

Chapter 2

Annual reports of Commonwealth Departments

2.1 For the financial year 2015–16, the annual reports of the following departments were referred to the committee for examination and report:

- Department of Health (DOH);
- Department of Social Services (DSS); and
- Department of Human Services (DHS).

2.2 The committee considers the annual reports of the departments to be 'apparently satisfactory' and to have been presented to the Parliament in a timely manner.

Department of Health

Tabling of the report

2.3 The Department of Health (DOH) 2015–16 annual report was tabled in the House of Representatives on 17 October 2016, in time for examination at the Supplementary Estimates 2015–16 hearing.¹ The report was later tabled in the Senate on 7 November 2016.²

Secretary's review

2.4 The Secretary, Mr Martin Bowles PSM, highlighted several significant factors impacting the Department's work during the reporting period, including:

- the challenge of financial sustainability of the health system in an environment where health spending continues to rise faster than GDP;
- high proportions of Australians living with chronic disease and the need to rebuild Australia's primary health care system to address chronic health issues;
- ongoing reforms to health care systems, including an agreement with the Council of Australian Governments (COAG) to provide an additional estimated \$2.9 billion in funding for public hospitals;
- responsibility for aged care returning to the health portfolio and the continued transformation of aged care services from a welfare-based approach to an approach which prioritises consumers' needs;
- the potential of increased use of health care data to provide increasingly effective preventative health care; and

1 House of Representatives, *Votes and Proceedings*, No. 12—17 October 2016, p. 220.

2 *Journals of the Senate*, No. 12, 7 November 2016, pp. 358.

- the ongoing focus on the importance of being active for physical and mental health.³

Chief Medical Officer's Report

2.5 The Chief Medical Officer (CMO), Professor Chris Baggoley AO, addressed several important issues in the work of the Department in his report including:

- co-ordinating Australia's response to the challenge of mosquito-borne diseases in Australia;
- collaboration with relevant agencies on the implementation of the *Biosecurity Act 2015*, which came into effect on 16 June 2016;
- funding of the National Serology Reference Laboratory to evaluate the serological tests used to diagnose Lyme disease;
- addressing antimicrobial resistance (AMR) as a significant global health priority to address the increase in microorganisms displaying greater resistance to antibiotics to which they were previously susceptible;
- progression of the antiviral treatments for Hepatitis C to create medicines with a treatment success rate of more than 90 per cent;
- the ongoing challenge of diagnosing and treating cancer, noting the high proportion of Australians that will be diagnosed with cancer; and
- continuing the priority of immunisation for the prevention of communicable diseases.⁴

2.6 The committee extends its thanks to Professor Baggoley for his service as Australia's CMO following his retirement in July 2016. Professor Brendan Murphey was appointed as Australia's new CMO and commenced in October 2016.

Ministerial responsibilities

2.7 As at 30 June 2016, the Ministers and Assistant Minister responsible for the portfolio and its agencies were:

- the Hon. Sussan Ley MP, Minister for Health, Minister for Aged Care and Minister for Sport;
- Senator the Hon. Fiona Nash, Minister for Rural Health; and
- The Hon. Ken Wyatt AM, MP, Assistant Minister for Health and Aged Care.⁵

Changes in administrative arrangements

2.8 Machinery of Government (MoG) changes made in the AAO issued on 30 September 2015 resulted in:

3 Department of Health, *Annual Report 2015–2016*, pp. 4–7.

4 Department of Health, *Annual Report 2015–2016*, pp. 8–11.

5 Department of Health, *Annual Report 2015–2016*, p. 32–33.

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- the return of portfolio responsibility for Ageing and Aged Care to DOH from DSS;
 - the transfer of statutory offices of the Aged Care Commissioner and the Aged Care Pricing Commissioner to the Health portfolio from Social services;
 - transfer of Medicare Provider Compliance for the Medical Benefits Schedule (MBS), the Pharmaceutical Benefits Scheme (PBS) and the allied health services were to DOH from DHS.⁶

2.9 In 2015–16 there were a number of changes to portfolio entities as a result of Smaller Government reform initiatives:

- functions of the Private Health Insurance Administration Council were transferred to the Australian Prudential Regulation Authority as of 1 July 2015;
- responsibilities of the Private Health Insurance Administration Ombudsman were transferred to the Office of the Commonwealth Ombudsman as of 1 July 2015;
- functions of the National Health Performance Authority (NHPA) were transferred to the Australian Institute of Health and Welfare, the Australian Commission of Safety and Quality in Health Care and the Department of Health following the abolishment of the NHPA as of 30 June 2016;
- operational functions of the Independent Hospital Pricing Authority were transferred to DOH, as of 1 July 2016; and
- commencement of the Australian Digital Health Agency which replaced the functions of the National eHealth Transition Authority, as of 1 July 2016.

