their control and deployment of those resources. That therefore provides a common underpinning.⁶

3.10 A Deputy Secretary of the Department of Finance was of the following view:

If the categorisation is broad enough then there could be broad subjects that would overlay any kind of statutory body and then specifically under those you could outline what the specific requirements were for the particular bodies that you were wanting to look at.⁷

3.11 The Committee is of the view that the limiting of annual reporting requirements to one set of guidelines would enhance compliance and reduce confusion about applicability of guidelines to various classes of statutory authorities.

3.12 The Committee recommends that:

There should be one set of annual reporting guidelines for statutory authorities. The guidelines should be presented on two levels: the first covering broad issues applicable to all authorities with an emphasis on accountability requirements for both financial and non-financial information; and the second level divided into sections relevant to particular categories of statutory authorities which outline the reporting requirements applicable to each category.

6. Evidence, p. 131.

7. Evidence, p. 303.

Commercial-in-Confidence Information

3.13 An issue that was addressed by the Committee when considering the possibility of having one set of general guidelines applicable to all types of statutory authorities was that of the protection of commercial-in-confidence information. In its submission to the Inquiry, the Department of Finance put the issue clearly:

The Department of Finance, however, cautions that any amendment or revision to the Guidelines will need to recognise the diversity amongst statutory authorities, particularly the distinction between trading and non-trading Authorities and the commercial implications of any change. In this context, non-trading authorities may be very similar in nature to a public service department and would not be subject to the same commercial-in-confidence considerations that apply to trading authorities.⁸

3.14 The Australian Postal Corporation, a GBE, advised the Committee that the issue of commercially sensitive material needed to be addressed when reviewing the guidelines:

...it is our view that the current guidelines clearly warrant review. It is clear that they should be updated in relation to GBEs but in a manner that is consistent with Parliament's statutory reporting requirements placed on us under our Act. Importantly, it is our view that in any such review due regard should be given to the need for GBEs to protect commercially sensitive material. In this regard, Committee members, I expect, would be aware that approximately half of our revenue is derived from competitive services.⁹

3.15 The SMAs that appeared before the Committee issued similar cautions to those expressed by GBEs. For instance, the Managing Director of the Australian Dairy Corporation advised:

There is a commercial aspect to our operations regarding confidentiality that we would have to be a little careful of. Like any organisation operating in a competitive

8. Evidence, p. S100.

9. Evidence, p. 12.

international world, many people read our reports with a view to trying to get some competitive advantage from what is in them. So we have to be a little careful about some of the material.¹⁰

3.16 Of course, the requirement for both GBEs and SMAs to prepare both corporate and annual plans for the approval of their relevant Minister does, to some extent, ensure that commercial-in-confidence information is considered by the Executive. Under the Westminster model of government, however, for adequate accountability to be preserved, Executive Government must be accountable to Parliament. The annual report of any statutory authority is a report prepared by the Chief Executive Officer of that authority, to Parliament through the Minister. While the Committee acknowledges that the corporate planning exercise is an essential management reporting function there, is a fear that authorities may use corporate plans as a convenient excuse to reduce the level of information provided to the public in annual reports. The Committee considers that there needs to be a mechanism established to ensure that only true commercial-in-confidence material is suppressed from publication.

3.17 It is the Committee's view that a possible solution to the issue may be one provided by the Auditor-General. When asked by the Committee whether the guidelines could be sufficiently flexible to account for commercial-in-confidence information, the Auditor-General replied:

We would hope that under the legislation that is being drafted in relation to the Audit Office there will be clear provision to allow commercial in confidence material - where it is agreed that it is in fact commercial in confidence and not just embarrassing to management - to be provided to the Chairman of the Public Accounts Committee and to the Chairman of the audit committee, if the Parliament decides to establish that, so that the Parliament itself can be sure that it is informed and that there is not a cloak of commercial in confidence behind which all sorts of things which should be accountable to the Parliament are hidden.... The underlying principle is that the efficiency of a government organisation has to be balanced against its accountability requirement, but none of us want to affect the commercial viability of a government enterprise by unnecessary disclosure. We take the view that accountability

10. Evidence, p. 39.

is not negotiable so you have to build in a system which allows proper accountability whilst preserving their competitive position. That is so important that I think it has to be in legislation.¹¹

3.18 **The Committee recommends that:**

When formulating the new annual reporting guidelines for statutory authorities, stronger consideration be given to the treatment and disclosure in annual reports of commercially sensitive information.

Statutory Backing for the Guidelines

3.19 While many statutory authorities have specific annual reporting provisions in the Acts by which they are established and others are subject to the annual reporting provisions of the Audit Act 1901, there is no consistent or all-embracing legislative requirement for every statutory authority to report to Parliament annually.¹²

3.20 Furthermore, unlike the guidelines for departmental annual reports, there is no statutory backing for the guidelines for annual reporting by statutory authorities. In regard to departments, by virtue of ss.25(6) and (7) of the Public Service Act 1922 annual reports must be in accordance with guidelines presented to the Parliament by the Prime Minister and approved by the Public Accounts Committee. In regard to statutory authorities, the separate Acts imposing reporting obligations say nothing about guidelines nor is there any formal process for formulation, up-date and approval of guidelines.

3.21 The Committee considers that to ensure that statutory authorities acquit their reporting obligations to Parliament, the guidelines must have statutory backing. Accordingly, during the Inquiry the Committee explored many alternatives for the provision of statutory backing to the guidelines. Two particular options were pursued in more depth:

the enactment of an annual reporting act; and

11. Evidence, pp. 216-7.

12. Evidence, p. S371.

the establishment of a subordinate instrument, incorporating the guidelines, made under an existing Act of Parliament.

3.22 The enactment of an annual reporting act has a number of drawbacks, the most evident of which is that it would provide little flexibility for regular update of annual reporting requirements.

3.23 The Committee is of the view that the other alternative of putting the guidelines in a subordinate instrument made under an Act, such as in regulations, has greater merit because they would be easily identified and changed with relative ease. Special provision could also be made in the Act to involve this Committee in the approval of regulations before they are made. If the guidelines were in regulations, they would be notified in the Gazette, tabled in Parliament, form a numbered sequence with other statutory rules, be available for purchase and be disallowable by either House of the Parliament.¹³ If the guidelines were not in regulations but were still given statutory backing through an Act of Parliament, that Act could specify the exact form the guidelines would take. For instance, the Act could provide for the guidelines to be *Gazetted*, tabled in Parliament, approved by this Committee and be disallowable by either House of the Parliament. In either case, the guidelines would have the same binding force.

3.24 The Committee is aware that the Department of Finance is currently preparing drafting instructions for new finance and administration legislation. Two Bills will be introduced to Parliament for this purpose. The first Bill, with a proposed commencement date of 1 July 1992, is the Financial Management and Accountability Bill which will govern departments of state, Parliamentary departments and prescribed bodies that operate on the Commonwealth Public Account. The second Bill, also with a proposed commencement date of 1 July 1992, is entitled the Financial Provisions (Commonwealth Entities) Bill and will apply to statutory authorities and Commonwealth companies.

3.25 In conjunction with the drafting of the above legislation is a re-drafting of the Audit Act 1901. It is proposed that the current Part XI of the Audit Act 1901 - "Financial Provisions Relating to Public Authorities and Certain Other Bodies" - will largely be incorporated in the Financial Provisions (Commonwealth Entities) Bill and will direct the accounting and auditing procedures of the bodies

13. Evidence, p. S373.

to which the Act will apply. It is the Committee's view that this Bill could be the appropriate legislative vehicle to provide the necessary statutory backing for the guidelines, particularly given the fact that the Bill is currently being drafted and is scheduled for implementation by 1 July 1992.

3.26 **The Committee recommends that:**

The annual reporting guidelines for statutory authorities be backed by statute and the legislative reference to the guidelines should state that the guidelines be:

- *tabled in Parliament;*
- *notified in the Gazette;*
- *reviewed annually by a central agency with amendments, as appropriate, tabled in Parliament; and*
- *approved by the Joint Committee of Public Accounts.*

Responsibility for the Preparation and Up-date of Guidelines

3.27 The Department of the Prime Minister and Cabinet advised the Committee that it co-ordinated the preparation of the 1982 Guidelines.¹⁴ Given that the Guidelines have not been reviewed since they were first issued, it is apparent that the Department perceived that its responsibilities ended with the tabling of the Guidelines in November 1982. This view is further supported by the following statement made in the Department's submission to the Inquiry:

*It will be for the Government to assign to one agency or another the responsibility for co-ordinating work on any revised guidelines.*¹⁵

14. *Evidence*, p. S358.

15. *Ibid.*

3.28 It is the Committee's opinion that the guidelines should be revised annually and that any revisions be Gazetted in accordance with the proposed legislative arrangements for the guidelines. It is also the Committee's opinion that a central agency should have responsibility for the preparation, up-date and re-issuing of the guidelines when appropriate and that this role would best be undertaken by the Department of the Prime Minister and Cabinet.

3.29 **The Committee recommends that:**

The new annual reporting guidelines for statutory authorities be prepared by the Department of the Prime Minister and Cabinet and the Department be responsible for an annual review and up-date of the guidelines.

CHAPTER 4

TIMELINESS OF ANNUAL REPORTS

...for all financial reporting...there is no reason why a company, a government department or any other body should not be reporting within an American style timetable, which is something like a month to two months of the year end, and the complexities of government departments are only problems to be overcome; they are not absolute reasons why they should not achieve that time frame. (Ernst & Young)

Reporting Timeframes

4.1 Section 63 of the Audit Act 1901, together with similar provisions in the enabling legislation of most statutory authorities, provides for statutory authorities to submit a report of their operations and their financial statements annually to the appropriate Minister. The Acts Interpretation Act 1901 requires annual reports to be provided to Ministers within six months of the end of the financial year.

