

Review
of
Work Value and Remuneration
for
Australian Government
Specified Statutory Offices

November 2011

Prepared for

The Commonwealth Remuneration Tribunal

Prepared by

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of

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1. Introduction

1.1 Objective of the Enquiry and Process

Egan Associates was commissioned to work with members of the Remuneration Tribunal and its Secretariat to assist the Tribunal in its consideration of the roles and remuneration of Specified Statutory Offices (SSOs) employed by the Commonwealth. Egan Associates was engaged on the basis that I, John Egan, committed personally to undertake the work, with the proviso that I could draw upon assistance of Egan Associates' staff for research and editorial assistance.

The approach adopted in the conduct of the research and preparation of the following report follows the methodologies embraced by me, in collaboration with the Tribunal, in the review of the Office of Secretary (Tribunal Report: 29 March 2010¹). To assist in the process and my work with members of the Tribunal I provided the following support:

- a template interview framework;
- a framework to facilitate discussion with members of the Tribunal in relation to work value.

Arising from my personal engagement with members of the Tribunal in interviewing each of the SSOs nominated below, the following report has been prepared. The report includes the preparation of individual role statements, comment on work value adjudication drawing upon the work previously undertaken in collaboration with the Tribunal for the positions of Department Secretary, information in relation to the current remuneration arrangements of the SSOs and specific recommendations on both work value and the remuneration framework within which SSOs' fixed remuneration could be determined.

1.2 Resources and Process

At the outset of the engagement the Tribunal Secretariat provided a range of materials setting out comprehensive details in relation to each Specified Statutory Office, including an overview of the Office, Ministerial and Parliamentary reporting obligations, information on the organisation structure and corporate governance protocols, the most recent annual review tabled by the Office, information on administered legislation, a strategic statement and corporate plan of the organisation, an overview of staffing, financial statements and the 2010/2011 budget statements. Research was tailored so as to provide the basis for the preparation of the report, including the documentation of the role and accountabilities of each SSO.

Given the considerable work that was developed in collaboration with the Remuneration Tribunal in relation to work value prior to the submission of my final report regarding Department Secretaries, no additional work was undertaken in this regard, though a frame of reference to assist members of the Tribunal in their consideration of the work value assessment was developed as there was very much a shared role adopted in this regard which was not possible in relation to Department Secretaries.

In conducting the work value assessment, consideration was given to the scale of the Office, the diversity and complexity of administered legislation, the expertise required of the SSO, the criticality of advice to Government, the criticality of representation on behalf of Government, both domestic and international, the consequence of error of judgement and

¹ Review of Work Value for the Office of Secretary, published March 2010 though written in 2009.

the degree of Parliamentary, Cabinet and community scrutiny, as well as the scope for independent action and/or influence of the SSO in respect of their portfolio of engagement. I would wish to acknowledge the cooperation and support of each SSO who was interviewed to assist in the preparation of my report. The officers reviewed and the incumbents of those offices are set out below.

- Auditor-General, Australian National Audit Office: Ian McPhee PSM
- Australian Statistician, Australian Bureau of Statistics: Brian Pink
- Chief of Defence Force, Australian Defence Force: General David Hurley AC, DSC
- Chief Executive Officer, Australian Customs and Border Protection Service: Michael Carmody AO
- Commissioner of Taxation, Australian Taxation Office: Michael D'Ascenzo AO

At the time this task commenced the Tribunal was part of the Department of Employment and Workplace Relations. It has recently been transferred to the Officer of the Public Service Commissioner which forms part of the Department of Prime Minister and Cabinet.

2. Reward and Employment of Specified Statutory Offices

The Tribunal Secretariat made available comprehensive background information on the history of remuneration determination of SSOs. This information dated back to March 1999 and incorporated details of appointment, terms of appointment and provisions of termination, as well as prevailing remuneration arrangements.

In this context there is variability between the current arrangements in relation to the term of office, the opportunity for reappointment and the termination provisions for each of the SSOs. Each are appointed by the Governor-General and their term of appointment is either fixed or specifies a maximum period. Their termination provisions are clear and require a vote of the House of Parliament.

- The Chief of Defence Force (CDF) is appointed for a term of three years and I understand is reappointable. The current incumbent's predecessor served an initial three year term and that term was renewed for three years.
- The Commissioner for Taxation is appointed for a term of seven years and can be reappointed.
- The CEO of the Australian Customs and Border Protection Service is appointed for a term of five years but is eligible for reappointment.
- The Australian Statistician is appointed for a term not exceeding seven years and is eligible for reappointment.
- The Auditor-General for Australia is appointed for a term of ten years and cannot be reappointed.

Each of the SSOs, other than the Chief of Defence Force, are rewarded similarly and have been so rewarded since 1990. The history of their total fixed remuneration (TFR) is set out in the table below.

	1990	1995	2000	2005	2010
	\$	\$	\$	\$	\$
Chief of Defence Force	126,848	145,467	305,000	370,320	523,860
Other Specified Statutory Officeholders	117,258	134,467	285,000	346,470	490,110

With effect from 1 July 2011 the Remuneration Tribunal's most recent determination has established the SSOs' total remuneration as follows:

	\$
Chief of Defence Force	539,580
Other Specified Statutory Officeholders	504,820

3. Role of Specified Statutory Offices

Each SSO assumed a number of core principal accountabilities which were shared across each of the Specified Statutory Offices. Others were specific to the office and its principal function. Appended to this document are role statements which highlight elements common to all SSOs and elements which are different.

There were broadly comparable obligations in respect of financial management, corporate governance and obligations to prepare an Annual Report to be tabled and scrutinised by the Parliament. The work of each Specified Statutory Office was subject to public comment and scrutiny by the Parliament and Cabinet. The staff complement and its geographic spread was influenced by the nature of the Specified Statutory Office, as was the relative importance of domestic versus international activity and engagement, together with the organisation's operating expenses.

Each SSO other than the Auditor General was accountable to a Minister, or in the case of the Chief of Defence Force (with the Secretary of the Department of Defence) was accountable to a number of Ministers. Some had more onerous obligations in relation to scrutiny by the Parliament; in the case of the Auditor-General the role of the Office was that of scrutinising the conduct of Government departments and Government agencies on behalf of the Parliament, with primary reporting accountability to the Parliament's Joint Committee of Public Accounts and Audit. Two of the SSOs had a reporting relationship to the Assistant Treasurer.

Individual role statements in respect of each SSO are appended to this document.

4. Work Value

Given the past general nexus established between SSOs and Secretaries of Commonwealth Departments and following upon a comprehensive review of the work value of Department Secretaries I decided in working with members of the Remuneration Tribunal it would be prudent, if practicable, to develop either a parallel statement of classification levels for SSOs or adopt similar assessment tools to allocate the SSOs to the classifications developed for the Office of Secretary offering suggestions of refinement to the extent relevant.

Following an assessment of the factors which provided input to the work value assessment I formed the view that the positions could be responsibly aligned in work value terms to the majority of Department Secretaries, although the nature of the accountability of the individual Statutory Officeholders in most respects was different from that of a Department Secretary, particularly in relation to the criticality of policy development, the direct stewardship and/or involvement of a Minister or series of Ministers, as well as the nature of representation. It was acknowledged in this context that the Chief of Defence Force, participating in a diarchy with the Secretary for the Department of Defence and given the sensitivity of Australia's international engagement in theatres of war and peacekeeping initiatives, has a constant liaison with the Minister and is a key advisor to the National Security Committee of Cabinet.

In considering the relative rank of the positions reviewed, regard was had to the scale of the Specified Statutory Office, including budget, revenue accountability, assets managed, number of staff directed and the geographic spread of deployed staff. Some consideration was given to the diversity and complexity of administered legislation and considerable focus was placed on the relative scope and importance of the demands of the position of SSO in terms of leadership, commercial considerations, policy formulation and advice to Government, entity-specific expertise, its breadth and complexity. The criticality and scope of representation in the diverse array of stakeholder communities, both domestic and international, was a further consideration, as was the scope for independent action, the consequence of error of judgement on behalf of the SSO and the Office's scrutiny by Parliament or the Cabinet. Having regard to these elements and the factors taken into account in the establishment of the work value levels for the positions of Secretary, each of the SSO roles was ranked and a discussion with members of the Remuneration Tribunal followed as to the alignment of those positions to the classification levels embraced for the Office of Secretary.

While acknowledging the substantive nature of the accountability of the Chief of Defence Force recognition was also given to the existence of the diarchy where much of the accountability, other than that for the deployment of uniformed members of the Defence Force, was shared with the Department Secretary. In this context its budget approximating \$23 billion was the subject of stewardship under the diarchy. The Tax Office's budget of approximately \$17 billion was the most proximate to that of the Defence portfolio, with other budgets being more modest, though Customs and Border Protection Services was in excess of \$1 billion, the Bureau of Statistics in excess of \$400 million and the Auditor-General less than \$100 million. I also acknowledged the revenue collection role of the Australian Taxation Office and Customs.

Staff numbers ranged from less than 500 to more than 50,000 and while the ATO had a highly significant role on behalf of Government in collecting revenue, the strategy for revenue maximisation rested elsewhere, other than to the extent that the control of legislation under the administration of the ATO was retained primarily by Treasury and the Department of Finance and Deregulation.

On balance, notwithstanding the current relativities between SSOs, I took the view that the CDF and the Commissioner of Taxation, while occupying roles quite different from those of Department Secretary, were deemed to be broadly aligned to level 1 Secretary positions. The other three SSOs were seen as similarly aligned to level 2 Secretary positions.

5. Remuneration in the Marketplace

In relation to the SSOs a degree of differentiation can be readily accommodated within the proposed remuneration ranges recommended for the positions of Department Secretary, albeit that some SSO roles are regarded as comparable. It is acknowledged that for SSOs a fixed level of remuneration will be determined by the Remuneration Tribunal. The remuneration data set out below is drawn from advice provided to the Remuneration Tribunal in relation to appropriate levels of remuneration for the office of Secretary at both level 1 and level 2. The reward levels, while reflective of the accountabilities assumed by each SSO, are in part predicated on reward arrangements in the broader field of public sector employment, among senior executives in professional firms and in industry where there is a degree of commonality in relation to position accountability.

It is acknowledged that each of the Specified Statutory Offices reviewed are different in respect of their purpose and the specific attributes which might be called upon by the Government in choosing a candidate to fulfil the role of SSO.

Notwithstanding the above, and recognising the significant discount to the private sector and a recommendation that the remuneration levels represent total remuneration and are not subject to an annual performance award, it is our view that the pay ranges portrayed should enable the Tribunal to determine appropriate levels of fixed remuneration (TFR) for each of the five SSOs.

5.1 Government sector

Arising from the Remuneration Tribunal's June 2011 determination, the SSO's total reward is set in the range of \$504,810 to \$539,580.

My research of a diversity of Australian public sector organisations and entities funded by Government, including business enterprises at both National and State level reveals that governments indicatively reward their most senior executives with total fixed remuneration (TFR) in the broad range of \$400,000 to \$800,000. The reward of the Chief Executives of some wholly owned Government entities fall outside this range, including organisations in the energy, transport and logistics sectors, in financial services, including funds management, insurance, as well as key Government expenditure areas, for example the NBN Company.

In the Commonwealth arena I note that at the time of preparing this report a number of recently disclosed remuneration levels are above the current TFR of SSOs illustrative of which would include:

- Chair Australian Prudential Regulatory Authority – \$800,000.
- Chair Australian Securities & Investment Commission – \$700,000².
- Solicitor-General – \$700,000³.