Performance reporting

2.10 The annual report addresses Key Performance Indicators (KPIs) as listed in the *Portfolio Budget Statements 2015–16*. The majority of DOH performance targets were met across the 11 deliverable outcomes reported on. The committee particularly commends the results of Outcome 4: Acute Care, Outcome 6: Private Health and Outcome 10: Sport and Recreation, in which 100 per cent of performance criteria were met.

2.11 Performance criteria under Outcome 1: Population Health, included six instances where the 2015–16 result is reported as 'Data not available'. Whilst the committee acknowledges that some DOH data may not be available in time for inclusion in its annual report, the committee encourages the Department to provide more information on when the data will become available and where the data will be published once available.

2.12 Performance criteria which were reported as not met can be found in: Outcome 3: Access to Mental and Dental Services, Outcome 5: Primary Health Care,

6 Department of Health, *Annual Report 2015–2016*, p. 27.

Outcome 7: Health Infrastructure, Regulation, Safety and Quality, Outcome 8: Health Workforce and Capacity, Outcome 9: Biosecurity and Emergency Response and Outcome 11: Ageing and Aged Care. The committee notes that, in the instances where performance criteria were not met, DOH provided additional information indicating the cause of the targets not being met.

2.13 Major community outcomes achieved during the reporting period include:

- expansion of the National Bowel Cancer Screening Program (program) to include people in the 64–72 year old age bracket. The program supports the early detection and improved survival rates of bowel cancer. In 2020, the program will be fully implemented and accessible by 4 million Australians who will be invited to be screened every two years;⁷
- advancement of the Pharmaceutical Benefits Scheme (PBS) to include 370 new and amended medications;⁸
- 400 000 additional dental services provided under the National Partnership Agreement on Treating More Public Dental Patients;⁹
- commencement of the Australian Digital Health Agency (agency) from 1 July 2016. The agency aims to lead the evolution of digital health systems nationwide, including the development of the My Health Record initiative launched in March 2016 to provide individuals with electronically accessible health records;¹⁰ and
- implementation of Practice Incentives Program (PIP) After Hours Incentive to support general practices in providing their patients with access to afterhours health care. Through PIP Australian's can access afterhours health care at 4680 eligible locations.¹¹

2.14 DOH reported that it is at the forefront of significant health challenges, including: addressing chronic disease as a leading cause of preventable death; increasing participation in cancer screening programs;¹² regulating new gene technology;¹³ equitable distribution of the health sector workforce;¹⁴ antimicrobial resistance¹⁵ and better targeted aged care services to Indigenous Australians¹⁶. The

7 Department of Health, *Annual Report 2015–2016*, p. 45, 47.

8 Department of Health, *Annual Report 2015–2016*, p. 67.

9 Department of Health, *Annual Report 2015–2016*, p. 83.

10 Department of Health, *Annual Report 2015–2016*, pp. 131, 133.

11 Department of Health, *Annual Report 2015–2016*, p. 107, 111.

12 Department of Health, *Annual Report 2015–2016*, p. 47.

13 Department of Health, *Annual Report 2015–2016*, p. 149.

14 Department of Health, *Annual Report 2015–2016*, p. 164.

15 Department of Health, *Annual Report 2015–2016*, p. 178.

16 Department of Health, *Annual Report 2015–2016*, p. 196.

committee notes these challenges will require sustained and targeted work efforts in order to be addressed.

2.15 The Australian National Audit Office (ANAO) concluded four reports into the operations of DOH throughout the 2015–16 reporting period. The reports examined the effectiveness of the administration of the Radiation Oncology Health Program Grants Scheme;¹⁷ the effectiveness of the administration of the Child Dental Benefits Schedule;¹⁸ the effectiveness of records management arrangements;¹⁹ and the effectiveness of the implementation of deregulation activities²⁰. The ANAO made 10 recommendations which were directly relevant to DOH; all of which DOH agreed with.

Financial performance

2.16 In 2015–16 DOH administered \$55.8 billion in expenses on behalf of the Commonwealth, which was comprised primarily of personal benefits of \$39.6 billion. The Department incurred an operating loss—exclusive of unfunded depreciation—of \$5.5 million on account of the transfer of ageing and aged care functions, transferred to the Department as a result of the administrative Arrangement Orders (AAO) of 30 September 2015.