4.2 In its report on the Timeliness and Quality of Annual Reports, the SSCFPA recommended that the reporting deadline be brought forward initially to 30 November for the 1990-91 financial year and to 31 October for future years.¹ The Committee presumes that the recommendation implies that, for those organisations that report on a non-financial year end basis, the reporting deadline should be four months after balance date.

4.3 The Committee is of the opinion that it is not unreasonable to expect an organisation to table its annual report within four months of its balance date. Such practice is in line with requirements for public companies in the private sector where, under the Australian Stock Exchange listing rules, listed public companies

1. SSCFPA. The Timeliness and Quality of Annual Reports, AGPS, Canberra, June 1989, p. 32.

are required to issue an annual report within four months of the year end balance date. Listed companies must also issue a preliminary profit report to the stock exchange within three months of balance date.²

4.4 The Committee notes that all Western Australian Government Agencies must comply with that State's Financial Administration and Audit Act 1985 which requires them to prepare and submit their annual reports to their Ministers within two months of the end of the financial year.³

4.5 It is the view of the Committee that a balance needs to be struck between disclosure of information and the timeliness of that information. The quality of the information is of paramount importance in annual reporting, but it is a recognised fact that the value of information provided generally declines with age. It is for that reason that the Committee considers a four month reporting deadline to be appropriate.

4.6 **The Committee recommends that:**

All statutory authorities should table their annual reports no later than four months after their balance date.

Impediments to Timely Reporting

4.7 A number of the submissions received by the Committee and much of the evidence heard at public hearings suggested that late reporting was often due to external factors beyond the control of the agencies themselves. The most common causes cited for late reporting were: audit arrangements with the Australian National Audit Office (ANAO); printing arrangements with the Australian Government Printer and various firms of typesetters, graphic designers and the like; competing pressures with the preparation of material for Senate Estimates Committees; and the need to await key industry statistics for inclusion in annual reports. The last of these points relates mainly to the SMAs that are accountable to their relevant industries as well as to Parliament, and accordingly need to incorporate key statistics in their annual reports to fulfil accountability requirements to growers and industry.⁴

2. Evidence, p. S244.

3. Evidence, p. S237.

4. Evidence, p. S093.

4.8 The main criticism levelled against the ANAO was that the authorities who were subject to audit could not ensure that the ANAO would complete their audit task in time for tabling requirements. Investigation by the Committee revealed that in many cases, audit procedures were slow because the financial statements prepared by the authorities for auditing were of a quality that resulted in a number of adjustments and therefore extended the audit process.⁵

4.9 When a partner of a leading private firm of accountants was asked by the Committee about the major problems it had experienced in auditing public sector agencies he replied:

I suppose one of the problems often is the inefficiencies of the reporting networks themselves.... There was a lack of a sense of urgency, a lack of an understanding of fundamental principles, an addiction, probably, to the forms and prescriptions that had ruled people's lives for a number of years...one of the biggest areas of difficulty, [was] getting people to think objectively and think in terms of timeframes that were more urgent than they were used to.⁶

4.10 In summary, the Committee was not presented with any evidence that would suggest that major blame for delays in annual reporting could be attributed to the auditors and considers that authorities should work towards streamlining and improving the preparation of financial statements to enhance the timely production of audited financial data for inclusion in annual reports.

4.11 The Committee understands that a number of authorities experience difficulty in coordinating the layout, typesetting and printing of their annual reports in time to meet tabling deadlines. It was noted that a number of authorities have overcome this difficulty through the introduction of desk-top publishing instead of sending material out for type-setting.⁷ The Committee is of the opinion that delays in publishing are merely a convenient excuse for late tabling of annual reports and a problem which should be overcome by better planning at the management level.

5. Evidence, p. 187-8.

6. Evidence, p. 329.

7. Evidence, p. S162.

4.12 One statutory authority put the following position to the Committee as a constraint to advancing the timeliness of annual report production:

...during the crucial months of June, July and August priority must be given to preparing data on a cash basis and program budget basis for the explanatory Notes to Parliament...⁸

4.13 Again, the Committee understands the reality of competing pressures but considers that it is up to management to take steps to overcome impediments to the annual report production.

4.14 The Committee wholeheartedly supports the observation made in the Royal Australian Institute of Public Administration ACT Division's Annual Report Awards of 1988-89:

While some may view timeliness in lodging reports as a relatively minor matter, it is interesting that those agencies who produce their reports relatively quickly tend to produce the better reports. Some agencies allege difficulties of preparation and production but the fact is that other agencies overcome these problems.⁹

Tabling of Annual Reports

4.15 Where an Act requires an annual report to be submitted to the Minister but does not specify the period within which the report is to be so submitted, the Acts Interpretation Act 1901 requires the Minister to table the report in both Houses of Parliament within 15 days of its receipt.¹⁰

4.16 Obviously, when Parliament is not sitting, this requirement cannot be met. This situation has a major impact on those authorities that have a March or September end balance date, and of course those authorities with June 30 balance dates that table their annual reports late. One means of overcoming unnecessary

8. Evidence, p. S075.

9. Royal Australian Institute of Public Administration ACT Division (Inc.). Annual Reports Awards 1988/89: Report of Judges on the 1988/89 Annual Reports of Commonwealth Departments and Statutory Business Undertakings, 22 May 1990, p. 24.

10. Acts Interpretation Act 1901, s.34C(3).

delays in making those annual reports available for public scrutiny is to implement procedures whereby a report could be deemed to be tabled if received by a Minister in a non-sitting period. To ensure the timely release to the public of annual reports the Committee recommends that:

The Acts Interpretation Act 1901 be amended to provide for annual reports to be tabled to the Presiding Officers of Parliament when neither House of Parliament is sitting.

4.17 The Committee notes that a similar recommendation was made by the SSCFPA in June 1989.¹¹

Sanctions for Late Reporting

4.18 It is recognised that sanctions for late reporting in the private sector have more far reaching an effect than those that can be imposed in the public sector. In the private sector, for a publicly listed company, if annual financial information is not released on time - and usually with a two week leeway - the sanction is that the company is delisted. Furthermore, the Corporate Affairs Commission also imposes financial penalties for late lodgement of information.¹²

4.19 During the Inquiry the Committee sought views on appropriate sanctions that could be enforced against statutory authorities for the late tabling of annual reports. Many suggestions were made, ranging from sanctions at the managerial level to public disclosure at the Parliamentary level.

4.20 The Committee considers that managers should be mindful of their responsibilities to report on a timely basis to Parliament. In this context, the following suggestion was made to the Committee by the Chairman of the Public Sector Accounting Standards Board (PSASB):

There is one area, and that is in relation to various senior executive service arrangements and requirements for performance agreements to be in place. One could build in, as one of his performance requirements, that the responsible

11. SSCFPA. The Timeliness and Quality of Annual Reports, June 1989, p. x.

12. Evidence, p. 159.

officer, the chief finance person - and that can have some bearing at the margin in terms of remuneration - be required to provide timely delivery of a high quality annual report.¹³

4.21 At the Parliamentary level, publicity for late tabling is an extremely important sanction - it is a salutary lesson for any manager to hear criticism of his or her organisation in either House of Parliament or from a Parliamentary committee. The Committee considers that the requirements and procedures for the tabling of annual reports should be incorporated in the guidelines for annual reporting by statutory authorities. The procedures should require the chief executives of statutory authorities to explain any reasons for the late tabling of annual reports and such explanations should be tabled in Parliament by the relevant Minister.

4.22 **The Committee recommends that:**

The annual reporting guidelines for statutory authorities clearly set out the requirements and procedures for the presentation of annual reports to Parliament. The guidelines should also clearly specify that:

- approval for late publication of annual reports must be sought prior to the deadline date from the relevant Minister;
- when an annual report does not meet the reporting deadline the chief executive officer of the statutory authority concerned must lodge an explanation for the late tabling; and
- any explanation for late tabling must be notified in both Houses of Parliament by the relevant Minister when tabling an annual report.

13. Evidence, p. 160.

4.23 Chapter 8 of this Report examines the current level of Parliamentary scrutiny of annual reports and makes recommendations about ways to improve the effectiveness of such scrutiny, particularly by the standing committees of both Houses of Parliament. The Committee considers that scrutiny of annual reports by Parliamentary Committees is another way of enforcing sanctions against late reporting.

4.24 **The Committee recommends that:**

The scrutiny of annual reports by Parliamentary committees include a thorough examination of the reasons for any late tabling of annual reports and, in so doing, call to account the relevant chief executive officers of the agencies concerned to adequately explain the reasons for late annual report production. The committees' reports emanating from the scrutiny process should present a clear analysis of the reasons provided and proposed remedies for late tabling.

CHAPTER 5

CONTENT OF ANNUAL REPORTS

Overview

5.1 To create an annual report that is both meaningful and useful it is essential for a reporting entity to clearly identify the users of its annual report. While it is recognised that the reports of public sector agencies reach wide audiences, the primary user of the information contained in the annual reports of these agencies is Parliament which, as representative of the taxpayers, makes decisions about allocating resources to each of the entities concerned.

5.2 Some authorities argue that off-budget statutory authorities should prepare their annual reports primarily for the industry and consumer sectors who make the major economic decisions affecting their operations. The Committee does not deny the important role and relationship between the off-budget agencies and their industry and consumer groups. However, it is the Committee's view that these agencies are primarily accountable to Parliament, because it is Parliament that controls their enabling legislation and in many cases, guarantees the borrowings which drive their operations.