² I note that previous appointments to ASIC and ACCC have often been secured from outside long serving senior executives from the public sector.

³ While the position of Solicitor-General is used as a reference point, it is my understanding that Solicitor-Generals in the more recent past have not been career public servants but rather secured from the Bar, including Sir Maurice Byers QC (1973-1983), Dr Gavin Griffith QC (1984-1997), David Bennett AO QC (1998-2008), Stephen Gageler SC (2008-).

Above the current TFR of all SSOs other than the CDF is:

- Chief Justice: High Court of Australia – \$508,250⁴.

Another role supported by Government involving considerable challenge is that of Vice-Chancellor in Australia’s leading universities. These roles are of a magnitude which may have a comparator relevance particularly to the SSO roles of CDF and Commissioner of Taxation. The incumbents of these positions indicatively manage revenues and expenses in excess of \$1 billion, have highly complex tasks involving up to twenty faculties, in a number of cases on multi-campus, with a student body from 20,000 to 50,000 and an academic and support staff in the range of 10 per cent to 15 per cent of student numbers. These executives supervise the management of ‘cities’ occupied by up to 50,000 people in any one day where they are engaged in the delivery of learning programs at the undergraduate, postgraduate and doctoral level, the oversight of complex research projects and the continuous development and maintenance of infrastructure in an environment where a large proportion of the workforce and stakeholders have a strong sense of self and independence. These roles represent an appropriate cohort of challenging CEO positions subject to continuous community and Government scrutiny, involving substantial public funding, with a requirement for self reliance and as such represent a useful comparator in this review.

The table below reflects data obtained from universities’ most recent Annual Reports (2010 calendar year) and reveals the pay bands within which Vice-Chancellors of our leading institutions are rewarded.

	Revenues \$	Expenditure* \$	Pay Band \$
Australian National University	1,000,570,000	856,566,000	720,000 – 749,999
Monash University	1,531,298,000	1,498,473,000	810,000 – 819,000
University of Adelaide	733,397,000	673,451,000	820,000 – 834,999
University of Melbourne	1,700,478,000	1,608,893,000	870,000 – 879,999
University of New South Wales**	1,420,252,000	1,276,793,000	839,995
University of Queensland	1,503,297,000	1,396,055,000	1,060,000 – 1,069,999
University of Sydney**	1,503,082,000	1,386,975,000	923,679***
University of Western Australia	750,290,000	697,374,000	840,000 – 849,999

*Expenditure was derived from revenue less pre-tax profit.

**Change to disclosure requirements for Universities in New South Wales

***Vice-Chancellor’s remuneration includes deemed value of \$60,696 for use of a University provided residence. I understand that the CDF is provided with accommodation at Duntroon barracks

5.2 Australian Private Sector

A practice of many national Governments is to benchmark certain positions equivalent to that of an SSO across both the public sector and the private sector, and within the public sector, the inner sector of Government and business enterprises of Government. Benchmark research almost universally has regard to salary levels, the presence of

⁴ While referencing the position of Chief Justice for pay comparative purposes, I acknowledge that the retirement benefits for Justices of the High Court are different and more generous from those available to senior Government officers, including Secretaries and Specified Statutory Officeholders. I also observe that senior lawyers appointed to the High Court and other Federal Courts are normally attracted to those positions from prior private practice.

performance pay, conditions of employment and retirement arrangements. In all the research which I observed, benchmarking was local, not international.

5.2.1 Components of Reward

Total Fixed Remuneration

In major companies in the private sector the reward of Chief Executive Officers⁵ (CEOs), Chief Financial Officers, Chief Legal Officers, Chief Technology Officers Chief Economists and Chief Strategy Officers to name the key corporate executive roles has traditionally been based on total fixed remuneration (TFR), including contributions to a superannuation fund either in compliance with the superannuation guarantee legislation or in meeting a more generous level of retirement benefit. Senior executives participate in either a defined contribution fund or a defined benefit fund (equivalent in style to those existing in the APS). In the case of defined contributions the superannuation contribution is based on a deemed or nominal salary. In the majority of cases where a defined benefit is offered to a Chief Executive it delivers a retirement benefit subject to a multiple of final average nominal salary times years of service as either a lump sum or pension

Variable Reward

In addition to TFR, senior executives in the private sector receive variable reward opportunities, generally strongly performance aligned, though occasionally variable reward is based on length of service. Under variable reward there are annual incentive programs where payments are principally based upon the achievement of business plans substantially predicated on financial returns, also incorporating strategic and other aspects of operating effectiveness, including the management of employee safety and the environment, with customer satisfaction, behavioural attributes, compliance with a code of ethics or other related measures increasingly emerging as either performance gateways or key determinants of an executive's performance assessment.

Annual incentives have traditionally been delivered in the form of cash after the audited accounts of the company are issued, i.e. when the level of performance is established. Increasingly among major corporations, particularly the top 100 companies, a proportion of the annual incentive has been deferred in the form of a parcel of restricted shares or share rights typically available over one to four years. Performance hurdles or clawback provisions are increasingly applied to annual bonus deferrals. Hurdles would normally relate to sustainability of the company's earnings as distinct from relative total shareholder return, which is a more common performance criteria under an equity based long term incentive plan⁶.

In addition to annual incentive awards, more than 95 per cent of leading public companies have an equity based long term incentive plan whereby executives receive annual, biennial or triennial awards of equity in the form of options or share rights, and occasionally restricted shares, those securities only vesting if future performance conditions are met

Following the significant downturn in the global share markets and the challenging economic conditions facing many Australian corporates, incentive plan design is increasingly focusing on the embedded risk in the returns achieved by companies

⁵ Refer to Review of Remuneration for the office of Secretary, Australian Government Departments of State, November 2011.

⁶ TSR is a measure of the annualised return on investment of a hypothetical \$1000 in a company's ordinary shares. In calculating TSR all capital gains and dividend payments over the period under consideration are incorporated.

In addition to the above, many senior executives, though rarely CEOs, have in the recent past participated in a retention award program whereby they would receive a fixed number of shares or a fixed cash amount for staying with the organisation for a defined period of time. I note that Governments throughout Australia have adopted retention awards in specific settings for similar purposes, both within their core operations and also within enterprises which Governments are seeking to corporatise and potentially privatise.

5.2.2 SSO Comparison with Senior Partners of large professional firms

The key positions in Australia's largest advisory or consulting organisations, while having a broad leadership accountability, do have an engagement in business development, though in this context are supported by marketing and business development teams. Their earnings would normally reflect drawings influenced by the practice's capacity to pay in the case of partnerships and their total reward opportunity would be influenced by the firm's level of profitability. The Chief Executive Officer and Lead Partners in the majority of national practices would have stewardship of an organisation offering a diversity of services with engagement across all industries, including many clients with a substantial international presence. These firms also have considerable engagement in the Government sector, advising on a myriad of policy, financial and operational issues at Federal, State or local level.

Having regard to professional practices with substantial revenues, expenditures and staff numbers (often numbering several thousand), it is my understanding that the indicative, though wide, band of remuneration for CEOs and senior practice partners would be indicatively pitched in the range of \$1,000,000 to \$2,000,000, though there are clearly outliers to this range. It is my understanding that salaries, as distinct from total reward, of senior executives in professional practice would typically be in the range of \$500,000 to less than \$1,000,000, with performance bonuses and partnership returns delivering rewards in the range specified above.

A primary (but not universal) difference between the majority of these substantial professional firms and major corporations, is that the Chief Executive's and senior practice partners earnings are in part reflective of the firm's success (note comment above), though on leaving they do not retain a financial interest in the firm, nor do they have a tangible security to sell, unlike their counterparts in major listed public companies.

Given the view which I have expressed in relation to the comparability of the position of Secretary and that of Chief Executive Officer, I also formed the judgement that an SSO did not have the same obligations in relation to creating enterprise value, achieving or improving profitability or expanding their organisation's footprint in the same way as a CEO or senior partner in the private sector. Accordingly, those elements of private sector reward which are intended to be performance aligned, in my judgement do not have a relevance for the position of SSO.

6. Transitioning SSO Reward within a Public Sector Environment

Given the current levels of SSO reward set out above, it would be my assessment that the Tribunal may well determine that the most appropriate approach in addressing the gap between present levels of total fixed remuneration and the market reference rate will require a period of time to be implemented. Equally, in preparing an indicative recommendation I have assumed that by the beginning of the 2013 calendar year TFR reference rates would need to be adjusted to reflect foreshadowed market conditions. The proposal below reflects a progressive annual uplift in SSOs' TFR in an endeavour to ensure that pay rates approach the private sector 25th percentile level of fixed annual remuneration in the 2013 calendar year.

The ranges proposed are broadly aligned to those recommended for the position of Secretary in that they accommodate a reference rate for SSOs and provide for differential reward having regard to an officer's period of service, competitive influences and variable elements of their total fixed remuneration. In this context the TFR range for the positions of Chief of Defence Force and Commissioner of Taxation are distinct from those covering the positions of CEO of the Australian Customs and Border Protection Service, the Australian Statistician and the Auditor-General.

I have been informed, in preparing the TFR ranges set out below, through the conduct of extensive market research having regard to executive earnings in leading corporations, professional organisations, universities and corporatised Government enterprises. This research is detailed in a Review of Remuneration of the Office of Secretary for Australian Government Departments of State dated November 2011.

6.1 Recommended remuneration levels

Having regard to the diversity of market inputs, though primarily using total fixed remuneration applying in the private sector, a construct of reward is capable of being established. I believe that certain principles should be adopted in the management of a transition to a new TFR structure, including:

- An agreed benchmark of comparators should be adopted by the Remuneration Tribunal.
- The Remuneration Tribunal should endeavour by the end of calendar year 2012 to have positioned Secretaries' TFR reference rate at a level equivalent to an agreed benchmark, for example the 25th percentile of an agreed market.
- TFR arrangements agreed to should incorporate the total remuneration cost of a SSO's employment, though exclude certain agreed conditions associated with their employment.
- SSO's should not be entitled to performance pay.

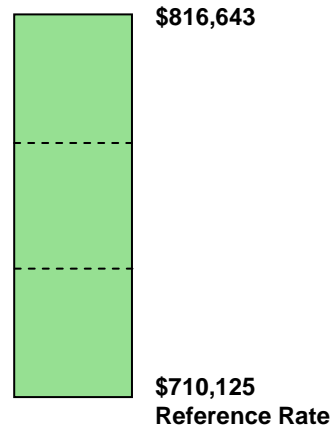
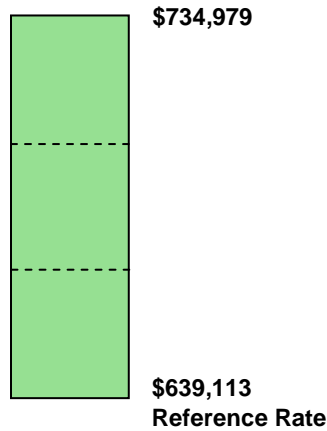
6.2 Recommended Pay Structure

The illustration below provides details of the maximum TFR and the reference rate (the minimum payment) for the holders of Specified Statutory Offices with effect from January 2012, with a further proposed adjustment in January 2013.