Department of Social Services

Tabling of the report

2.17 The Department of Social Services (DSS) 2015–16 annual report was tabled on 13 October 2016, in time for examination at the Budget Supplementary Estimates 2016–17 hearing.²¹

Secretary's review

2.18 DSS Secretary, Mr Finn Pratt AO PSM, highlighted several significant achievements of DSS during the reporting period, including:

- the continued rollout of the National Disability Insurance Scheme (NDIS) over its final year in trial phase. During the NDIS trial phase, over 35 000 people have been assisted through the scheme. Transition to the full scheme commenced on 1 July 2016 and it is anticipated that around 460 000 people will be assisted;

17 Australian National Audit Office, *Administration of the Radiation Oncology Health Program Grants Scheme—Report No. 35 2015–16*, p.7.

18 Australian National Audit Office, *Administration of the Child Dental Benefits Schedule—Report No. 12 2015–16*, p.7.

19 Australian National Audit Office, *Records Management in Health—Report No. 10 2015–16*, p.7.

20 Australian National Audit Office, *Implementing the Deregulation Agenda: Cutting Red Tape—Report No. 29 2015–16*, p.7.

21 House of Representatives, *Votes and Proceedings*, No. 11—13 October 2016, p. 214.

- assistance with the settlement of 10 961 people through the Humanitarian Settlement Program; and
- introduction of the JobAccess service to assist people with disabilities to access mainstream employment opportunities. The JobAccess service consolidates the National Disability Recruitment Coordinator, the JobAccess telephone and web service, the National Disability Abuse and Neglect Hotline, and the Complaints Resolution and Referral Service.²²

Changes in administrative arrangements

2.19 Machinery of Government (MoG) changes made during the reporting period resulted in portfolio responsibility for:

- childcare policy and programmes, and the co-ordination of early childhood development policy and responsibilities, being transferred from DSS to the Department of Education and Training (DET) under the AAO of 21 September 2015;²³ and
- services for older people, including their carers, and policy for and promotion of active ageing, other than employment policy, were transferred from DSS to DOH under the AAO of 30 September 2015.²⁴

Ministerial responsibilities

2.20 As at 30 June 2016, the Ministers and Parliamentary Secretaries responsible for the portfolio and its agencies were:

- The Hon. Christian Porter MP, Minister for Social Services;
- The Hon. Craig Laundy MP, Assistant Minister for Multicultural Affairs; and
- The Hon. Jane Prentice MP, Assistant Minister for Disability Services.²⁵

Performance reporting

2.21 The 2015–16 annual report highlights several key performance results including:

- the continued administration of the welfare system in accordance with the Australian Government's longer-term objectives of it being targeted and sustainable;

22 Department of Social Services, *Annual Report 2015–2016*, pp. 2–4.

23 Department of Prime Minister and Cabinet, *Administrative Arrangements Order made on 21 September 2015*, <https://www.dpmc.gov.au/sites/default/files/publications/AAO-amendment-21-Sept-2015.pdf> (accessed 27 January 2017).

24 Department of Prime Minister and Cabinet, *Administrative Arrangements Order made on 21 September 2015*, <https://www.dpmc.gov.au/sites/default/files/publications/AAO-summary-30-September-2015.pdf> (accessed 27 January 2017).

25 Department of Social Services, *Annual Report 2015–2016*, p. 18.

- the release of the *Third Action Plan 2015–18* under the National Framework for Protecting Australia’s Children 2009–2020;
- 88.0 per cent of participants in family and children programs, and financial wellbeing and capacity programs reporting improved circumstances;
- establishing agreements with all states and territories under the NDIS to transition to the full scheme, or to expand or extend trial sites; and
- implementing the Disability Employment—A Better Way to Work initiative, utilising \$25 million in funding to improve access to employment opportunities for people with a disability.²⁶

2.22 The committee commends DSS for preparing a substantive and well-presented annual report. The report is relevant to a broad audience and contains critical information on DSS' performance.

2.23 As noted in previous committee reports, the KPIs for DSS are extensive. It would, however, aid the committee in its examination of future annual reports if DSS, when reporting on its performance criteria, could indicate whether the reported result is considered to have met, substantially met, exceeded, or not met the performance criteria's target.

2.24 During the reporting period, the ANAO concluded five performance audits involving DSS. Two of these performances audits were specific to DSS.²⁷ The ANAO reported on DSS administration of the Early Intervention Services for Children with Disability (EISCD). The overall conclusion of the report found that DSS was effective in administering some areas of the EISCD, but noted administration could be improved, and made four associated recommendations.²⁸ ANAO also reported on the effectiveness of DSS administration of the National Rental Affordability Scheme (NRAS). The ANAO concluded that the administration of NRAS could have been better implemented.²⁹

Financial performance

2.25 In 2015–16 DSS managed a budget of \$120.9 billion, approximately one quarter of the Commonwealth Budget. The budget included \$120.3 billion in administered appropriations, of which \$113.4 billion of payments were made to individuals and \$6.9 billion for programs, subsidies, and grants to support the community. The remaining \$0.6 billion of departmental appropriations formed the operating expenditure of DSS. DSS achieved a small surplus of \$0.8 million.³⁰

26 Department of Social Services, *Annual Report 2015–2016*, pp. 21–101.

27 Department of Social Services, *Annual Report 2015–2016*, p. 117.

28 Australian National Audit Office, *Early Intervention Services for Children with Disability—Report No. 24 2015–16*, p.10.