5.3 The users of annual reports want information about whether the reporting entity is achieving the objectives which formed the reason for the provision of resources in the past and whether it is operating economically and efficiently and using resources as prescribed.¹ For public sector entities the type of information required by users broadly falls into four categories: non-financial performance information; information about the financial position of an entity; proof that the entity has complied with relevant legislation; and evidence that the entity has fulfilled its social responsibilities.

5.4 The first two categories cover a wide spectrum of information and for this reason will be addressed separately in the following chapters of this Report. This chapter will concentrate on the major elements that should be mandatory for inclusion in the annual report of any statutory authority and on other information requirements considered important by this Committee.

1. Australian Accounting Research Foundation. *Statement of Accounting Concepts SAC 2* "Objective of General Purpose Financial Reporting", August 1990, p. 19, paragraph 21.

Core Information Required by all Agencies

5.5 The current guidelines for annual reporting by statutory authorities require that at a minimum, annual reports contain details about an entity's:

- . enabling legislation;
- . responsible Minister;
- . powers, functions and objects;
- . directorship and staff;
- . financial statements;
- . activities and reports;
- . operational problems; and
- . subsidiaries.

5.6 While the Committee considers that all of the above categories of information should continue to be included in the annual reports of every statutory authority, together with some other categories of information, it considers that the guidelines should address the specific requirements in detail and explain the minimum acceptable level of reporting for each category. The types of information that the Committee considers essential for inclusion in annual reports are addressed in turn below.

Enabling Legislation, Responsible Minister, Functions and Objectives

5.7 Any user of a statutory authority's annual report must be provided with a clear understanding of the legislative base for the authority's operations and be advised which Minister is responsible for the authority.

5.8 The Committee does not envisage that the 1982 requirements would change in relation to the provision in annual reports of a description of any statutory powers of direction which the Minister has over the authority and details

of the exercise of any such powers, subject to the need to protect confidential information. However, in accordance with the Policy Guidelines for Commonwealth Statutory Authorities and Government Business Enterprises, the Committee considers that the guidelines should be more explicit regarding the detail required about Ministerial directions. The 1987 Policy Guidelines state:

Authorities should also record the issue of a direction in their annual reports. It will also be appropriate for authorities to provide information on the impact on their operations of adherence to the direction, including details of any financial loss which it appears is involved, and any off-setting benefits.²

5.9 **The Committee recommends that:**

The guidelines require authorities to report details of Ministerial directions issued during the financial year and the impact of those directions on their operations, including any financial loss which it appears is involved, and any off-setting benefits.

5.10 It was argued by some authorities that if enabling legislation clearly sets out the functions and objectives of the organisation this information should not be repeated in the annual report. The Committee considers that an annual report would be meaningless without a description of the functions and objectives of the organisation concerned. Furthermore, most users of annual reports do not have ready access to the enabling legislation of relevant authorities. Accordingly, the Committee is of the view that the requirement for agencies to state their powers, functions and objectives in their annual reports should remain unchanged.

Organisational Structure and Staffing Matters

5.11 The corporate structure of every statutory authority should be detailed in all annual reports, preferably by way of an organisation chart. The following details should also be provided:

a list of directors and their terms of appointment;

2. Minister for Finance. Policy Guidelines for Commonwealth Statutory Authorities and Government Business Enterprises, AGPS, Canberra, October 1987, p. 9.

- . a list of all senior executives and their responsibilities within the organisation;
- . the total number of staff employed by the organisation; and
- . a summary of any significant changes in the staffing structure of the organisation during the year.

External Scrutiny

5.12 *The Committee is of the opinion that in line with the requirements for departmental annual reports and as a means of enhancing the accountability process, the guidelines for the annual report preparation by statutory authorities should include a requirement for authorities to provide details of any review conducted on the authority's operations by the Auditor-General, a Parliamentary committee or the Ombudsman. Details should include a list of all major recommendations made and any action taken by the organisation in accordance with those recommendations.*

5.13 *The Committee is aware that detailed reporting of external reviews on an organisation could create excessive bulk within an annual report. It is therefore suggested that relevant details of reviews be provided in an appendix to the report and that the information be concise and adequately cross-referenced to the relevant reports of the external agency that conducted the review.*

5.14 **The Committee recommends that:**

The annual report of a statutory authority provide details about external reviews conducted on the authority's operations by the Auditor-General, a Parliamentary committee and/or the Ombudsman. Details should be concise but include a list of major recommendations made and any action taken by the authority in accordance with such recommendations. To avoid excessive bulk, details should be cross-referenced to the actual report tabled by the external agency that conducted the review(s).

5.15 *The Administrative Review Council submitted to the Committee the view that statutory authorities should be required to provide information on any matters of significance that affect them that have arisen under the administrative*

review system and the changes made by the authority to remedy any defects identified.³ The Committee notes that the annual reporting guidelines for departments require the reporting of judicial decisions or decisions of administrative tribunals of significance to the current or future operations of the department.

5.16 **The Committee recommends that:**

Statutory authorities be required to detail in their annual reports any judicial decisions or decisions of administrative tribunals having a significant impact on their current or future operations, with a brief description of any remedial action taken in response to those decisions.

Subsidiaries

5.17 The current guidelines require that the details of subsidiary companies formed, or interest acquired in existing companies, be provided in the annual reports of statutory authorities. The Guidelines for Financial Statements of Commonwealth Entities require greater detail about subsidiaries to be included in the notes to the accounts of a parent entity, including the name of the subsidiary, whether it operated in Australia or overseas, the amount invested by the parent in the subsidiary and the amount of contribution by the subsidiary to the profit or loss of the group during the financial year. The financial statement guidelines also require details of the acquisition and disposal of subsidiaries.

5.18 The Committee considers that the level of information outlined above is of sufficient detail for the user of annual reports. However, in line with common private sector practice, it strongly urges the Chief Executive Officer to include a group overview in his or her report to the Minister. This overview should record any significant events occurring in a subsidiary that have materially impacted on the group as a whole. It should also provide details of offsets in operations and resources that occur within the group.

3. Evidence, p. S061.

Other Annual Reporting Requirements

5.19 This section of the report details other reporting requirements necessary for inclusion in the relevant supplementary sections of the guidelines. Obviously some of these requirements will be mandatory for certain classes of statutory authorities. The following requirements do not form an exhaustive list rather, they reflect the issues raised by the Committee and/or certain statutory authorities during the course of the Inquiry. The Committee notes however, that when preparing the guidelines, the Department of the Prime Minister and Cabinet will also need to address, for instance, reporting requirements for certain agencies in relation to disclosure of industrial democracy issues, access and equity programs, post-separation employment, and the implementation of purchasing reforms.

5.20 Specifically, the following issues have been singled out by the Committee for reporting by statutory authorities:

- . Equal Employment Opportunity;
- . Freedom of Information;
- . Occupational Health and Safety;
- . Use of External Consultants; and
- . Environmental Issues.

5.21 Although the Committee has decided to class the above categories of information as "other annual reporting requirements", authorities should not consider that this information is less vital than that outlined in the "mandatory requirements" section above.

Equal Employment Opportunity

5.22 Some statutory authorities are covered by the Equal Employment Opportunity (EEO) provisions of section 22B of the Public Service Act 1922. This includes all authorities staffed under that Act and others to which section 22B applies by regulation. All of these authorities are required to report on EEO in their annual reports using a general framework issued by the Public Service Commission.⁴ Most of the remaining statutory authorities are required to submit

4. Evidence, p. S199.

an EEO Program under the Equal Employment Opportunity (Commonwealth Authorities) Act 1987.⁵ These authorities report on EEO to their respective Ministers but are not currently required to report on EEO in annual reports, although in certain circumstances the Act allows them to report on EEO in annual reports rather than in a separate report to the Minister.

5.23 The Committee noted that there was overwhelming support throughout the submissions received for inclusion of EEO information in the annual reports of statutory authorities.

5.24 One difficulty drawn to the Committee's attention by the Department of Industrial Relations was that under the provisions of the Equal Employment Opportunity Act (Commonwealth Authorities) Act 1987, relevant authorities are required to lodge a report within three months of the end of the financial year. However, if an authority elects to exercise the option under sub-section 9(4) of the Act to incorporate EEO data in its annual report rather than in a separate report to the Minister, it needs to meet a three month reporting deadline:

The practical consequence for most authorities under the EEO Act of provisions relating to the tabling of annual reports and EEO reports, is that it is extremely difficult to prepare an annual report for presentation within three months so that an EEO report can be included in it.⁶

5.25 The Committee considers that in an effort to reduce administrative overload and excessive production of reports, the timeframe for reporting EEO information to the Minister should be extended by one month to allow authorities to exercise the option provided under sub-section 9(4) of the Act. Of course in exercising this option authorities should consider whether the acquittal of EEO reporting responsibilities can be adequately met without creating excessively bulky annual reports.

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5. Equal Employment Opportunity (Commonwealth Authorities) Act 1987, s. 3(1).
 6. Evidence, p. S331.

5.26 **The Committee recommends that:**

Every statutory authority be required to report on equal employment opportunity (EEO) in its annual report. The Committee further recommends that the Equal Employment Opportunity (Commonwealth Authorities) Act 1987 be amended so that the timeframe for lodging EEO reports is extended to four months to more readily enable authorities to include their EEO reports in their annual reports.

5.27 It is the Committee's view that with the adoption of a four month tabling period for annual reports as recommended in Chapter 4, agencies would have greater scope for including EEO information within their annual reports.

Freedom of Information

5.28 The Committee considers that the guidelines should incorporate the requirements for reporting Freedom of Information applications and a functional statement in the annual reports of statutory authorities, as specified in the Freedom of Information Act 1982.