Chief of Defence Force, Commissioner of Taxation

January 2012

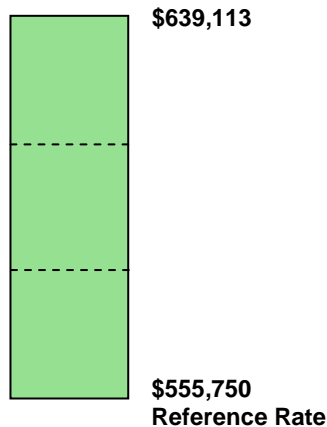
January 2013



**Australian Statistician: Australian Bureau of Statistics,
Auditor-General: Australian National Audit Office,
Chief Executive Officer: Australian Customs and Border Protection Service**

January 2012

January 2013

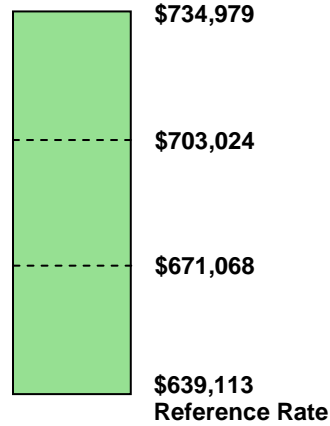


On the basis of the gap between present levels of TFR for SSOs and the Reference Rate it is my proposal that a reward structure be developed to meet a market competitive rate over the next fifteen months in two separate adjustments, the first with effect from 1 January 2012, the second from 1 January 2013. In preparing the above indicative range recommendations I have assumed that the reference rates would need to be adjusted to reflect an indicative 25th percentile of relevant markets by the beginning of the 2013 calendar year. The model below reflects a progressive uplift in SSOs' TFR in an endeavour to ensure that pay rates approach the private sector 25th percentile level of total fixed remuneration. It will be noted that the initial positioning of the Reference Rate is below the benchmark market rate.

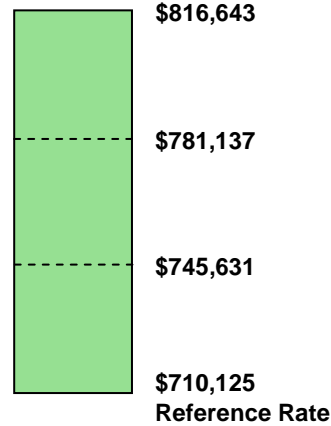
Transition steps in adjustment to SSO TFR Levels

Chief of Defence Force, Commissioner of Taxation

January 2012

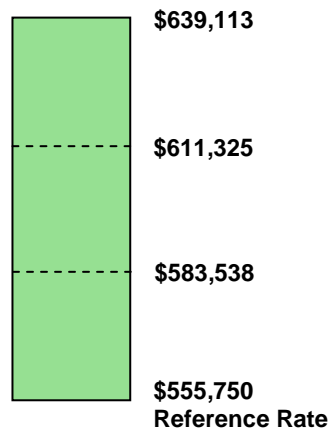


January 2013

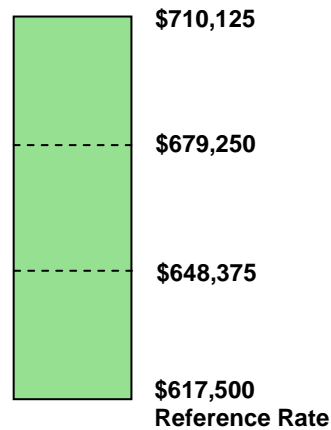


Australian Statistician: Australian Bureau of Statistics,
 Auditor-General: Australian National Audit Office,
 Chief Executive Officer: Australian Customs and Border Protection Service

January 2012



January 2013



In determining appropriate total fixed remuneration for each Specified Statutory Officeholder it is my view that the Tribunal should adopt one of the four reference points having regard to their assessment of relative work value, the incumbent's period of service in the position, whether or not the SSO has been reappointed or has a fixed non-renewable appointment. It would be my judgement that the highest rate of pay would only be available to a long serving, outstanding public servant who is widely acknowledged as a significant contributor to their office and has had a long and distinguished career in the service of the Australian Government.

6.3 Managing Total Fixed Remuneration

I understand that the basis of SSOs' participation under Government superannuation plans has included the deeming of a percentage of their fixed remuneration at 73 per cent which differs from that of the office of Secretary which is presently set at 80 per cent. It would be my judgement that the Tribunal should address this question having regard to the relative standing of the SSOs in the Australian Public Service in order to determine an equitable foundation for the superannuation entitlements of SSOs moving forward. I note in this context that the Chief of Defence Force participates in a parallel program managed within the Defence portfolio.

I note in this context the case of the Chief of the Defence Force and his annual rate of salary for the purposes of the Defence Force Retirement and Death Benefits Act 1973 and the Defence Force Retirement and Death Benefits (Annual Rate of Pay) Regulations (and therefore the superannuation salary for the purposes of the Military Superannuation and Benefit Scheme Act 1991 and the Rules of the Military Superannuation and Benefit Scheme).

I note at present that the manner in which contributions to defined benefit schemes are determined within the TFR for an SSO assumes a contribution of 15.4 per cent of base salary. In my judgement, in adopting my recommended levels of TFR the actual cost of superannuation should be incorporated in determining the salary of an SSO.

In light of my recommendations for the position of Secretary I would recommend retention of 73 per cent of the fixed remuneration for the purposes of superannuation contributions in respect of adjustments in January 2012 and a reduction in the superannuable salary to 70 per cent of the TFR with effect from 1 July 2013.

The amendment to the superannuation salary proposed, adopting the Reference Rate for the nominated groupings of SSOs will have the following outcome compared to the July 2011 adjustment.

Superannuable Salary	July 2011	January 2012	January 2013
Group 1	\$393,893	\$446,552	\$497,088
Group 2	\$368,519	\$405,698	\$432,250

I also note in my research in relation to Department Secretaries that there were variable costs incurred by Secretaries in relation to the provision of vehicles and the cost of parking. It would be my recommendation that the determinations of the Tribunal in respect of Secretaries in regard to these matters be adopted for SSOs.

It is further acknowledged in this context that the Chief Executive Officer of the Australian Customs and Border Protection Service had previously held the position in the Australian Government of Commissioner of Taxation. In his present role the position is seen as different and less significant in the administration of the Government's affairs. In my report on Department Secretaries provision has been made for transition of Secretaries from a level 1 to a level 2 role without initial disadvantage, any absorption taking place over time. As the recommendations in remuneration terms do not reflect a reduction in the current pay level of the Chief Executive Officer of the Australian Customs and Border Protection Service, in my judgement the rule would not need to be applied.

Members of the Tribunal were equally informed that the CDF enjoys certain conditions of employment associated with his office which fall outside the normal provisions of a

Department Secretary or SSO; these are seen as appropriate and have been determined by others in accordance with matters pertaining to the provision of security of the most senior officers in the nation's Defence Force. It is noted in this context that contributions are made by the CDF in relation to his accommodation at the Duntroon complex, though he does have the benefit of a high level of security in relation to personal transport which is regarded as appropriate and a necessary condition surrounding his employment. Accordingly, those elements or conditions of service which may have some financial benefit to the CDF are not considered relevant to his base remuneration determination. It is also noted that the CDF participates in a different superannuation plan in which other members of the Defence Force participate, which has many attributes broadly similar to those of senior officers in the Australian Public Service, though some minor differences exist.

In preparing the above guidelines to assist the Tribunal in the determination of total fixed remuneration for SSOs I have drawn heavily upon the research undertaken for the position of Department Secretary. Observations which were made in that report having regard to superannuation may over time have a relevance to incumbents of Specified Statutory Offices, as would observations made in relation to the standardisation of non-cash benefits, vehicles and parking, as appropriate, and termination from Government employ during a prescribed term.

I note that in relation to termination or loss of office for a Specified Statutory Officer that provisions are subject to Determination 2007/07 – Compensation for Loss of Office for Holders of Public Office. I further note where an SSO serves the full term of appointment no entitlement to a payment under this part arises.

Subject to changes in the terms and nature of appointment of SSOs, observations made in my report on Secretaries may have a relevance, as may observations in relation to superannuation in respect of new appointees whose superannuation provisioning does not benefit from legacy arrangements under legislation.

I note in the Remuneration Tribunal's determination in relation to SSO remuneration and allowances of July 2011 that provision is made for remuneration packaging which is completely consistent with my understanding of the construct of total fixed remuneration (TFR).

Attachment – Position Descriptions

Auditor-General

Australian National Audit Office (ANAO)

Primary Accountabilities

- Support the Australian Parliament in meeting its accountabilities for the overall efficiency, financial prudence and integrity of national expenditures by both Commonwealth Departments and portfolio agencies of the Commonwealth Government.
- Provide support to the Parliament through the Joint Committee of Public Accounts and Audit (JCPAA), enabling it to meet its obligations in accordance with the PAAC Act.
- Assist members of the Parliamentary Committee and, as appropriate, engage with Ministers, Senators and Members in contributing to various enquiries requested by the Parliament to be undertaken by ANAO.
- Act as ANAO's senior policy counsel on major and sensitive policy issues or proposed legislation relevant to the work of ANAO.
- Submit reports undertaken by the Australian National Audit Office to the Parliament for its review and consideration in meeting the organisation's obligations under the Audit Act.
- Provide leadership across the Australian National Audit Office, directing key executives, where appropriate, in the achievement of their operational objectives, providing stewardship of the agency's strategy and financial management, ICT, human resources programs and legal support services and ensure that all officers adopt financial management disciplines which enable ANAO to achieve its programs within allocated financial resources. and annual budget provisioning.
- Ensure that the ANAO collaborates with all Government Departments and agencies as required in fulfilling its obligations under the Audit Act in a manner which recognises the obligations and perspectives of all key stakeholders.
- Contribute to the effective management and sustainability of ANAO through overseeing the effective implementation of Government policy and programs as required.
- Ensure that APS values are upheld by the agency.
- Ensure that ANAO resources are used to the maximum benefit of the Parliament and the Australian public sector.
- Ensure that the activities of the ANAO are consistent with its legislated mandate and with the Parliament's and the community's expectations.

Ministerial Reporting

The Australian National Audit Office's principal accountability is to the Joint Committee of Public Accounts and Audit of the Commonwealth Parliament, though the Auditor-General himself will frequently be called before Parliament to engage with Ministers, Senators and Members in undertaking various enquiries, to respond to the outcomes of audits or enquiries requested by the Parliament to be undertaken by ANAO. In this context the Auditor-General

is an independent officer of the Parliament and may not be directed by Ministers or Parliament as to which audits to undertake or how to progress a particular form of enquiry.

ANAO under its key performance audit function is often called upon to undertake reviews of controversial initiatives or programs embarked upon by the Government of the day and report to Parliament on the administration of Government initiatives, including substantial expenditures.

Function of the Bureau

ANAO's primary client is the Australian Parliament, its principal purpose being to provide Parliament with an independent assessment of selected areas of public administration and assurance about public financial reporting, administration and accountability.