Occupational Health and Safety

5.29 In March 1991, Parliament passed the Occupational Health and Safety (Commonwealth Employment) Act 1991. The legislation requires statutory authorities to report details of occupational health and safety activities and their results in their annual reports.

5.30 **The Committee recommends that:**

The guidelines incorporate details of annual reporting requirements relating to occupational health and safety issues as required by the Occupational Health and Safety (Commonwealth Employment) Act 1991.

Use of External Consultants

5.31 The Committee noted that Commonwealth departments are required to report on the engagement of external consultants in their annual reports, providing details about the number of consultants engaged, the total amount paid to consultants and a description of the project the consultants were engaged to perform.

5.32 The Committee considers that similar reporting provisions to those required by departments should be required only for statutory authorities that are budget-dependent. In line with Government policy regarding the autonomy of commercial enterprises, it is considered that those authorities that operate independently of the budget should have the option of reporting about the level, type and cost of employing external consultants during a financial year, but that it should not be mandatory for them to do so.

Environmental Issues

5.33 The Committee is of the opinion that the annual reports of all statutory authorities should include an account of all activities which impact significantly upon the environment. Particular emphasis should be placed on all actions which impact upon places listed on the Register of the National Estate, as defined by section 22 of the Australian Heritage Commission Act 1975 and on the obligations of every agency under the Environment Protection (Impact of Proposals) Act 1974.⁷

5.34 The Committee's attention was also drawn to a Government statement issued in October 1990 which advised:

*New energy efficiency measures will be introduced into Government operations. These will include demonstration of energy efficient buildings technologies, high energy efficiency standards for Commonwealth housing and commercial building projects, and nomination of Energy Managers in all departments. All Government departments and agencies will also be required to report annually on their energy use and energy efficiency improvement measures undertaken.*⁸

7. Evidence, pp. S015, S065.

8. Minister for Primary Industries and Energy and Minister for Resources. Joint Statement: Energy Efficiency Package Will Reduce Greenhouse Emissions, 23 October 1990.

5.35 The Committee considers it crucial that the Government's initiatives in promoting an environmentally conscious public sector are observed and accordingly recommends that:

- The annual reporting guidelines for statutory authorities include requirements for reporting under the Australian Heritage Commission Act 1975 and the Environment Protection (Impact of Proposals) Act 1974.
- Annual reports of statutory authorities should provide a summary of an authority's energy use and energy efficiency improvement measures undertaken during the year.

CHAPTER 6

NON-FINANCIAL PERFORMANCE INFORMATION

The Importance of Non-Financial Performance Information

6.1 The advent of public sector reforms has seen greater devolution of responsibility for decisions away from the Executive to managers of program and policy activities. Hand-in-hand with the devolution process goes the need for a high degree of accountability for decisions made at the managerial level. Accordingly, it is essential that entities focus on how best to acquit their accountability obligations to Parliament. It is the Committee's view that one of the best vehicles for acquittal of reporting results to Parliament is via the structured reporting of non-financial performance information in an entity's annual report. In fact, the Committee's Report 304, Guidelines for Departmental Annual Reports, found that:

...for departmental accountability to be compatible with the emerging performance emphasis in management, the approach to annual reporting must change fundamentally. If departments are to be judged by results, those results must be reported; and if annual reports are to facilitate and encourage assessments which emphasise results then annual reports must report results. To do otherwise is to report at most half the story.¹

6.2 That finding emanated from a study of the public sector reforms that have brought about more devolved management techniques in the public sector and consequently have enhanced the need for greater accountability for results. The Committee is of the view that the current annual reporting guidelines for statutory authorities do not adequately emphasise the importance of results oriented reporting.

6.3 With the emerging emphasis on performance in public sector management, statutory authorities should be required to report on their performance against objectives in their annual reports, rather than simply reporting

1. JCPA. Guidelines for Departmental Annual Reports, Report 304, AGPS, Canberra, November 1989, p. ix.

on the results or outputs of particular programs. Indeed, the lack of effective competition for most statutory authorities underpins the need for objective measures of performance to be provided in their annual reports.²

6.4 The Committee considers that to date there has been little consistency in the quality of performance information across the annual reports of statutory authorities. This view is shared by the Public Sector Accounting Standards Board who made the following comment at a public hearing:

We have made it clear that we have not sought to comment on non-financial matters but there are a number of people, including members of the board, who believe that in relation to non-commercial statutory bodies, in particular, and perhaps for all organisations, there is a need for improved reporting of a non-financial nature and the need to link that with total resources used in order to provide meaningful information on the performance.³

6.5 The annual report of an organisation is the chief executive officer's report to Parliament, through the relevant Minister, about the way the organisation has implemented Government policy over the financial year. Parliament is interested in how efficiently resources have been utilised by an organisation to bring about successful performance in terms of the objectives originally set. While it is argued that to a large degree it is the responsibility of Ministers, not chief executives, to report on the effectiveness of program delivery in terms of meeting Government objectives,⁴ the Committee believes that users of annual reports should also be able to ascertain how effective an organisation's performance has been against defined objectives, targets and priorities.

6.6 The House of Representatives Standing Committee on Finance and Public Administration tabled a report in September 1990 entitled Not Dollars Alone⁵. The Report was a review of the Financial Management Improvement Program, the Government's central program for public sector reform administered by the Department of Finance. Among other things, the Report addressed the nature and quality of non-financial performance information which is generated by public sector agencies and Commonwealth departments.

2. Evidence, p. S090.

3. Evidence, p. 146.

4. Evidence, p. 314.

5. House of Representatives Standing Committee on Finance and Public Administration. Not Dollars Alone: Review of the Financial Management Improvement Program, AGPS, Canberra, September 1990.

6.7 All public sector entities are forced to analyse their performance in some way or another, be it via the demands of senior management or through the preparation of required information such as portfolio evaluation plans, explanatory notes or corporate plans. The Committee is well aware that, given the nature of their operations, it is easier for some organisations than for others to arrive at meaningful measures of performance. The Committee is also mindful of criticisms about the duplication of information across a number of public documents. These issues are addressed in this chapter together with an outline of the minimum level of performance reporting the Committee considers appropriate for an organisation's annual report.

Difficulties in Measuring Non-Financial Performance

6.8 The Committee received a number of submissions which detailed difficulties in the formulation of meaningful measures of non-financial performance. The difficulties drawn to the attention of this Committee are very similar to those reported in the Not Dollars Alone Report,⁶ and included:

- . difficulties in quantifying outputs so that they meaningfully relate to objectives;⁷
- . the need to make value judgements when assessing qualitative indicators such as community satisfaction;⁸ and
- . measuring the effectiveness of the provision of policy advice.

6.9 The Committee acknowledges the difficulties experienced by a number of agencies in formulating performance indicators of effectiveness and although it was beyond the scope of this Inquiry to seek answers to the problems encountered in devising meaningful performance information, the Committee supports the recommendations made by the House of Representatives Standing Committee on Finance and Public Administration that:

- . Departments and agencies should make a concerted effort to develop performance information that assists decision-making and accountability...; and

6. Ibid, p. 76.

7. Evidence, p. S030.

8. Evidence, p. S059.

the department of Finance should increase its practical assistance to departments with emphasis on development of performance information relating to program effectiveness.⁹

6.10 It is of limited benefit to Parliament to receive information solely about the efficiency of policy administration, notwithstanding its importance. Rather Parliament, in order to make informed decisions about the future the commitment of resources to a Government program, also needs to know how effectively the program is being administered. The Committee is of the view that performance information provided in annual reports must present the full picture and encompass both efficiency and effectiveness measures.

Avoidance of Information Overlap

6.11 The Committee is conscious of the need to avoid excessive overlap between a number of documents prepared by statutory authorities for the reporting of performance. These documents include corporate plans, program performance statements (formerly explanatory notes), agency evaluation plans and annual reports.

6.12 The Committee received a good deal of evidence about production of corporate plans by statutory authorities. While GBEs and SMAs are required to produce corporate plans for the approval of relevant Ministers, there is less direction for other statutory authorities to do so. In the light of the managerial reforms and the accompanying emphasis on better planning at the management level, the Committee is of the view that every statutory authority should prepare a corporate plan and that, except for commercial-in-confidence information, this plan should be a public document. This opinion was supported by the Auditor-General and senior executives from the Department of Finance and the Department of the Prime Minister and Cabinet.¹⁰ Obviously the detail contained in corporate plans would differ from agency to agency - GBEs and SMAs are required to prepare corporate plans which incorporate broad investment, operational and financial intentions and

9. House of Representatives Standing Committee on Finance and Public Administration. Not Dollars Alone: Review of the Financial Management Improvement Program, AGPS, Canberra, September 1990, p. 79.

10. Evidence, pp. 235, 312, 376.

major operational targets,¹¹ while for non-commercial agencies a clear statement of objectives and intended outcomes together with a set of measures against which to judge those outcomes would be appropriate.

6.13 If all agencies are required to produce a corporate plan it is the view of the Committee that the inclusion in the annual reports of the key elements of that plan would not be burdensome and would ensure that there is wide publication and consistency across all agencies of the type of performance information reported in annual reports.

6.14 **The Committee recommends that:**

All statutory authorities be required to prepare a corporate plan. The plan should, at a minimum, provide a clear statement of objectives and intended outcomes together with a set of measures against which to judge those outcomes. Furthermore, the annual report of a statutory authority should provide key features of the corporate plan, including targeted performance parameters.

6.15 In recent years the Government has endorsed a strategy for enhancing program evaluation in the public sector which includes the preparation of Portfolio Evaluation Plans on an annual basis. The plans are endorsed by the relevant Minister and presented to the Department of Finance in November each year for review. The plans should cover major program evaluations which have taken place or will take place within specific portfolios.

6.16 In addition to portfolio evaluation plans, the Government has directed that each agency shall produce an agency evaluation plan which should cover the evaluation of the appropriateness, efficiency and effectiveness of all programs on a systematic and regular basis, generally about once every five years. The purpose of the agency plans is to integrate evaluation within the corporate and program management processes and into the life cycle management of programs.¹²

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11. Minister for Finance Policy Guidelines for Commonwealth Statutory Authorities and Government Business Enterprises, AGPS, Canberra, October 1987, p. 21.
 12. Department of Finance. Circular to Heads of Budget-funded Agencies: Agency Evaluation Plans, 4 October 1989.

6.17 It is very clear from the emphasis on corporate planning and agency evaluation that management focus is on efficiency and effectiveness of program delivery in an environment of restraints on resource usage. It is the Committee's view that if management is constantly forced, through central agency direction, to focus on these issues that they too should be forced to report in annual reports on the results of energies applied to producing results.

6.18 So is there an overlap? The Committee considers that the major argument for overlap of information about program performance lies between the production of program performance statements and annual reports, although it has seen little evidence of actual repetition of information. In addressing the overlap the distinction between the two documents must be realised - program performance statements are documents prepared on behalf of the Minister which should focus on the effectiveness of the performance of Government programs and on the objectives of the programs themselves; annual reports, on the other hand are prepared by chief executive officers and should concentrate on the efficiency of program delivery, given a finite set of resources, and on the effectiveness of programs in terms of achieving the objectives set by the relevant Minister.

6.19 It must also be remembered that program performance statements contain information about budget-dependent agencies but not about off-budget agencies, a number of which are subject to the annual reporting guidelines for statutory authorities.

6.20 Two other matters for consideration in the "information overlap" argument are accessibility of information and the users of the information. Even though program performance statements are public documents, they are difficult to obtain within two months of the budget being brought down. Furthermore, while Senators have ready access to the program performance statements, they are not automatically made available to Members of the House of Representatives. Conversely, all Senators and Members have ready access to annual reports of statutory authorities, as do interested members of the public. Because an authority's annual report covers a greater range of information and has wider readership than do program performance statements, it forms part of the core information upon which users base decisions about the allocation of resources to that authority. For annual reports to be useful in the decision-making process however, they must include relevant performance information.

6.21 The Committee is of the view that to avoid excessive overlap between information provided in program performance statements and annual reports two major steps should be taken by agencies:

- first, in their annual reports the relevant agencies should provide, at a minimum, a useful level of performance information which provides an outline of program objectives and intended outcomes together with the major indicators for measuring the achievements of program delivery; and
- second, the agencies should adequately cross-reference performance information in annual reports to more detailed information provided in either program performance statements and/or corporate plans.

6.22 The above views of the Committee are incorporated in recommendations made in Chapter 9 of this report.

Minimum Non-Financial Performance Information Required

6.23 The Committee considers that currently there is inadequate guidance from central Commonwealth departments for production of performance information by agencies but readily recognises that development of quality information is a dynamic process and is still in its relative infancy. It is strongly urged therefore that in formulating annual reporting guidelines the Department of the Prime Minister and Cabinet consult widely with statutory authorities and other central agencies to present useful guidelines for the reporting of performance in annual reports. To this end, at a public hearing the Deputy Secretary of the Department of Finance advised:

...we have not done an evaluation of the non-financial guidelines per se, but we would certainly, as our submission indicated to you, be happy to work up a sensible set of guidelines with whatever organisation was responsible for doing that.¹³

13. Evidence, p. 311.

The Committee recommends that:

- . **All statutory authorities be required to report on non-financial performance in their annual reports, providing as a minimum, an outline of program objectives and of desired results together with a description of key performance indicators. Comparative data over successive years should be presented where relevant.**

- . **In formulating the guidelines for annual reporting by statutory authorities and, in particular, requirements for reporting non-financial performance, the Department of the Prime Minister and Cabinet should consult widely with a range of statutory authorities and central agencies to ensure that the information requirements result in the provision of meaningful data and avoid excessive overlap with information provided in other public documents.**

CHAPTER 7

FINANCIAL REPORTING

Overview

7.1 The requirements and guidelines for financial reporting by entities are in need of constant up-date. As reporting entities change their nature and as business environments change, so too must financial reporting standards change to meet those challenges. The public sector is kept abreast of the changes in financial reporting standards, largely as a result of the close liaison between the Public Sector Accounting Standards Board and the Department of Finance which is responsible for issuing guidelines for financial reporting of Commonwealth entities. The Committee considers that the constant up-date of financial reporting guidelines is essential to ensure the maintenance of a suitable level of accountability of public sector agencies to Parliament. This view is supported by the PSASB by way of example:

...within the last five years there has been an increasing use by reporting entities, including statutory authorities, of financial instruments - futures contracts, forward exchange contracts, options and various other hedging types of instruments. The accounting profession, not only in this country but overseas, and the standards setting organisations, must react to those new developments from a technological viewpoint and produce necessary accounting standards to ensure that the financial effect of being involved in those sorts of transactions is clearly displayed in financial statements so that the users can adequately assess what has gone on, both from an accountability viewpoint and on a decision making basis.¹

7.2 The Committee is of the view that the current guidelines for annual reporting by statutory authorities are inadequate in the way they address financial reporting requirements. The guidelines are not specific about the level of disclosure of financial information and do not explicitly state that for all statutory authorities audited financial statements should be prepared in accordance with the Minister for Finance Guidelines.

1. Evidence, p. 130.

7.3 **The Committee recommends that:**

The annual reporting guidelines specify the requirement to incorporate in annual reports audited financial statements in accordance with the Guidelines for Financial Statements of Commonwealth Entities issued by the Minister for Finance from time to time.

7.4 Entities must, in the preparation of their annual reports and in the compilation of financial data in particular, consider the *information needs of users*. Consideration should be given to the qualitative characteristics of financial information such as comparability, relevance, reliability and understandability - characteristics that can equally be applied to non-financial information.²

Quality Financial Reporting

7.5 The Department of Finance plays a key role in the development of guidelines for the preparation of financial statements for Commonwealth entities. The latest guidelines, issued in June 1990, provide clear directions *about the context and content and intention* of financial statements to be incorporated in an entity's annual report. The work and assistance of the PSASB of the Australian Accounting Research Foundation is acknowledged in relation to defining the objectives of financial reporting by public sector entities, particularly via the Statement of Accounting Concepts SAC 2 "Objective of General Purpose Financial Reporting" which indicates that the objectives of general purpose financial reporting by public sector entities are to disclose information:

- useful in making economic decisions; and
- to satisfy accountability.³

7.6 At a public hearing held on 21 November 1990 the Committee questioned the PSASB about the major deficiencies that they had identified in reporting by the public sector. Representatives from the PSASB acknowledged that generally, public sector entities provide a lot more information in the profit and loss

2. Evidence, p. S089.

3. Australian Accounting Research Foundation. Statement of Accounting Concepts SAC 2 "Objective of General Purpose Financial Reporting," p. 11, paragraphs 26-7.

account than is required by the relevant accounting standards and provide more information than that provided in the private sector.⁴ However, the Board identified current shortcomings in terms of reporting employee entitlements and advised that work is proceeding to develop an exposure draft on that particular item. They also advised that some elements of information needs, in particular, solvency and liquidity, could be improved by a better display of information which appears in balance sheets or statements of financial position.⁵

7.7 The Committee acknowledges the commitment of both the Department of Finance and the PSASB to improve financial reporting in the public sector and encourages these bodies to maintain the current momentum and focus on bringing about changes which result in better quality information.

Financial Performance Measurement

7.8 The Committee considers that statutory authorities should apply financial performance measures when reporting on results. Specifically, authorities involved in commercial activities need to focus on the development of useful performance indicators to measure financial returns. One of the more useful mechanisms for measuring financial performance is rate of return reporting, that is measuring the benefit obtained from the assets used by a reporting entity or the benefits from equity invested in a reporting entity. This method is most appropriate where a form of cost recovery or form of profit is capable of being measured.

7.9 Difficulties arise in rate of return on assets reporting where details are not available about the current value of non-current physical assets. The Committee notes that the most recent set of Guidelines for Financial Statements of Commonwealth Entities addresses the need for entities with assets exceeding \$10 million or with a gross operating revenue exceeding \$20 million to revalue assets every three years. Given the difficulty for some entities to perform this function, a period of three years has been allowed for the initial information to be obtained.⁶

7.10 The Committee considers that it is vital for the Commonwealth to measure the return on its investment in commercially oriented entities and considers the move to make entities revalue assets essential. The onus is now obviously on the entities themselves to develop better records and control over their assets.

4. Evidence, p. 145.

5. Evidence, p. 144.

6. Department of Finance. Guidelines for Financial Statements of Commonwealth Entities, June 1990, pp. 14, 47-8.

Interim Reporting

7.11 The Committee considered at some length the costs and benefits of requiring statutory authorities, particularly those in commercial environments to present interim reports to relevant Ministers. Interim reporting has many benefits:

- . it enhances the timeliness of reporting and allows decision makers to respond quickly to financial information contained in the reports;
- . it enhances closer monitoring of an entity's operations; and
- . it improves accountability.

7.12 Costs associated with interim reporting should be minimal if a requirement exists that financial data be unaudited. This assumption is made on the basis that most commercially oriented statutory authorities prepare monthly management statements and have the infrastructure in place to generate key financial statistics with relative ease.