The prime accountabilities of ANAO are reflected principally through an examination of the duties and powers of the Joint Committee of Public Accounts and Audit of the Commonwealth Parliament. In this context the committee exists to hold Commonwealth agencies to account for the lawfulness and effectiveness with which they use public monies. Section 8(1) of the PAAC Act describes the committee's primary functions as being to:

- examine the accounts of the receipts and expenditure of the Commonwealth, including the financial statements given to the Auditor-General under sub-sections 49(1) and 55(2) of the Financial Management and Accountability Act 1997;
- examine the financial affairs of authorities of the Commonwealth to which the Act applies and of inter-governmental bodies to which the Act applies;
- examine all reports of the Auditor-General (including reports of the results of performance audits) that are tabled in each House of Parliament;
- report to both Houses of Parliament with such comment as it thinks fit on any items or matters in those accounts, statements and reports or any circumstances connected with them that the committee thinks should be drawn to the attention of the Parliament;
- report to both Houses of Parliament any alteration which the committee thinks desirable in respect of:
 - the form of the public accounts or in the method of keeping them; or
 - the mode of receipt, control, issue or payment of public monies;
- enquire into any question connected with the public accounts which is referred to the committee by either House of the Parliament and to report to that House upon that question;
- consider:
 - the operations of the Audit Office;
 - the resources of the Audit Office, including funding, staff and information technology; and
 - reports of the independent auditor on operations of the Audit Office;
- report to both Houses of Parliament on any matters arising out of the committee's consideration of the matters listed above or any other matter relating to the Auditor-General's functions and powers that the committee considers should be drawn to the attention of the Parliament;
- report to both Houses of Parliament on the performance of the Audit Office at any time;
- consider draft estimates for the Audit Office submitted under Section 53 of the Auditor-General Act 1997;
- consider the level of fees determined by the Auditor-General;
- make recommendations to both Houses of Parliament and to the Minister who administers the Auditor-General Act;
- determine the audit priorities of the Parliament and advise the Auditor-General of those priorities;

- determine the audit priorities of the Parliament for audits of the Audit Office and to advise the independent auditor of those priorities; and
- any other duties given to the committee by this Act, by any other law or by joint standing orders approved by both Houses of Parliament.

The principal functions of ANAO stated above are further expanded in its Strategic Direction Statement which states that the primary emphasis of ANAO's activities is to be seen as an international leader in the provision of independent public sector audit and related services by:

- increasing the performance audit program by enhancing information technology and other specialist capabilities, while increasing technical support and quality assurance capability of the Office;
- embedding the Indigenous Audit Program transferred from the Department of Finance and Deregulation into the Performance Audit Program of ANAO;
- delivering a range of timely and relevant products on topics that provide opportunities for improvement in administration across the Australian Government public sector;
- building ANAO's relationship with the Parliament, particularly JCPAA, to promote ANAO's work and improve the understanding of its work and its contribution to improving public administration;
- working with entities' Audit Committees to promote the implementation of ANAO's report recommendations;
- pursuing initiatives to improve the efficient delivery of ANAO's audit program; and
- maintaining ANAO's involvement in national and international auditing bodies.

The principal accountability of the Office (ANAO) is to provide the Parliament with an independent assessment of selected areas of public administration together with assurance about public sector financial reporting, administration and accountability.

The ANAO performs the financial statement audits of all Australian Government controlled entities and seeks to provide objective assessments of areas where improvements can be made in public administration and service delivery. As part of its role the ANAO seeks to identify and promulgate for the benefit of the public sector generally broad messages and lessons identified through audit activities.

ANAO has extensive powers of access to Commonwealth documents and information and its work is governed by its auditing standards which adopt the standards applied by the auditing profession in Australia. ANAO adopts a consultative approach to its forward audit program which takes account of the priorities of the Parliament as advised by the Joint Committees of Public Accounts and Audit, the views of entities and other stakeholders.

ANAO fulfils an important professional role by contributing both nationally and internationally to the development of auditing standards, professional practices and the exchange of experiences through participation in various peer and professional organisations.

Direct Reports

Reporting to the Audit-General are:

- Deputy Auditor-General
- Executive Director Professional Services Branch
- Executive Director Corporate Management Branch.

Organisational Environment

The Auditor-General is principally accountable to make a significant contribution to the system of public accountability, serving as the external auditor of the Executive Government and providing independent assurance to the Parliament, the Government and the public generally on the financial statements, financial administration and accountability of Australian Government public sector entities. The Parliament also looks to the Auditor-General for assurances that Government agencies perform their functions efficiently and effectively.

The Auditor-General, the Parliament and its committees play a vital role in the cycle of public accountability. The close links between the Auditor-General and the Parliament are recognised and reinforced, as noted above, by the Public Accounts Committee Act 1951 (the PAC Act) which requires the Joint Committee of Public Accounts (JCPAA) to examine all reports of the Auditor-General which are tabled in the Parliament. The role of JCPAA, as noted above, in examining reports of the Auditor-General is neither discretionary nor constrained in any way. It is a role which the JCPAA considers to be important in the process of ensuring that the Executive is held to account by the Parliament.

In this context, however, the Auditor-General performs a role for which Parliament itself is not well suited in that ANAO has the resources, knowledge and technical expertise needed to assess whether Government agencies present financial statements which fairly represent their financial position and which comply with relevant laws and standards.

In working with the Parliament and in responding to JCPAA's primary thrust, the Auditor-General is an active participant in public hearings held by JCPAA where evidence is taken from agencies which have been the subject of significant audit findings.

ANAO is organised into three functional groupings:

- the **Assurance Audit Services** group which provides independent assurance on the financial statements and financial administration of Australian Government public sector entities to the Parliament, the Executive, Boards, Chief Executive Officers and the public;
- the **Performance Audit Services** group which contributes to improved public sector administration and accountability by adding value through a program of performance audits and related services;
- the **Corporate Support** group which provides administrative and technical support for ANAO's business operations.

It is noted that most of ANAO's staff are located in Canberra.

Governance and Reporting

The ANAO is subject to the general principles of public sector governance set out in the publication 'Foundations of Governance in the Australian Public Service'.

The corporate governance practices in the Department are overseen by its management committees. The Corporate Leadership Group has overall responsibility for making decisions impacting on the department as a whole and is supported by the People and Leadership Committee, the Information Management Strategic Advisory Committee and the Security Committee. In addition, the Audit Committee has specific responsibility for the oversight and review of potential financial and operational risks and reports directly to the Secretary.

ANAO, in ensuring the effectiveness of its internal management and related governance, has established an Executive Board of Management with seven members under the

chairmanship of the Auditor-General. The Department itself also has an Audit Committee which fulfils the requirements of Section 46 of the Financial Management and Accountability Act, with its core functions being to:

- enhance ANAO's control framework;
- improve the objectivity and reliability of externally published financial and other information; and
- assist the Auditor-General to comply with all legislative and other organisational objectives.

ANAO also has an Information Strategy Committee which has been established to assist the Executive Board of Management with strategic advice, policy and business proposals on matters relating to information management and information in communications technology.

It also has a People and Remuneration Committee which is an advisory body to the Executive Board of Management for the development and application of ANAO's remuneration policy and a decision making body for determining individual remuneration arrangements.

From time to time ad hoc committees are established to ensure that ANAO is fulfilling its governance and operating accountabilities in the most effective manner possible.

The organisation's corporate plan sets out the risk management framework in which ANAO operates, this framework involving a requirement for the conduct of an annual review where risks are considered at both strategic and operational levels, particularly those risks which relate to ANAO's strategic and business planning processes.

In relation to the audit of ANAO an external auditor is appointed independent of the organisation who is held to account for undertaking the audit of the financial statements and selected performance audits of ANAO. At the time of undertaking my review this work was being undertaken by Geoff Wilson, the National Managing Partner of KPMG Audit & Risk Advisory Services.

Annual Reports

While the Auditor-General prepares numerous reports which are tabled before the Joint Committee of Public Accounts and Audit, he also produces an Annual Report. In the 2009 Annual Report it was revealed that ANAO completed numerous performance audit reports and made 163 recommendations directed at improving agency performance. Further, 246 audit opinions were produced, many of which led to change or a refocus of agency financial management. The Audit-General's Report and the activities of ANAO are specifically directed to:

- deliver a range of timely and relevant products on topics that provide opportunities for improvement in administration across the Australian Government public sector, including work on key and emerging areas of review such as the role in relation to Government information and advertising campaigns and major Defence capital equipment projects;
- continue to build its relationship with the Parliament, particularly the Joint Committee of Public Accounts and Audit, and work with the committee to ensure that ANAO's contribution to improving public administration is progressively developed and enhanced.

ANAO also has a key role in the development of Australian Accounting Standards and in that context has an intimate engagement in matters affecting those Standards which have an impact on Government sector financial reporting. In this context I note that the global

financial crisis promoted discussion about the adequacy of Accounting Standards across all areas of Government and members of the Office were actively participating with other international bodies, including the International Public Sector Accounting Standards Board, in ensuring that audit standards reflected the financial health of public sector bodies.

Administered Legislation

The functions of the Australian National Audit Office are set out under the Auditor-General Act 1997 which also provides for the appointment of the Auditor-General and sets out the functions of the role. The 1997 Act replaced the Audit Act of 1901. In the most recent Act ANAO's audit independence and mandate were strengthened and the Auditor-General became an independent officer of the Parliament.

Position Dimensions

Appropriations: \$80 million

Operating expenses: \$73 million

Employee costs: \$37 million

Australian Statistician

Australian Bureau of Statistics (ABS)

Primary Accountabilities

- Support the Minister in meeting the ABS's accountabilities to the Parliament for the overall administration of the agency and in framing legislation for consideration by the Government and supporting its passage through the Parliament, including meeting the requirements of the Parliament relevant to the work of the ABS.
- Act as the agency's senior policy counsel on major and sensitive policy issues, and in particular in ensuring that the ABS adopts best practice in its engagement, domestically and internationally, with Government and related agencies, as well as business and the Australian community.
- Contribute to the effective management and sustainability of the ABS through overseeing the effective implementation of its programs.
- Provide leadership across the ABS, including its engagement with third parties, in the achievement of its operational plans, providing stewardship of the ABS's strategy and financial management, ICT, human resources programs and ensure that all officers adopt financial management disciplines which enable the ABS to achieve its diverse collection programs within allocated financial resources and annual budget provisioning.
- Ensure that the ABS as Australia's central statistical authority collaborates with the Governments of the States in the provision of statistical services for those Governments, as well as various Australian Government agencies, business and the community, essential for the effective functioning of the ABS.
- Ensure that the APS values are upheld by all staff across the ABS.
- Ensure that activities of the ABS are consistent with its legislated mandate and with community expectations and acknowledge the costs that the activity would impose on the ABS and the broader community.

Ministerial Reporting

The position reports through the Assistant Treasurer.

The Australian Bureau of Statistics represents a portfolio agency within the Department of Treasury and in that context has a working relationship with the Secretary of the Treasury.

Function of the Bureau

The Australian Bureau of Statistics is accountable to assist and encourage informed decision-making and research and discussion within Governments and the community by delivering a high quality objective and responsive national statistical service. The ABS provides statistics on a wide range of economic, social and environmental matters covering Government, business and the community. It also has an important coordination function with respect to the statistical activities of other official bodies, both in Australia and overseas.

The ABS operates as Australia's central statistical authority for the Australian Government and by arrangements with the Governments of the States provides statistical services for those Governments. It collects, compiles, analyses and disseminates statistics and related information and coordinates the statistical operations of official bodies.

The Australian Statistician (a statutory officeholder) occupies a position established by the Australian Bureau of Statistics Act 1975.

The Australian Statistician directs the operations of the ABS, however other functions, powers and duties can be conferred or imposed on the Australian Statistician under any Act or any Law of a Territory.

Geographic Spread

I note that the ABS has a central office in Canberra and regional offices located in the eight State and Territory capitals. All regional offices, apart from the ACT office, have specific allocated accountabilities for national statistical activities.

Regional offices are primarily accountable for the delivery of statistical services to their State or Territory. These offices have ongoing engagement with State and Territory Governments on statistical services and priorities, generally through State and Territory committees set up for that purpose. In Western Australia and Tasmania the Regional Director administering the ABS regional office is also the State Government Statistician. All Regional Directors have a direct reporting line to a Deputy Australian Statistician.

Direct Reports

- Deputy Australian Statistician (3)
- First Assistant Statistician (2)
- Assistant Statistician (3)
- Chief Operating Officer

Organisational Environment

The Australian Bureau of Statistics Act 1975 sets out the functions and responsibilities of the Statistician and the ABS. These include:

- to constitute the central statistical authority for the Australian Government and by arrangements with the Governments of the States provide statistical services for those Governments;
- to collect, compile, analyse and disseminate statistics and related information;
- to ensure coordination of the operations of official bodies in the collection, compilation and dissemination of statistics and related information, with particular regard to:
 - the avoidance of duplication in the collection by official bodies of information for statistical purposes;
 - the attainment of compatibility between and the integration of statistics compiled by official bodies; and
 - the maximum possible utilisation for statistical purposes of information and means of collection of information available to official bodies;
- to formulate and ensure compliance with standards for the carrying out by official bodies of operations for statistical purposes;
- to provide advice and assistance to official bodies in relation to statistics; and
- to provide liaison between Australia on the one hand and other countries and international organisations on the other hand in relation to statistical matters.

The Australian Statistician oversees three statistical groups, each reporting to a Deputy Australian Statistician. These groups are:

- Macro Economics and Integration;
- Population, Labour, Industry and Environment Statistics;
- Social Statistics.

The ABS also has four divisions reporting directly to the Statistician including:

- Integrated Collection and Dissemination Services;
- Methodology and Data Management;
- Technology Services;
- Corporate Services.

The ABS is required to work closely with the Australian Statistics Advisory Council (ASAC) which was established by the Australian Bureau of Statistics Act 1975. The role of the Council is to advise both the Minister and the Statistician in relation to:

- the improvement, extension and coordination of statistical services provided for public purposes in Australia;
- annual and longer term priorities and programs of work that should be adopted in relation to major aspects of the provision of those statistical services; and
- any other matters relating generally to those statistical services.

As noted above, the ABS produces and disseminates statistics in two key areas: economic statistics which are produced predominantly from the ABS Business Survey Program and include an extensive range of statistical outputs relating to the structure and performance of the Australian economy and population, and social statistics which are produced mainly through the ABS Household Survey Program, including statistical information relating to the Australian population, including census and demographics statistics, as well as information relating to the social and economic wellbeing of the population. Both these key areas of the provision of statistics involve extensive data collection through censuses, surveys and from administrative data sources.

In determining its collection program and assessing the value of information the ABS takes account of:

- the importance of the issue from a public policy and/or community interest perspective;
- the views of Australian, State and Territory Government agencies;
- the depth and breadth of user interest in the wider community;
- the opinions of recognised experts in the field;
- the extent to which the information would impact on decision making (as judged from history or from understanding the decision making processes); and
- any international reporting obligations.

In assessing the extent to which the proposed activity would be consistent with its legislative mandate and community expectations the ABS takes account of:

- any specific legislative obligations on the ABS to undertake the activity;
- the statistical measurability of the issue, including the ability to provide information that is *'fit for purpose'*;
- the extent to which other available sources of information, both other ABS and non ABS, could be used to inform decision making;
- the extent to which the ABS's independent voice of authority and the ABS power to collect information is required;
- in determining the timing and frequency of the activity, the decision making time frames and the expected rate of change in the information sought; and
- the level of community support to provide the required information.

In assessing the cost of the activity the ABS takes account of:

- the full cost to the ABS of undertaking the collection activity;
- the capacity and capability of the ABS to undertake the collection activity;
- the workload and other costs imposed on providers; and
- the sensitivity of the information and the ABS's requirement to maintain the trust of providers.

To ensure its continuing utility and effectiveness the ABS determines future priorities by consulting and planning with users of statistics. These consultations are regarded as key input to decisions on the scope, content and frequency of statistical collections. Consultations cover both the need for data on new or emerging topics and the need for changes to existing data collections, including discontinuing some series.

The overall shape of the proposed work program of the ABS and estimates of resources required to deliver it are considered by ASAC. The ABS may also undertake work which reflects an extension of its normal collections by way of user funded activities. These are assessed having regard to resource allocation and other issues considered relevant by the ABS.

The ABS is the pre-eminent statistical collection body in Australia. Its collection activities are under the stewardship of Deputy Statisticians and, as noted above, collections are managed in specific areas of focus. Supporting the collection process and the primary thrust of the ABS's activities are key Divisions including:

- The **Methodology and Data Management Division**, which has specific accountability for supporting the statistical collection process. It provides advice on survey design and methods and on data quality through all stages of the survey cycle and ensures that surveys are based on sound statistical principles and practices and that the statistics produced best meet survey design objectives while maintaining data confidentiality.

Data Management and Classification is accountable for promoting the comparability, integration and quality of ABS statistics through the use of standard concepts, definitions, classifications and procedures. It is also accountable for the infrastructure used to hold key definitional metadata and to store statistical data from which ABS outputs are sourced. The Division are also accountable for improving the understanding and use of statistics by Government, research organisations and the wider community.

- The **Corporate Services Division** is accountable for recruitment, development and retention of the workforce needed to deliver the ABS work program for the provision of leadership in driving cultural change and for ensuring staff have a healthy, safe and functional working environment. The functions and accountabilities of the Chief Financial Officer are also included in this Division.
- The **Technology Services Division** provides the ABS with stable, reliable and secure information technology infrastructure, including hardware, software and network facilities. It maintains systems to ensure they are efficient, timely and relevant and assists other areas of the ABS to improve efficiency and effectiveness in the use of its systems. The Division also develops specialised software to support ABS statistical processes and undertakes systems analysis and design, specialist programming services and provide advice on new and developing information technologies.
- The **Office of the Statistician** is accountable for key corporate functions that support the Australian Statistician's administrative, statistical and strategic roles. The office manages relationships with key external stakeholders, including the Minister, the Australian Statistics Advisory Council and the media, corporate communications

(including graphic design), corporate governance activities (including compliance with legislation under which the ABS operates), ABS's international activities, organisational performance monitoring and risk management, as well as strategic and work program planning and budget allocation.

Governance and Reporting

The ABS is subject to the general principles of public sector governance set out in the publication 'Foundations of Governance in the Australian Public Service'.

ABS corporate governance arrangements ensure transparency in decision making, operation and accountability by promoting strong leadership, sound management and effective planning and review processes. As noted, the Office of the Statistician is a focal point for ABS's corporate governance. It supports the operation of corporate governance forums, ensures that the ABS operates within the scope of its authority and legislative basis and manages ABS audit, review and risk management activities.

To assist the Australian Statistician in the oversight of the ABS there is a Capital Strategy Committee, a number of Senior Management Committees, a leadership group, a senior management group and a Protective Security Management Committee, the latter being chaired by the Chief Operating Officer. The ABS has also established a robust risk management framework which provides the basis for identifying, assessing and mitigating risks at all levels within the organisation.

Additionally, ABS has established an Audit Committee to provide assurance to the Australian Statistician that a comprehensive control framework is in place and is working effectively for all business systems and that the operation and management of ABS systems is sufficiently adequate to ensure that ABS complies with all its legislative and other obligations and that externally published information generated by these systems conforms with legislative and other obligations. The committee is accountable for the identification of significant issues of concern of non compliance. It is chaired by a Deputy Australian Statistician.

Annual Reports

The Australian Statistician produces an Annual Report on behalf of the ABS which is tabled in Parliament and sets out the activities of the ABS during each financial year highlighting key initiatives, including the organisation's funding and budget performance, its user consultations, progress being made on the National Statistical Service, statistical developments, both domestically and internationally, the engagement of the ABS on international programs, the strategic directions being pursued by the organisation, its engagement in supporting COAG measurement issues, emerging statistical programs of relevance to the nation, as well as initiatives and progress being made within the organisation and in its interrelationship with other Government bodies, both at national and State level, to ensure its continued effectiveness.

Administered Legislation

The Census and Statistics Act 1905 provides the Statistician with the authority to conduct statistical collections and, when necessary, to direct a person or an organisation to provide statistical information. The Act imposes obligations on the ABS to publish and disseminate compilations and analyses of statistical information and to maintain the confidentiality of the information collected under the Act.

Australian Bureau of Statistics Act 1975. The Act specifically provides for:

- the independence of both the ABS and the Australian Statistician;
- describes the functions of the ABS;
- requires the ABS to advise Parliament of proposals for new collections;

- establishes the Australian Statistical Advisory Council; and
- requires the ABS and ASAC to report to Parliament each year.

Statistics (Arrangements with States) Act 1956.

Position Dimensions

Appropriations: \$439 million

Expenditure: \$340 million

Revenue: \$30 million

Employee costs: \$223 million

Average staffing level: 2,830

Chief of Defence Force (CDF)

Australian Defence Force

Primary Accountabilities

- Provide support to the Minister(s) in the Defence portfolio and contribute to the effective operation of the Defence organisation in collaboration with the Department Secretary in meeting the Parliament's expectations of the Australian Defence Force while contributing to harnessing the complementary abilities of public servants and military officials to achieve the national defence outcomes sought by the Government.
- Act as the principal military adviser to the Government, supporting the relevant Defence Ministers in meeting their accountabilities to the Parliament for the overall administration of the portfolio and in framing legislation for consideration by the Government and supporting its passage through the Parliament, including meeting the requirements of the Parliament and its committees.
- Advise the Prime Minister and senior Cabinet Ministers on aspects of national security decision-making in times of crisis and in response to operational aspects of Defence activities.
- Attend the National Security Committee of Cabinet to advise members in their decision-making.
- Act as the portfolio's senior policy counsel on matters pertaining to the deployment of the nation's defence forces and in collaboration with the Secretary provide counsel on major and sensitive policy issues relating to national security and defence.
- Command the Australian Defence Force through the key leadership team in both its national and international operations so as to optimise its effectiveness.
- Participate in all key committees within the Defence diarchy.
- Contribute to the formulation of the overall strategic direction of the Australian Defence Force, including the equipping of the Defence Force in meeting its various obligations in respect of both national security and in theatres of deployment in collaboration with other nations or United Nations' forces.
- Ensure through the diarchy that all senior officers of the Department and members of the Australian Defence Force adopt financial management disciplines which enable the organisation to achieve its programs within allocated financial resources and annual budget provisioning.
- Contribute to the provision of leadership across the Defence portfolio within the diarchy, both domestically and internationally, directing in particular the leadership team of the Australian Defence Force in the achievement of their operational and financial plans, providing joint stewardship over the Defence portfolio's strategy and financial management, ICT, human resources programs and legal support services.
- Ensure that APS and Australian Defence Force values are upheld, both domestically and internationally.

Ministerial Reporting

Through the diarchy the CDF is accountable, jointly with the Secretary of the Department of Defence, to:

- Minister for Defence
- Minister for Defence, Science and Personnel
- Parliamentary Secretary for Defence Procurement
- Parliamentary Secretary for Defence Support

Function of the Australian Defence Force

While the primary accountabilities of members of the Australian Defence Force are to support the Government's national security agenda and its engagement in international theatres involving conduct of wars, the mitigation of terrorism and the provision of international security, the CDF within the Australian Defence portfolio has a significant collaborative engagement with the Secretary of the Department of Defence under a unique structure known as the diarchy.

This structure provides the CDF with clear responsibility for command of the Australian Defence Force. It acknowledges the CDF's role as principal military adviser to Government. The structure also recognises the Secretary's role as principal civilian adviser to Government with statutory responsibilities and authority, particularly under the Public Service Act 1999 and the Financial Management and Accountability Act 1997.