7.13 Current private sector practice is for public companies to prepare half-yearly profit reports. These reports, containing prescribed disclosures, must be issued to the stock exchange within three months of the half-yearly balance date.⁷ Another requirement for publicly listed companies is to report critical events when they occur. In private sector terms, a critical event is one which would be likely to materially affect the price of a company's securities.⁸ In the public sector a critical event may be a major asset sale which materially affects the financial position of a company. The Committee is of the view that the Minister should be informed of all critical events occurring within a statutory authority and that the Minister should use judgement to report that event to Parliament or publicly.

7.14 The issue of interim reporting is new in the Commonwealth public sector and the Committee has only scratched the surface of its benefits and drawbacks. Certainly, interim reporting and reporting of critical events are desirable as a means of enhancing accountability and timeliness of providing information to Parliament, but more research is required to arrive at the exact nature that form of reporting should take.

7. Evidence, p. S244.

8. Evidence, p. S245.

The Committee recommends that:

With the aim of improving the quality and timeliness of information to Parliament, statutory authorities with commercial operations be required to present to the relevant Minister on a half-yearly basis interim reports on financial position. Furthermore, all statutory authorities should be required to report critical events which have a material effect on financial position to relevant Ministers as they occur.

The Department of Finance, in conjunction with the Public Sector Accounting Standards Board, investigate and report to this Committee the most appropriate form that interim reporting by statutory authorities should take.

CHAPTER 8

ACCURACY AND SCRUTINY

8.1 It is crucial that the information contained in annual reports is accurate so that decision-makers can use it confidently. The importance of accuracy is heightened by the fact that the users of annual reports generally have limited access to other types of performance information generated by a particular entity.

Accuracy of Financial Data

8.2 *The financial statements in the annual reports of Commonwealth statutory authorities are, with a few exceptions, audited by the Auditor-General. The fact that the financial data is audited provides a level of assurance about the accuracy of the data but, as the Auditor-General points out, ultimate responsibility for accuracy lies with management itself:*

The generally accepted principle which applies to the financial information contained in the financial statements of an authority is that management (ie the owners of that information) are directly responsible for its accuracy or 'truth'. Although it is often a common misconception that the auditor, through the provision of an audit certificate, is ultimately responsible for the accuracy of that information, the audit certificate in fact simply adds credibility to the statements.¹

8.3 Professional auditing standards require that the auditor ensures that there is consistency between the information contained in an entity's annual report and the information in the financial statements. The auditor must also ensure that there is no material misstatement of fact within the body of the annual report. Beyond the professional responsibilities of the auditor, the accuracy and consistency of information within the annual report rests firmly on the shoulders of management.

1. Evidence, p. S090.

8.4 **The Committee recommends that:**

The annual reporting guidelines for statutory authorities explicitly state that responsibility for accuracy of both financial and non-financial information contained in annual reports lies with the management of the reporting entity.

Accuracy of Non-Financial Information

8.5 The Committee considers that management's responsibility for the accuracy of information contained in annual reports extends to information of a non-financial category. While it is the Auditor-General who provides some comfort about the accuracy of financial data, it is the public and, for commercial enterprises, the relevant industry bodies, that are the best judges of the accuracy of an entity's non-financial activities. For this reason, the distribution of and access to the annual reports of statutory authorities are important factors which promote accuracy.²

Parliamentary Review and Feedback

8.6 The Committee is of the view that Parliamentary scrutiny of annual reports is an essential link in the accountability chain. Such scrutiny can have direct benefit in improving the accuracy of information provided in annual reports and in promoting adherence to guidelines issued for the preparation and content of annual reports. Furthermore, the Committee recognises a need for direct feedback to authorities from Parliament about the type of information presented in annual reports. Without such feedback, reporting entities are left in the dark about the quality of information provided, how useful it is and how and where it could be expanded upon.

8.7 The Committee considers that a valuable form of Parliamentary scrutiny is that conducted by standing committees of both the Senate and the House of Representatives. As a result of a Senate resolution of 14 December 1989, the legislative and general purpose standing committees of the Senate now undertake systematic review of annual reports of all Commonwealth entities.³ At the time of writing this Report, scrutiny by the House of Representatives standing committees

2. Evidence, p. S005.

3. Evidence, p. 270.

was of a more ad hoc nature than that conducted by the Senate, although the Government has indicated its intention to implement a recommendation made in the Committee's Report 304 that the House of Representatives standing committees formalise the scrutiny process.⁴

8.8 With regard to scrutiny of annual reports conducted by the Senate standing committees, the Committee examined the reviews reported in May 1990.⁵ The Committee notes that these committees are only required to report whether annual reports are satisfactory and on any lateness in the presentation of reports. Committees are also required to examine in more detail any report that is apparently unsatisfactory.⁶

8.9 The Committee commends the Senate for taking the initiative in instigating a formal process of annual report scrutiny but is of the opinion that the review of annual reports conducted by the Senate committees is of a varying quality across the committees. Most committees used the relevant guidelines for annual reporting by both departments and statutory authorities as the benchmark for their scrutiny, but with different degrees of analysis.

8.10 *The Committee recommends that:*

The scrutiny of annual reports conducted by the Senate legislative and general purpose standing committees be examined to provide the highest degree of consistency of the quality of review across all committees.

8.11 It is noted that some committees cited time constraints as the reason for not undertaking detailed scrutiny of reports.⁷ This Committee considers that a means of reducing the workload of Senate committees with regard to annual report scrutiny would be to share the scrutiny with the standing committees of the House of Representatives. For this to occur, the House of Representatives would need to formalise, by way of resolution, the annual report scrutiny role of its standing

4. JCPA. Guidelines for Departmental Annual Reports, Report 304, AGPS, Canberra, November 1989, p. 7.

5. Parliament. Reports on Annual Reports Tabled July - December 1989, AGPS, Canberra, May 1990.

6. Extract from Journals of the Senate No. 218 dated 14 December 1989.

7. Parliament. Reports on Annual Reports Tabled July - December 1989, AGPS, Canberra, May 1990.

committees. Once the process of scrutiny is formalised in the House of Representatives it will be essential for the standing committees of both Houses to communicate and establish a program of review so that no overlap occurs.

8.12 The Committee recommends that:

- . **The standing committees of the House of Representatives be formally assigned responsibility for the scrutiny of annual reports prepared by statutory authorities. The resolution formalising the process of review should be specific in terms of requiring committees to consider whether the annual reports are in accordance with the guidelines for annual reporting by statutory authorities and any departure from the guidelines should be followed up with the relevant authority and reported accordingly.**

- . **The standing committees of the Senate and House of Representatives should jointly develop a program of scrutiny of annual reports so that maximum quality coverage can be achieved and overlap of scrutiny reduced.**

8.13 The Committee is aware that the above recommendations may have some implications for resourcing within committee offices. However, it is of the view that the scrutiny of annual reports is a vital link in the accountability chain and that valuable Parliamentary feedback to Commonwealth entities can be achieved through a structured scrutiny process.

CHAPTER 9

THE PUBLICATION AND LAYOUT OF ANNUAL REPORTS

Parliamentary Printing Standards

9.1 The annual reports of statutory authorities are prepared for a variety of users, the principal user being Parliament. The Committee is aware that a number of statutory authorities, particularly those engaged in commercial activities, use their annual reports as marketing tools and/or as a means of acquitting reporting responsibilities to industry sectors and investors.

9.2 One quarter of the submissions received by the Committee from authorities with wide ranging activities and funding bases raised concerns about the printing restrictions imposed upon them by the Commonwealth printing and publishing manual.¹ A typical concern was that lodged by the Australian Wheat Board:

The AWB's annual report has a number of target audiences and must service each of them to the highest possible level. These audiences are demanding and sophisticated. The constraints applied to meet parliamentary standards are totally inappropriate to promote the high professional, commercial profile which the AWB must maintain as one of Australia's largest exporters and most innovative financing organisations....There is an inherent conflict of interest between the current requirements of parliament and the achievement of commercial objectives and responsibilities.²

9.3 To overcome some of the restraints imposed by the Parliamentary standards for reporting, a number of authorities, the Australian Wheat Board included, produce two annual reports - one a B5 black and white version for the Parliamentary Paper Series and the other, an A4 glossy version for marketing and public relations purposes. The Committee received evidence that while significant

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1. Australian Government Publishing Service. Commonwealth printing and publishing manual, second edition, AGPS, Canberra, July 1988.
 2. Evidence, pp. S216-7.

cost can be incurred from the printing of two versions of the report this was a cheaper alternative than producing a separate public relations document in A4 format.³ The other issue at stake is that the production of two versions of an annual report has an obvious detrimental impact on the timeliness of presentation.

9.4 The Commonwealth printing and publishing manual details requirements which include:

- . the format reports should take;
- . the paper quality and size to be used;
- . the number of illustrations, photographs and graphs permitted;
- . colour and number of colours of ink allowed; and
- . how reports should be bound.⁴

9.5 The Committee notes that the Joint Committee on Publications, in its 1986 report entitled Review of the Cost and Distribution of the Parliamentary Paper Series,⁵ recommended that current Class III standards be applied only to reports of those government agencies competing in the commercial sector.⁶ This recommendation was accepted by the Presiding Officers although it and all other relevant recommendations have not yet been incorporated into the Commonwealth printing and publishing manual.

9.6 The Committee, on the one hand, is concerned that the current edition of the manual does not take into account recent reforms to public sector agencies. With a move towards commercialisation of a number of previously budget-dependent agencies and with greater managerial autonomy extended to GBEs and SMAs it seems incongruous that a number of commercial enterprises are bound by tight controls on publishing, especially those that are totally off-budget. On the other hand, however, the Committee favours austerity in report production for those authorities that have little need to use annual reports for public relations or

3. Evidence, pp. 42, 93-4.

4. Australian Government Publishing Service. Commonwealth printing and publishing manual, second edition, AGPS, Canberra, July 1988, section 9.