The Defence mission is to defend Australia and its national interests. In fulfilling this mission Defence serves all Australians and is accountable to the Commonwealth Parliament, on behalf of the Australian people, for the efficiency and effectiveness with which it carries out the Government's defence policy.

The current security environment is complex and challenging. Australia's strategic environment is shaped by the impacts of globalisation, the challenges of supporting regional nations at risk, threats of terrorism, the proliferation of weapons of mass destruction and the evolving relationships between the major powers in the Asia Pacific region. These trends underpin an increasingly uncertain and challenging strategic environment for Australia and Defence.

Defence's principal focus is to ensure that Australia's interests are protected and advanced through the provision of military capabilities and the promotion of international security and stability. Defence prepares for and conducts military operations and other tasks as directed by the Government and it shapes, builds and maintains defence capabilities to provide response options to the Government to meet a wide range of events and circumstances in which Australia's security interests are engaged.

In support of this objective, Defence also manages a range of international Defence relationships, research, and development and procurement activities. It also plays an active role in support of the Australian defence industry. Defence also makes a significant contribution to the Australian community in times of major natural crisis such as floods and bushfires.

Geographic Spread

While having joint accountability under the diarchy for the effective operation of the Defence portfolio, the Secretary has prime engagement in the stewardship of APS staff numbering around 15,000, the majority of whom are based in Canberra. Within the Australian Defence Force over which the CDF has primary accountability there are approximately 55,000 permanent members, including those deployed by the Navy, Army and Airforce, though excluding approximately 20,000 permanent reserves and a further 15,000 plus APS personnel noted above.

Direct Reports

While having shared accountability under the diarchy with the Secretary of Defence for key officers employed by the Australian Public Service, the CDF has prime accountability for the oversight of the following officers:

- Chief of Navy
- Chief of Army
- Chief of Airforce
- Chief of Joint Operations
- Chief of Capability Development

- Vice-Chief of Defence Force
- Chief of Defence Force Group.

Organisational Environment

As noted above, the Defence portfolio is a substantial Government organisation and the Australian Defence Force has the prime accountability for engagement in various theatres globally, often in partnership with other governments and military forces. At the time of review the Australian Defence Force was involved in a number of deployments, including United Nations' peacekeeping and regional assistance missions and border protection and domestic security operations. Its involvements include:

- Middle East area of operations – continuation and enhancement of Australia's military contribution to the international coalition against terrorism;
- Timor Leste – contribution of Australia's commitment to helping to maintain security and stability to assist the Government of East Timor in the restoration of stability, security and confidence in the country;
- Solomon Islands – continued assistance to the regional mission;
- Afghanistan – a member of the international force;
- Baghdad embassy – providing security for Australian embassy personnel in Iraq;
- Coastal surveillance – contributing to Australian '*whole of Government*' efforts to protect Australia's offshore maritime areas.

The Defence Forces deploy approximately half their resources in the Army and equal proportions in both the Navy and the Air Force.

In addition to international deployment the Australian Defence Force is also actively involved in domestic crisis including the restoration of communities following bushfires, floods and cyclones.

In collaboration with the Secretary, the Australian Defence Force is also actively involved in the portfolio's strategic reform program involving organisation change, changes to procurement and long term Defence planning. The CDF also has an intimate involvement within the diarchy in the Government's investment in international engagement, which complements the Government's broader foreign policy goals to build confidence and transparency, particularly in the Asia Pacific region and other regions of Defence interest. In this context the Australian Defence Force has a key role in supporting the Government's strategic objectives by:

- contributing to regional security;
- working with allies, regional partners and others to shape a stable environment;
- consolidating acceptance of Australia as an obvious and legitimate participant in deliberations on regional security issues;
- encouraging and assisting with the development of Defence self reliance within regional countries.

Under the direction of the CDF the Chief of Navy has a key accountability to provide maritime forces that contribute to the Australian Defence Force's capacity to defend Australia, contribute to regional security, support Australia's global interests, shape the strategic environment and protect Australia's national interest. This is achieved by providing maritime patrol and response, interdiction and strategic strike protection of shipping and offshore territories and resources, maritime intelligence collection and evaluation, hydrographic and oceanographic operations and escort duties. Peacetime activities conducted by the Navy include maritime surveillance and response within Australia's offshore maritime zones, hydrographic, oceanographic and meteorological support operations, humanitarian assistance and maritime search and rescue.

The Army, which deploys more than 28,000 officers, has a primary objective to contribute to the achievement of the Government's defence objectives through the provision of

capabilities for land and special operations. Under the direction of the CDF the Army provides forces for peacetime national tasks, including forces with a capability to enhance the national domestic security response to terrorist, chemical, biological, radiological or explosive incidents. The Army provides capabilities that centre around light and medium combined arms operations, Army aviation, special forces, combat and logistics support and units for protective operations.

The Airforce, the remaining operational arm of the Defence Force, is accountable for applying its capabilities to protect Australia and its national interests by providing a combination of flexibility, reach, precision and speed of response. The Airforce's fundamental capabilities enable the conduct of offensive and defensive counter air operations, land and maritime strike operations and defensive air support. Air Lift enables quick deployment of forces over large distances and follow-on sustainment. The Airforce also contributes to search and rescue operations, disaster relief, humanitarian assistance and other protective functions. It is an active participant with combatant forces in various theatres of the Australian Defence Force's global engagement.

Members of the Australian Defence Force are located throughout the country in bases in all States and Territories, those bases having different and shared purposes for either the Navy, Army or the Airforce.

The CDF is also intimately involved with the portfolio's Defence Science and Technology activities which provide expert impartial science and technology advice and innovative solutions to the Government, the Defence portfolio and Australia's National Security Agencies in the support of military capabilities and the promotion of security and stability. Within the Defence portfolio this is achieved through enhancing capability, reducing risk and saving resources through applied research focused on support to military operations and the current force capability development and acquisition.

There is also joint engagement of the Secretary and CDF in the Defence Materiel Organisation (DMO), the strategic portfolio agency under the stewardship of the Secretary within the Defence diarchy. The DMO is Australia's largest project management organisation and its mission is to acquire and sustain equipment for the Australian Defence Force. In the current financial year the DMO will spend more than \$9 billion acquiring and sustaining military equipment and services and will employ more than 7,500 people in more than 40 locations around Australia and overseas. The DMO is involved in many of the largest and most demanding projects in Australia.

The DMO represents more than 40 per cent of the total Defence budget. Its capital budget has exceeded \$4.5 billion in recent financial years, with more than \$4.5 billion also deployed on sustainment. The DMO at the time of preparing this document had over 200 current major projects and over 180 minor projects.

Given the complexity and expenditure of the Defence portfolio, under the diarchy the CDF along with the Secretary are active participants in a complex Defence committee structure. There are ten Defence committees, including:

- Defence Committee
- Chiefs of Service Committee
- Defence Capability and Investment Committee
 - Defence Capability Committee
- Defence Information and Communication Technology Committee
- Defence Occupational Health and Safety Committee
- Defence People Committee
- Financial Management Controls Committee
- Workforce and Financial Management Committee
- Defence Audit and Risk Committee

The Defence Committee is the primary advisory body, supporting both the Secretary and the CDF in meeting their joint obligations under the Ministerial directive for the management and administration of Defence.

The Chiefs of Service Committee provides military advice to the CDF to assist him in commanding the Australian Defence Force and providing military advice to Government.

The Defence Capability and Investment Committee reviews major capability and investment issues by seeking to ensure that resourcing, including capital investment and operating costs, is consistent with Defence's strategic priorities and resourcing strategy.

The Defence Capability Committee considers and develops options for current and future capability.

The Workforce and Financial Management Committee ensures the efficient and effective allocation of Defence resources to meet strategic objectives. It reviews all funding requests and workforce planning initiatives, including the allocation of the workforce to meet performance objectives and also provides strategic direction on reprioritisation of Defence resources.

The Defence Information and Communication Technology Committee is the predominant ICT committee for Defence. The committee's role is to provide strategic direction on the planning, expenditure and allocation of ICT resources across Defence, as well as ensure alignment between Defence priorities and ICT investments and provide support to the Secretary and the CDF by providing a focused forum in which to assess competing ICT investment priorities.

The Defence Occupational Health and Safety Committee has oversight of the Defence OHS strategy, Defence wide OHS initiatives and improvements, the development and implementation of the Defence OHS management system and assessing Defence's OHS performance and compliance.

The Defence People Committee provides strategic direction on the critical workforce initiatives and people policies needed to generate organisational capability required by Defence. Its accountabilities include the development and oversight of strategic HR and workforce plans which entails defining and articulating the commitments Defence makes as an organisation to its potential and current serving members and employees.

The Financial Management and Controls Committee is accountable for overseeing and monitoring financial remediation projects, the financial control environment, the remediation of Australian National Audit Office findings and risks to financial statements.

Arising from its significance, particularly international significance, the Defence portfolio is the subject of considerable external scrutiny, including scrutiny by the Parliament. The Defence function has been the subject to numerous enquiries, including joint committees, joint standing committees, Senate committees, house committees, cross portfolio reports and an annual review by the Auditor-General.

Governance and Reporting

Defence is subject to the general principles of public sector governance set out in the publication 'Foundations of Governance in the Australian Public Service'.

Defence's corporate governance arrangements are designed to ensure transparency in decision-making, operation and accountability through promoting strong leadership, sound management and effective planning and review processes. As noted, Defence have established a number of committees and bodies to provide appropriate assurance to the Minister(s) and the Parliament of the manner in which accountability is assumed on behalf of the Australian Government.

In the above context the Defence Audit and Risk Committee was established by the Secretary and the CDF in accordance with the Financial Management and Accountability Act

1997. The committee provides advice on all aspects of governance, including audit, assurance, compliance and risk issues. The committee also provides focus on assisting Defence in building its enterprise risk management practices and advising the Secretary and CDF on the appropriate limits to Defence's risk exposure. In addition to providing strategic risk management advice the committee reviews the preparation of Defence's financial statements and oversees internal audit activities to ensure that improvements in these areas are both sustained and continuously enhanced.

Annual Reports

The Annual Report for the Defence portfolio is a joint obligation of the Secretary and the CDF, though the prime accountability for the compilation of the report rests with the Secretary. The report provides comprehensive information on all aspects of the Defence portfolio, including a statement of performance in the year of review and planned performance and objectives in relation to the year ahead. The report addresses every operating aspect of the Defence Force, the Department and its broader portfolio obligations.

Defence is required to supply an annual report for the Department, executive agencies and prescribed agencies, to the portfolio Minister for tabling in the Parliament. The annual report requirements are set out in a document approved by the Joint Committee of Public Accounts and Audit under sections 63(2) and 70(2) of the Public Service Act 1999.

The annual report is required to include a review by the Secretary, a departmental overview, a report on performance, a statement in regard to corporate governance, a report on external scrutiny of the Department including decisions by courts and tribunals, an assessment of the management of human resources, asset management, purchasing, consultants, audit access clauses, AusTender exempt contracts and an assessment under the Commonwealth Disability Strategy (CDS). Audited financial statements must be included with a variety of other mandatory information, disclosure of discretionary grants and correction of previous reporting errors.

Administered Legislation

Thirty-one Acts, the principal Act being the Defence Act 1903.