5. Joint Committee on Publications. Review of the Cost and Distribution of the Parliamentary Paper Series 1986, The Commonwealth Government Printer, Canberra, 1987.

6. Class III documents allow for greater flexibility with regard to format and layout of annual reports and permit greater use of illustrations and colour.

marketing purposes - this category involves a large percentage of the budget-dependent agencies - and considers that reports of these organisations should remain relatively simple and aim almost exclusively to present required information to Parliament to acquit accountability obligations. This view is consistent with the recommendations made by the Committee in Report 304 regarding departmental annual reports.⁷

9.7 Clearly, the issue is not a simple one to resolve but the Committee is alarmed that firstly, recommendations made in 1986 have not yet been incorporated in the Commonwealth printing and publishing manual and secondly, no initiatives have been made to take account of the significant changes in public sector management since 1986 and the effects of such change on reporting requirements. The Committee recommends that:

- The Commonwealth printing and publishing manual be updated to incorporate recommendations made in 1986 by the Joint Committee on Publications in its report on the Review of the Cost and Distribution of the Parliamentary Paper Series.
- Any update to the Commonwealth printing and publishing manual should take account of recent public sector reforms of commercially oriented statutory authorities, so that constraints on printing for this class of agency are realistic in a commercial environment without jeopardising current publishing requirements for the Parliamentary Paper Series.

The Use of Indexes in Annual Reports

9.8 In its review of annual reports the Committee noted that very few statutory authorities use indexes to aid accessibility to information and while the use of tables of contents is widespread, their actual usefulness is of a variable quality. From its questioning at public hearings, the Committee gained the impression that there is a definite aura of discrimination against indexes within the Australian public sector and an inherent reason for aversion to indexes was related to costs on the use of resources and timeliness of report production.⁸

7. JCPA. Guidelines for Departmental Annual Reports, Report 304, AGPS, Canberra, November 1989.

8. Evidence, p. 386.

9.9 The Committee is of the view that the benefits of indexes far outweigh the costs. At a public hearing held on 7 December 1990, representatives from the Superannuation Fund Investment Trust put the cost-benefit argument in a practical perspective - a perspective which the Committee wholeheartedly supports. When asked about the costs of producing an index the Acting Chief Executive Officer of the Trust responded:

I do not know that I could cost it for you. Let me make the general observation that when you are working to put out an annual report under what is often a fairly tight timetable the more information of that kind - where you have got a lot of cross-referencing - can slow down that process and sometimes speed is the essence of the contract....But we would nevertheless approach it from the point of view that what you are trying to achieve here is a document that is reader friendly and there is no point putting out a report which people are going to have great difficulty getting pieces of information out of. Consequently, we have made the judgement that we do include an index....Ours, indeed, is a fairly thin, modest sort of document so I suppose it would not take people too long to find their way through it to pick up pieces of information that they might have been especially looking for. But notwithstanding that, we think there is a proper place for an index and we go to the additional lengths of even having an index of acronyms.⁹

9.10 Given the amount of information required to be produced in an annual report to enable statutory authorities to acquit their accountability obligations, the Committee is of the view that indexes are a valuable aid to accessibility. However, the Committee considers that for annual reports of less than 50 pages, inclusive of appendices, the cost of producing an index probably outweighs the benefits. Nevertheless, where an index is not provided, an annual report should contain a detailed table of contents.

9.11 **The Committee recommends that:**

All annual reports in excess of 50 pages, including appendices, should provide an index to aid accessibility to information. Where an index is not provided, an annual report should contain a detailed table of contents.

9. Evidence, pp. 386-7.

Report Layout

9.12 The Committee considers that some general rules for report layout should be followed by all statutory authorities to enhance their appeal to users and to aid accessibility to information. In general, the Committee believes that the inclusion of the following features would greatly improve annual reports:

- core narrative information in the body of the report with supporting detailed information in an appendix;
- information well-structured and cross-referenced so that 'like' information is grouped in one section of the report (eg. performance information);
- the liberal use of headings to assist readers in finding information;
- a table of contents for both the body of the report and for the appendices;
- the use of an index if the report exceeds 50 pages in length; and
- the inclusion of a checklist/cross-reference to information contained in the annual report required by the annual reporting guidelines for statutory authorities.

Avoidance of Excessive Bulk

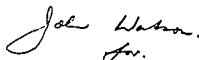
9.13 As mentioned earlier in the Report, the Committee is well aware of the amount of information required from statutory authorities by varying central agencies and sectors of Parliament in order for those authorities to adequately report on their performance. The annual report is just one medium of information supply, but given its wide distribution and the audience for which it is prepared, it is perhaps the most important document in the reporting chain. Nevertheless, the Committee is cautious about requiring agencies to report in detail any information that is contained in other public documents. For this reason, the Committee supports the cross-referencing of information in annual reports to more detailed information prepared by the relevant authority in separate public documents.

9.14 In the interests of ensuring that all users of annual reports at least gain a basic knowledge of an authority's activities, performance, obligations and the like, the Committee considers that certain ground rules must be applied to the use of cross-referencing in annual reports as a means of reducing excessive bulk.

9.15 Accordingly, the Committee recommends that:

When a statutory authority considers that information required by the annual reporting guidelines is adequately presented in another public document prepared by that statutory authority, it can minimise the amount of information provided by cross-referencing the information contained in the annual report to the other public document, with the following provisos that:

- the annual report must contain enough information to provide the reader with the basic facts;
- details to the cross-referenced document must be specific in terms of the title of the document and where it is available; and
- cross-referencing should not be used as the basis for minimising the bulkiness of an annual report if a reference is made to documents that will incur monetary costs upon the user requiring the information. If such costs are likely to be incurred and the information is a requirement under the annual reporting guidelines, the requirement should be fulfilled in total in the annual report of the statutory authority.



Hon G F Punch, MP
Chairman
8 May 1991

APPENDICES

APPENDIX A

SUBMISSIONS RECEIVED

Listed below are organisations and individuals that provided the Committee with submissions to the Inquiry. Some departments and agencies made more than one submission to the Inquiry.

~~Departments and Agencies~~ *Organisations* *(i.e.)*

Administrative Review Council *Agricultural Research Development Education*
 Albury-Wodonga Development Corporation *and Planning*
 Attorney-General's Department *Govt.*
 AUSTEL
 Australia Post
 Australian Accounting Research Foundation
 Australian Broadcasting Corporation
 Australian Centre for International Agricultural Research
 Australian Dairy Corporation
 Australian Dried Fruits Corporation
 Australian Horticultural Corporation
 Australian Institute of Health
 Australian Institute of Marine Science
 Australian National Audit Office
 Australian National
 Australian Pork Corporation
 Australian Science and Technology Council
 Australian Taxation Office
 Australian Wheat Board
 Australian Wool Corporation
 Civil Aviation Authority
 Dairy Research Council
 Department of the Prime Minister and Cabinet
 Department of the Premier and Cabinet (South Australia)
 Department of the Senate
 Department of the Arts, Sport, the Environment, Tourism and Territories
 Department of Finance
 Department of Industrial Relations
 Department of Financial and Quantitative Studies, *(i.e.)* ~~Kuringgai College of~~
 Department of Immigration, Local Government and Ethnic Affairs
 Department of Primary Industries and Energy
 Egg Industry Research Council
 Ernst & Young
 Health Insurance Corporation
 Ministry of the Cabinet and Public Sector Management (Western Australia)
 National Crime Authority

National Library of Australia
Office of Australian War Graves
Office of Film and Literature Classification
Office of Parliamentary Counsel
Office of the Official Secretary to the Governor-General
Premier and Treasurer of New South Wales
Public Sector Accountants Committee (Victoria), Australian Society of
Accountants
Public Service Commission
RAAF Welfare Trust Fund
RAN Central Canteens Board
Registrar of Aboriginal Corporations
Repatriation Commission
Superannuation Fund Investment Trust
Telecom Australia
Textiles, Clothing and Footwear Development Authority
The Wilderness Society NSW
Veterans' Children Education Board

~~Other Organizations~~ *John*

~~Agricultural Research Development Education and Planning~~ *John*

Individuals

Mr A Bridges
Mr I Faithfull
Dr R L Wettenhall

APPENDIX B

PUBLIC HEARINGS AND WITNESSES TO THE INQUIRY

Date of Hearing

21 November 1990

Witnesses

Mr N C Armour, General Manager, Finance and Administration, Australian Dairy Corporation

Mr G J Carpenter, Chairman, Public Sector Accounting Standards Board

Mr A V Connon, Senior Manager, Finance, Australian Wheat Board

Mrs M Crossley, Board Member, Public Sector Accounting Standards Board

Mr J P Dimasi, Chief Economist, Australian Wheat Board

Mr J L Gibson, Managing Director, Australian Dairy Corporation

Mr I A Harrison, Member, Public Sector Accounting Standards Board

Mr R Hill, Group Manager, Corporate Communications, Australian Postal Corporation

Mr R H Lacey, General Manager, Planning and Information, Australian Dairy Corporation

Mr W J McGregor, Director, Australian Accounting Research Foundation

Mr C R Norris, Senior Manager, Internal Audit, Australian Wheat Board

Mr G P Ryan, Secretary, Australian Postal Corporation

Mr B R Storey, Communications Manager, Australian Dairy Corporation

Mr P Sutcliffe, Assistant Director, Australian Accounting Research Foundation

Mrs D A Tribe, Information Coordinator, Australian Wheat Board

Observers

Australian National Audit Office

Mr R A Chantler

Mr S Romanin

Department of Finance

Mr G W Carter

Mr A T Pearson

3 December 1990

Witnesses

Mr P J Barrett, Deputy Secretary, Department of Finance

Mr R Chantler, Acting Executive Director, Policy and Development, Australian National Audit Office