Position Dimensions

Appropriations: \$27.6 billion

Expenditure: \$23.9 billion

Staff costs: \$1.368 billion

Revenue: \$20.204 billion

Chief Executive Officer

Australian Customs and Border Protection Service (Customs)

Primary Accountabilities

- Support the Minister for Home Affairs in meeting the Agency's accountabilities to the Parliament for the overall administration of the Agency and in framing legislation for consideration by the Government and supporting its passage through the Parliament, including meeting the requirements of the Parliament relevant to the work of the Australian Customs and Border Protection Service.
- Act as the Agency's senior policy counsel on major and sensitive policy issues and in particular in ensuring that Customs adopts best practice in its engagement, domestically and internationally, with Government and related agencies and other stakeholders, both in the Australian and international community.
- Ensure that the activities of Customs are consistent with its legislated mandate and with community expectations and the costs that the activity would impose on the Government and the broader community.
- Contribute to the effective management and sustainability of Customs through overseeing the effect of implementation of its programs.
- Provide leadership across Customs' operations, including its engagement with third parties in the achievement of its operational plans, providing stewardship of the Agency's strategy and financial management, ICT, human resources programs and ensuring that all officers adopt financial management disciplines which enable the Agency to achieve its diverse programs within allocated financial resources and annual budget provisioning.
- Ensure that the Agency collaborates with other units of Government, both domestically and internationally as required, in meeting the Australian Government's policy and operational commitments relevant to the work of the Agency.
- Ensure that APS values are upheld by all staff across the Agency.

Ministerial Reporting

The position reports through the Minister for Home Affairs.

Function of the Agency

The Australian Customs and Border Protection Service plays a vital role in preventing the illegal movement of people across Australia's border, which extends to Australia's Exclusive Economic Zone, and regulating the movement of prohibited and restricted goods such as drugs, firearms and weapons.

The Agency has principal accountability for:

- processing of internal passengers, crew, cargo and mail arriving into and departing from Australia by air or sea;
- collection of duties and taxes as well as trade statistics on imported goods;
- delivery of industry assistance, including support through Australia's Anti Dumping and Countervailing and Tariff Concession Schemes;
- civil maritime security in Australian waters through Border Protection Command, a joint Customs and Defence Authority located in Customs;

- investigation of suspected breaches of a range of border controls, including the execution of search and seizure warrants and utilising of powers of arrest under the Customs Act.

By virtue of its significant powers and engagement in the highly sensitive international policy prerogatives of the Australian Government, the Agency interacts with a number of Australian Government Departments and Agencies. It also participates in a number of key strategic bodies, including:

- Australian Crime Commission Board;
- Heads of Commonwealth Operational Law Enforcement Agencies;
- Customs and Border Protection National Consultative Committee;
- Border Protection Taskforce;
- Homeland and Border Security Policy Coordination Group;
- Intellectual Property Enforcement Consultative Group;
- National Passenger Facilitation Committee;
- National Customers Brokers Licensing Advisory Committee;
- Aviation Security Advisory Forum;
- Secretaries' Committee on National Security;
- National Intelligence and Coordination Committee;
- National Intelligence Collection Management Committee;
- Border Management Group.

Geographic Spread

I note that Customs has a principal office in Canberra and regional offices located in New South Wales, Victoria, Queensland, South Australia, Western Australia, Tasmania and the Northern Territory, with a small cadre of staff based overseas. Customs has permanent representation in London, Bangkok, Beijing, Brussels, Jakarta, Tokyo and Washington.

Direct Reports

Reporting to the Chief Executive Officer (CEO) of Customs are:

- Deputy CEO: Passenger and Trade Facilitation
- Deputy CEO: Border Enforcement
- Chief Operating Officer
- Reporting through these principal executives are other key executives with whom the CEO has regular contact, including:
 - Chief Finance Officer
 - National Manager Integrity and Professional Standards

Organisational Environment

Originally known as Australian Customs, the broader role recognises the growing importance of border protection responsibilities, including the Agency's new role in ensuring a coordinated response to the resurgent threat to Australia's borders of maritime people smuggling.

The expanded Agency focus has been established to meet the complex border security challenges of the future by providing unified control and direction and a single point of accountability.

The prime accountability of Customs is to manage risks to Australia's border through intelligence-led, risk-based interventions that place an increasing emphasis on working ahead of the border as part of a layered approach to border management. The Agency is required to provide leadership at the border by supporting the development of the Australian

Government's strategic border management plan, delivering results through effective partnerships with other border agencies by ensuring border management requirements are embedded across all related Government services, be it at Commonwealth or State level.

The agencies with which the organisation is intimately engaged are referred to above. Their engagement in the provision of cross agency support is critical and in that context it is the accountability of the CEO and the Agency's leadership team to ensure that a culture within the organisation is created and maintained to optimise the return on the Australian Government's investment in custom and border protection initiatives, while facilitating tourism and other forms of trade, supporting Australia's global trading partnerships.

I further note that additional accountabilities of the Agency under the new arrangements include analysing and coordinating the gathering of intelligence, coordinating surveillance and on-water response and engaging internationally to deter maritime people smugglers. I understand that these changes have led to the transfer of certain accountabilities, functions and resources from the Department of Immigration and Citizenship.

By virtue of its emerging accountabilities the Agency is required to work closely with other Government and international agencies, in particular the Australian Federal Police, the Australian Quarantine and Inspection Service, the Department of Immigration and Citizenship and the Department of Defence to detect and deter unlawful movement of goods and people across the border.

Customs is a national organisation employing more than 5,500 people in Australia and overseas. It has a fleet of oceangoing patrol vessels and contracts two aerial surveillance providers for civil maritime surveillance and response.

I note that the protection of the Australian community through the interception of illegal drugs and firearms is a high priority and sophisticated techniques are used to target high risk aircraft, vessels, cargo, postal items and travellers. This includes intelligence analysis, computer based analysis, detector dogs and various other technologies.

Additionally, I note that Customs play a key role in contributing to Australia's economic prosperity by facilitating travel and trade through airports, seaports and the international mail environment, contributing to the nation's economic development by applying trade measures to protect Australian industry and ensure compliance with Australia's international trade obligations. In this latter role I note that the Agency have an obligation to collect border related duties and taxes and in this context again work with a number of agencies to provide a sense of security to the community.

I understand that Customs adopt risk-based methodologies to manage Australia's border, performing their role in a highly complex and dynamic environment characterised by:

- typically short intervention times at the border to prevent the illegal movement of people and goods;
- the responsiveness of those trying to breach Australia's border to the interventions developed;
- working closely with a range of agencies with an interest in the border, often exercising powers on their behalf, at other times working with them to complement each other's capabilities and powers;
- the tension inherent in border protection, managing illegal movements of goods and people while supporting the movement of legitimate travellers and goods;
- adoption of the world customs organisations framework of standards, with an emphasis on greater cooperation between worldwide customs administrators, managing the whole of trade supply chain.

I note that the management of the illegal movement of people and goods requires a clear focus on four core areas of risk management:

- passenger facilitation;
- trade facilitation and revenue collection;
- border enforcement;
- civil maritime surveillance and response.

In relation to goods movement and border enforcement Customs has an intimate engagement in the management and administration of Australia's anti-dumping and countervailing system, with a focus on specific border risks including:

- maritime security (including people smuggling);
- illegal foreign fishing;
- terrorism (people and goods);
- illicit drugs and their precursors;
- firearms and weapons;
- intellectual property rights infringing goods;
- other prohibited and restricted goods;
- border risks in the port environment;
- aviation security;
- revenue;
- tobacco smuggling.

In the management of the various stakeholder tensions the Agency of necessity is required to develop a high level of expertise in many support activities to ensure maximum protection and optimum engagement in appropriate trade.

Given the nature of the Agency and the sensitivity of matters which it is accountable for managing on the Federal Government's behalf, it is subject to a significant degree of external scrutiny, including various judicial reviews in relation to the outcome of border protection initiatives. Privacy matters are referred to the Privacy Commissioner. The Agency is subject to review by the Auditor-General and also subject to Parliamentary committee enquiries and reviews, including the Legal and Constitutional Affairs Committee, as well as Freedom of Information issues, the Parliamentary Joint Committee on the Australian Crime Commission, as well as matters referred to the Commonwealth Ombudsman.

Illustrative of the issues which arise and come under the jurisdiction of the Agency in recent times was a committee established to address the nation's protection in relation to the pandemic influenza. There are also a variety of consultative committees in which the Department is involved which include a diversity of external stakeholders. There is a Homeland and Border Security Policy Coordination Group, an Aviation Security Advisory Group, an Australian Crime Commission Board, a body embracing engagement of the Heads of Commonwealth operational law and enforcement agencies, a National Passenger Facilitation Committee, a National Customs Brokers Licensing Advisory Committee, an Intellectual Property Enforcement Consultative Group and many others which have a specific purpose from time to time.

Governance and Reporting

Customs is subject to the general principles of public sector governance set out in the publication *'Foundations of Governance in the Australian Public Service'*.

Customs' corporate governance arrangements are designed to ensure transparency in decision-making, operation and accountability by promoting strong leadership, sound management and effective planning and review processes. The Agency's approach to corporate governance is based on public sector governance protocols set out by the Australian National Audit Office, embracing the following core principles:

- accountability;
- transparency;
- integrity;
- stewardship;
- efficiency;
- leadership.

In this context the Agency has established a number of committees and bodies, including an Audit Committee, to provide appropriate assurance to the Minister and the Parliament of the manner in which they assume accountability on behalf of the Australian Government.

As with other key agencies, a considerable amount of the CEO's time is devoted to sound governance and planning, with recognition of the criticality of engagement between other Government agencies and departments, risk management and the continuing improvement of governance.

The Agency has established a number of program units which address the core agency accountabilities, including a Passengers' Program Board, a Trade Facilitation Program Board, a Border Enforcement Program Board and a Corporate Operations Program Board. Within this context there is a continuing focus on governance at a program level and an agency wide level.

Annual Reports

The Chief Executive Officer of the Australian Customs and Border Protection Service prepares an Annual Report for the Parliament which sets out the plans for the organisation in the year ahead and its performance in relation to the prior year's plans and financial management. The budget statements embrace the core areas of the Agency, including passenger facilitation, trade facilitation, border protection and enforcement, civil maritime surveillance and response and revenue and collection.

Specifically, the report also provides comprehensive information on border risks, including:

- terrorism;
- irregular movement of people;
- biosecurity;
- prohibited, restricted or regulated goods;
- unlawful activity in maritime zones;
- inshore and onshore;
- revenue-related offences.

In relation to managing risks the Annual Report highlights the following:

- preventing infiltration and corruption;
- leadership and workforce;
- corporate governance;
- knowledge and systems;
- infrastructure and facilities;
- policy;

- financial management.

Administered Legislation

The Australian Customs and Border Protection Service, while principally subject to the Customs Act 1901, Customs Tariff Act 1995 and the Customs Administration Act 1985, has accountability to exercise powers under ten Acts directly in relation to Customs and has exercise powers under a further thirty-eight Acts. Customs also collect charges and revenues on behalf of the Government under seven Acts and needs to comply with a further seventeen Acts.

Customs administers legislation on behalf of other Government agencies in relation to the movement of goods and people across the Australian border.

In its present form the Agency is essentially meeting its obligations under the Customs Administration Act 1985 and through its Minister reports through to the Attorney-General who has overall accountability for the portfolio, with Customs and Border Protection being included in the maintenance of law, order and safety group of agencies.