Mr H Evans, Clerk, Department of the Senate

Mr P J Hamburger, Secretary, Standing Committee of Finance and Public Administration, Department of the Senate

Mr E M Hay, Group Director, Australian National Audit Office

Ms D M Jay, Corporate Development Officer, Health Insurance Commission

Mr I McPhee, First Assistant Secretary,
Department of Finance

Mr M J Murray, Assistant General Manager,
Finance and Planning Division, Health
Insurance Commission

Mr M J Pye, Chief Finance Officer, Department
of Finance

Mr D A Russell, Director, Parliamentary and
Regulatory Section, Department of Finance

Mr J C Taylor, Auditor-General, Australian
National Audit Office

Observers

Australian National Audit Office

Mr R A Chantler

Department of Finance

Mr J Maraj

7 December 1990

Witnesses

Mr P Carrigy-Ryan, Secretary, Superannuation
Fund Investment Trust

Mr R Domanski, Senior Adviser, Industries
Trade and Resources Division, Department of
the Prime Minister and Cabinet

Dr C D Hauff, SOGC, Government and Legal
Branch, Department of the Prime Minister and
Cabinet

Ms P M B Horner, Acting Assistant Secretary,
Government and Legal Branch, Department of
the Prime Minister and Cabinet

Mr S J Reynolds, Senior Assistant Parliamentary
Counsel, Office of Parliamentary Counsel

Mr D J Spedding, Administration Officer, Office
of Parliamentary Counsel

Mr I M L Turnbull, First Parliamentary
Counsel, Office of Parliamentary Counsel

Mr M Waller, First Assistant Secretary,
Industries Trade and Resources Division,
Department of the Prime Minister and Cabinet

Mr C N Westworth, Partner, Ernst & Young

Observers

Australian National Audit Office

Mr R A Chantler

Department of Finance

Mr A T Pearson

APPENDIX C

LIST OF INSPECTIONS

26 September 1990 - Sydney	Egg Industry Research Council National Crime Authority
27 September 1990 - Sydney	Australian Broadcasting Corporation
16 November 1990 - Canberra	Health Insurance Commission National Library of Australia
20 November 1990 - Melbourne	Australian Wheat Board Textiles, Clothing and Footwear Development Authority

APPENDIX D

CURRENT LIST OF GOVERNMENT BUSINESS ENTERPRISES

1. Australian Telecommunications Corporation (Telecom)
2. OTC Ltd
3. Australian Postal Corporation (Australia Post)
4. Australian Airlines Ltd (AA)
5. Australian Railways Commission (AN)
6. Australian National Line Ltd (ANL)
7. The Pipeline Authority (TPA)
8. Snowy Mountains Hydro-electric Authority (SMHEA)
9. Snowy Mountains Engineering Corporation (SMEC)
10. Qantas Airways Ltd
11. Commonwealth Banking Corporation
12. Housing Loans Insurance Corporation (HLIC)
13. Aussat Pty Ltd
14. Australian Industry Development Corporation (AIDC)
15. Commonwealth Serum Laboratories Commission (CSL)
16. Federal Airports Corporation (FAC)
17. Civil Aviation Authority (CAA)
18. Aerospace Technologies Australia
19. Australian Defence Industries Pty Ltd
20. Defence Housing Authority (DHA)
21. Export Finance and Insurance Corporation
22. Australian Maritime Safety Authority

APPENDIX E

STATUTORY MARKETING AUTHORITIES

1. Australian Dairy Corporation
2. Australian Dried Fruits Corporation
3. Australian Honey Board
4. Australian Horticultural Corporation
5. Australian Meat and Livestock Corporation
6. Australian Pork Corporation
7. Australian Wheat Board
8. Australian Wine and Brandy Corporation
9. Australian Wool Corporation

APPENDIX F

LIST OF COMMONWEALTH ENTITIES AND DEPARTMENTS SUBJECT TO THE MINISTER FOR FINANCE GUIDELINES

1. ENTITIES REQUIRED TO KEEP ACCOUNTS IN ACCORDANCE WITH COMMERCIAL PRACTICE

Aboriginal and Torres Strait Islander Commercial Development Corporation
Aboriginal and Torres Strait Islander Commission
Army and Air Force Canteen Service
Australian Construction Services Trust Account
Australian Dairy Corporation
Australian Dried Fruits Corporation
Australian Film Commission
Australian Government Publishing Service Trust Account
Australian Honey Board
Australian Horticultural Corporation
Australian Industry Development Corporation
Australian Meat and Livestock Corporation
Australian Meat and Livestock Research and Development Corporation
Australian National Railways Commission
Australian Pork Corporation
Australian Postal Corporation
Australian Property Group Trust Account
Australian Protective Service Trust Account
Australian Surveying and Land Information Group Trust Account
Australian Telecommunications Corporation
Australian Tourist Commission
Australian Trade Commission
Australian Wheat Board
Australian Wine and Brandy Corporation
Australian Wool Corporation
Bureau of Tourism Research
Civil Aviation Authority
Commonwealth Serum Laboratories Commission
Dairy Research and Development Corporation
Defence Housing Authority
Explosives Factory, Maribyrnong
Federal Airports Corporation
Health Insurance Commission - Medibank Private
Horticultural Research and Development Corporation
Housing Loans Insurance Corporation
Phosphate Mining Corporation of Christmas Island
Pipeline Authority
Royal Australian Mint

Snowy Mountains Hydro-electric Authority
Stevedoring Industry Finance Committee
Superannuation Fund Investment Trust
Transport and Storage Group Property Rationalisation Trust Account
Transport and Storage Trust Account

**2. ENTITIES NOT REQUIRED TO KEEP ACCOUNTS IN ACCORDANCE
WITH COMMERCIAL PRACTICE**

Aboriginals Benefit Trust Account
Administrative Appeals Tribunal
Albury-Wodonga Development Corporation
Anglo-Australian Telescope Board
AUSTEL
Australia Council
Australia-Japan Foundation
Australian Centre for International Agricultural Research
Australian Broadcasting Corporation
Australian Broadcasting Tribunal
Australian Film, Television and Radio School
Australian Heritage Commission
Australian Institute of Aboriginal and Torres Strait Islander Studies
Australian Institute of Criminology
Australian Institute of Family Studies
Australian Institute of Health
Australian Institute of Marine Science
Australian Maritime College
Australian Military Forces Relief Trust Fund
Australian National Gallery
Australian National Parks and Wildlife Service
Australian National University
Australian Nuclear Science and Technology Organisation
Australian Securities Commission
Australian Sports Commission
Australian Tobacco Board
Australian Trade Union Training Authority
Australian War Memorial
Canberra Institute of the Arts
Companies and Securities Advisory Committee
Criminology Research Council
Commission for the Safety, Rehabilitation and Compensation of
Commonwealth Employees (COMCARE)
Commonwealth Scientific and Industrial Research Organisation
Department of Veterans' Affairs -
Lady Davidson Repatriation Hospital
Repatriation General Hospital, Concord

Repatriation General Hospital, Daw Park
Repatriation General Hospital, Greenslopes
Repatriation General Hospital, Heidelberg
Repatriation General Hospital, Hobart
Repatriation General Hospital, Hollywood
Repatriation Hospital, Kenmore
Repatriation Hospital, McLeod
Family Court of Australia
Federal Court of Australia
Great Barrier Reef Marine Park Authority
Health Insurance Commission - Medicare
High Court of Australia
Law Reform Commission
National Library of Australia
National Museum of Australia
National Occupational Health and Safety Commission
National Standards Commission
Parliament House Construction Authority
Royal Australian Air Force Veterans' Residences Trust Fund
Royal Australian Air Force Welfare Trust Fund
Royal Australian Navy Relief Trust Fund
Special Broadcasting Service
University of Canberra

**3. "DEPARTMENTS" TO WHICH THE FINANCIAL STATEMENT
GUIDELINES FOR DEPARTMENTS APPLY**

Senate
House of Representatives
Parliamentary Reporting Staff
Parliamentary Library
Joint House
Administrative Services
Australian Electoral Commission
Arts, Sport, the Environment, Tourism and Territories
National Capital Planning Authority
Office of the Supervising Scientist for the Alligator Rivers Region
Attorney-General's
Administrative Appeals Tribunal
Australian Federal Police
Australian Security Intelligence Organisation
Family Court of Australia
Federal Court of Australia
Human Rights and Equal Opportunity Commission
National Crime Authority
Office of the Director of Public Prosecutions

Office of Parliamentary Counsel
Trade Practices Commission
Community Services and Health
Veterans Affairs
Defence
Employment, Education and Training
Finance
Australian National Audit Office
Office of the Commissioner for Superannuation
Foreign Affairs and Trade
Australian Centre for International Agricultural Research
Australian Secret Intelligence Service
Immigration, Local Government and Ethnic Affairs
Industrial Relations
Australian Industrial Registry
Affirmative Action Agency
Industry, Technology and Commerce
Australian Customs Service
Automotive Industry Authority
Textiles, Clothing and Footwear Development Authority
Primary Industries and Energy
Prime Minister and Cabinet
Australian Science and Technology Council
Commonwealth Ombudsman
Merit Protection and Review Agency
Office of the Inspector-General of Intelligence and Security
Office of National Assessments
Public Service Commission
Social Security
Transport and Communications
Treasury
Australian Bureau of Statistics
Australian Taxation Office
Industry Commission
Office of the Insurance and Superannuation Commission
Prices Surveillance Authority