Position Dimensions

Appropriations: \$1 billion

Operating expenses: \$1.1 billion

Income: \$1.1 billion

Income administered on behalf of the Government: \$7 billion (tax revenue)

Average staffing level: 5,500

Employee costs: \$525 million

Commissioner of Taxation

Australian Taxation Office (ATO)

Primary Accountabilities

- Support the Minister (Assistant Treasurer) in meeting the ATO's accountabilities to the Parliament for the overall administration of the ATO and in framing legislation for consideration by the Government and supporting its passage through the Parliament, including meeting the requirements of the Parliament relevant to the work of the ATO.
- Act as the ATO's senior policy counsel on major and sensitive policy issues and in particular ensure that the ATO adopts best practice in its engagement, both domestically and internationally, with Government and related agencies, as well as with business and the Australian community.
- Ensure that the activities of the ATO are consistent with its legislated mandate and with the community's expectations.
- Direct the ATO and its national and international operations in optimising their effectiveness as the primary administrator of Australia's revenue system and significant aspects of its superannuation system.
- Ensure that the ATO administers these systems fairly and effectively, creating an environment that promotes high levels of voluntary compliance (including accessibility to entitlements) at minimum cost to taxpayers and their agents.
- Ensure that the ATO provides the necessary support to help taxpayers and their advisers understand their rights and obligations and that it detects and addresses non-compliance while concurrently ensuring that taxpayers who comply with their obligations are not at a personal or commercial disadvantage to those who choose not to comply.
- Monitor the delivery of the ATO's commitments and ensure the integrity of the tax and superannuation administration systems are effectively maintained.
- Contribute to the effective management and sustainability of the ATO through overseeing the effective implementation of its programs, both nationally and internationally.
- Provide leadership across the ATO, including engagement with third parties, in the achievement of its operational plans, providing stewardship of the ATO's strategy and financial management, ICT and human resources programs and ensure that all officers adopt financial management disciplines which enable the ATO to achieve its diverse administrative, policy and legislative responsibilities within allocated financial resources.
- Ensure that APS values are upheld by all staff across the ATO.
- Collaborate with the Department of Treasury and with the Department of Finance and Regulation as appropriate in delivering policy outcomes, with primary emphasis on effective taxation and retirement income arrangements.

Ministerial Reporting

The position reports through the Assistant Treasurer.

Function of the Agency

The Commissioner of Taxation is accountable for administering a wide range of revenue and superannuation legislation through authority vested in the Office by the Parliament. The Commissioner has a separate and distinct role as the Registrar of the Australian Business Register.

The Commissioner (together with the Second Commissioners) is accountable for setting the overall strategic direction for the ATO, monitoring delivery against its program commitments and ensuring that the integrity of tax and superannuation administration is being maintained.

The ATO also supports the delivery of community benefits, including private health insurance, excise grants, valuation services through the Australian Valuation Office, and cross agency support such as providing data to the Australian Bureau of Statistics, Centrelink and the Child Support Agency.

The ATO is the third largest agency in the APS with more than 22,000 staff around Australia. It makes a strong contribution to the Government's policy agenda and legislative program, particularly in its policy advice to Treasury. Importantly, the ATO also implements on average 100 new legislative measures annually and makes Commonwealth payments in the vicinity of \$70 billion (including income tax refunds, GST input tax credits, tax offsets, as well as fuel tax credits and the tax bonus).

In a report in 2008 of the Joint Committee of Public Accounts and Audit (JCPAA) its report stated: 'The ATO has a relationship with every Australian that earns an income and with every business. In total this makes 14 million relationships that it must manage, which is probably higher than any other Australian agency, including Centrelink. In fact, with the growth in Government assistance provided through the ATO it is fulfilling some of Centrelink's role...'

In the same report, referring to the Uhrig Review of Corporate Governance of Statutory Authorities (2003) it stated: 'It could be argued that of all statutory authorities, the ATO has the most significant and wide ranging relationship with the community, involving people both as individuals and also where they may be participants in business or non-profit organisations or as tax professionals.'

As noted above, the ATO administer legislation governing taxes, aspects of superannuation and the Australian Business Register. Specifically, I note that the ATO administers:

- income tax, including PAYG, withholding and instalments and capital gains tax;
- fringe benefits tax;
- goods and services tax;
- wine equalisation tax;
- luxury car tax;
- excise duty;
- petroleum resource rent tax;
- fuel grants and benefits schemes;
- higher education collections, jointly with the Department of Education, Employment and Workplace Relations;
- aspects of superannuation, including the superannuation guarantee, small superannuation accounts, lost members' register, superannuation co-contribution and self managed superannuation funds;
- the Australian Business Number and the Australian Business Register;
- tax file numbers;

- infrastructure borrowings and tax offset scheme, jointly with the Department of Infrastructure, Transport, Regional Development and Local Government.

As also noted above, the ATO support the delivery of community benefits, including:

- private health insurance;
- valuation services through the Australian Valuation Office;
- cross agency support such as providing data to the Australian Bureau of Statistics, Centrelink and the Child Support Agency.

Reflective of a number of the payment challenges that occasionally face the ATO would be the \$8 billion in payments made arising from Government initiatives in response to the global financial crisis.

Geographic Spread

I note that the ATO has a central office in Canberra and regional offices located in the eight State and Territory capitals. I note that New South Wales is its largest office.

Direct Reports

Reporting to the Commissioner of Taxation are:

- Second Commissioner of Taxation: Compliance
- Second Commissioner of Taxation: Enterprise Solutions, Technology and Operations
- Second Commissioner of Taxation: Law
- Key officers of the ATO reporting to the Second Commissioners include:
 - Chief Operating Officer
 - Chief Finance Officer
 - First Assistant Commissioner People
 - Chief Information Officer

Organisational Environment

The Australian Taxation Office is enabled under the Taxation Administration Act 1953 as a statutory agency and for the purposes of the Public Services Act 1999 the Commissioner of Taxation is empowered to employ APS employees.

From a financial and governance perspective the ATO is a prescribed agency under Regulation 5 of the FMA Regulations and is subject to the Financial Management and Accountability Act 1997 consistent with other Departments of State.

It is my understanding from a governance perspective that the ATO is no different from Departments of State, with the Commissioner responding to the same obligations imposed by the FMA Act and Regulations.

As noted, the ATO is accountable to the Parliament through the Assistant Treasurer for administering a wide range of revenue and superannuation legislation. In particular I understand that the ATO is accountable for the administration of twenty-seven Acts of Parliament.

In the context of compliance I understand that the ATO's role is to help create an environment that promotes high levels of voluntary compliance with tax and superannuation laws, including accessibility to entitlements at minimum cost to taxpayers and other stakeholders. I understand that the ATO's compliance model leads it to differentiate its compliance responses by taking both external influences and individual circumstances into account.

I note in this context that the ATO has established key strategic partnerships with other Australian Public Service agencies and national and international tax jurisdictions to make best use of intelligence available on both a national and international footing.

I understand that the compliance function is the largest sub-program within the ATO, with an annual budget in the order of \$1 billion. Within the context of managing their significant revenue collections through a diversity of compliance protocols, I note in the 2010-11 overview that the ATO's compliance priorities embrace a strategic focus on and a consideration of:

- GST compliance;
- the cash economy;
- international cooperation and collaboration;
- business income reporting;
- identification of fraud;
- compliance of high net worth individuals;
- superannuation guarantee compliance;
- optimisation of the role of the Tax Practitioners Board;
- dealing with crimes against the tax and superannuation system;
- addressing high risk advisory firms.

In the context of the Department's engagement in enterprise solutions and technology I note that its key role is one of support in a highly complex, people-intensive organisation, including but not limited to:

- implementation of standard business reporting;
- the positioning of ABR, ABN and AUS keys as *'whole of Government'* tools for business and Government;
- implementation of an enterprise risk management framework;
- aligning technology programs with ATO corporate priorities;
- encouraging innovation across the ATO culture;
- developing online strategies and improving ATO's accessibility through web enabled tools;
- delivering on *'whole of Government'* initiatives;
- seeking out opportunities to embrace new technologies, including Web 2.0 technologies;
- promoting safeguards against technology enabled threats;
- enhancing performance and productivity through re-engineering work practices and processes.

In the area of operations I understand that the ATO is continuing its focus on the promotion of client self service voluntary compliance, while harnessing innovations developed through the systems and technology arm of the ATO. This is a high process-intensive area of the ATO, handling more than 12 million calls annually, registering and updating over 23 million active tax file numbers, managing the lodgement of 40 million plus lodgements on time and to a high level of quality, processing approximately 20 million payments from taxpayers and supporting the implementation of the standard business reporting initiatives by delivering services, including authentication and core services across all facets of Government.

In the context of corporate services and law the ATO officers are the principal interpreters of tax and superannuation laws and the keepers of key corporate relationships, supporting Government by contributing to new policy initiatives and legislative changes, offering interpretative advice that provides members of the community with certainty about their rights and obligations, offering expert valuation services to Government agencies while

establishing and maintaining the agency's view of existing tax and superannuation laws and overseeing processes that ensure integrity in the ATO's administration, including consistency in relation to both taxation and superannuation technical decisions.

As noted above, the ATO has administrative responsibility of a significant amount of legislation addressing all forms of revenue collection and the related taxation obligations of the community in its various forms.

Arising from its role in the community and its criticality to the Government's revenue the ATO is subject to considerable external scrutiny, including the Joint Committee of Public Accounts and Audit (a committee of the Parliament), numerous other Parliamentary committees, the Australian National Audit Office, the Commonwealth Ombudsman, the Privacy Commissioner and the Inspector General of Taxation.

In this context there are numerous reports prepared in relation to the integrity and consistency of the ATO's decisions, its financial management and its general resource utilisation given that it employs more than 20,000 public servants and consumes considerable Government funds.

Governance and Reporting

The ATO is subject to the general principles of public sector governance set out in the publication 'Foundations of Governance in the Australian Public Service'.

I understand that the ATO's corporate governance arrangements ensure transparency in decision making, operation and accountability by promoting strong leadership, sound management and effective planning and review processes. Given the considerable external scrutiny of the ATO I understand that its governance protocols are of a high standard.

I note that in the context of corporate governance the ATO has established key corporate committees and forums to facilitate effective governance. This includes an Audit Committee, an ATO Executive Committee with principal oversight of corporate strategy and governance and a Change Steering Committee, as well as a People Committee. This committee and governance framework has a series of sub-plans and points of focus which are the subject to continuous review and Parliamentary scrutiny.

Annual Reports

I understand that the Commissioner of Taxation produces an Annual Report on behalf of the ATO which is tabled in Parliament and sets out the activities of the ATO during each financial year, highlighting key initiatives, including the organisation's funding and budget performance, its relationship with other Government agencies and its priorities, including its strategic direction.

The ATO's Annual Report, in addition to setting out its forward plans and strategic intent, also comments on the outcome of its prior year's objectives and its financial management. This is a comprehensive and detailed report, given both the management of substantial Government appropriations and a significant revenue collection obligations of the ATO.

Administered Legislation

The functions of the Australian Taxation Office are set out under the Taxation Administration Act 1953. I understand that the Act also sets out the role and the obligations of the Second Commissioners which are legislated appointments.

In 2011 the Commissioner of Taxation had responsibilities under a wide range of laws. These laws confer powers or functions on the Commissioner, principally in the areas of taxation and superannuation.

In addition to domestic legislation the ATO has accountability for managing over forty tax treaties, though considerable collaboration exists in relation to documentation between the ATO and Treasury. In this context the ATO liaises frequently with the OECD and member countries.

Position Dimensions

Appropriations: \$3 billion

Operating expenses: \$3 billion

Income: \$3 billion

Employee costs: \$1.85 billion

Tax collections: \$250 billion plus