29 Australian National Audit Office, *Administration of the National Rental Affordability Scheme—Report No. 8 2015–16*, p.10.

30 Department of Social Services, *Annual Report 2015–2016*, p. 129.

Department of Human Services

Tabling of the report

2.26 The Department of Human Services (DHS) 2015–16 annual report was tabled in the House of Representatives on 17 October 2016, in time for examination at the Supplementary Estimates 2015–16 hearing.³¹ The report was later tabled in the Senate on 7 November 2016.³²

Secretary's review

DHS Secretary, Ms Kathryn Campbell CSC, noted several achievements during the 2015–16 year including:

- providing \$172.1 billion in payments to customers and providers and processing 3.8 million social security and welfare claims;
- further development of processes to improve reduced telephone wait times through the modernisation of telephony systems and the improvement of online digital channels to support more expedient online assistance;
- the release of the *Enough-Family and Domestic Violence Strategy 2016–19* which acknowledges the impact of family and domestic violence in Australia, and structuring the Department's response on the key principles of zero tolerance, avoiding blame, respect, support and collaboration; and
- continuing to rollout the Welfare Payment Infrastructure Program (WPIT) to improve service delivery. WPIT is expected to transform the welfare payment platform to deliver improved standards of service and increased systems stability.³³

2.27 The Secretary's review also comments on the issue of telephone call wait times for customers, suggesting that some customers found the Department's wait times frustrating and that phone service levels were improving from past years. The committee notes that Centrelink customer feedback and Medicare customer feedback highlights issues with phone services as the most frequent complaint from amongst 142 453 DHS customer feedback contacts (Centrelink and Medicare contacts).³⁴

Ministerial Responsibilities

2.28 As at 30 June 2016, the Minister responsible for the Human Services Portfolio was Minister for Human Services, the Hon. Alan Tudge MP.³⁵

31 House of Representatives, *Votes and Proceedings*, No. 12—17 October 2016, p. 220.

32 Journals of the Senate, No. 12, 7 November 2016, pp. 358.

33 Department of Human Services, *Annual Report 2015–2016*, p. VIII.

34 Department of Human Services, *Annual Report 2015–2016*, pp. 155–156.

35 Department of Human Services, *Annual Report 2015–2016*, p. 8.

Performance reporting

2.29 The annual report addresses the KPIs as listed in the *Portfolio Budget Statements 2015–16*. The committee acknowledges that DHS met 31 of its 36 KPIs. The KPIs met in 2015–16 are a small proportional improvement on the KPIs met during the 2014–15 reporting period.³⁶

2.30 DHS continued to focus on service delivery across its three key programs and delivered a number of important results including:

- supporting individuals, families and communities through Program 1.1: Services to the community—Social security welfare. In 2015–16 payments made to recipients totalled \$115.8 billion. 98.4 per cent of all payments were delivered correctly with DHS continuing to review and update related processes. 99.3 per cent of Centrelink payments to Indigenous recipients were made correctly. DHS reported investing in Indigenous cultural awareness training to continue to improve the service standard offered to Indigenous recipients and payment integrity outcomes.
- in Program 1.2: Services to the Community—Health, DHS administered the Medicare system to support eligible people to access affordable health care. During 2015–16, \$21.4 billion in payments were made through the Medicare program. The committee notes that satisfaction reporting by Medicare customers was significantly lower than Medicare providers and below the criterion target.³⁷
- DHS continued administration of Program 1.3—Child Support to assist families and separated families to ensure their children are supported. The committee commends the performance of DHS in exceeding 6 out of 7 KPI targets of the Child Support program. DHS performed especially well in processing claims within standard and the collection of child support liabilities. The committee looks forward to noting improvements to the results of the customer satisfaction criteria in future DHS annual reports.

2.31 Budget measures for Strengthening the Integrity of Welfare Payments were achieved within budget and time criteria. Through the Employment Income Matching project \$401.2 million was raised and over 101 000 compliance interventions were completed. The AUSTRAC Data Matching project raised \$8.4 million in savings, albeit with less compliance reviews conducted than intended, due to the resource intensiveness of the investigations.³⁸

2.32 The ANAO published five reports into the operations of DHS throughout the financial year and made a total of 12 recommendations that related to DHS. The reports investigated: the administration of the Financial Information Service; the administration of the Radiation Oncology Health Program Grants Scheme;

36 Department of Human Services, *Annual Report 2015–2016*, p. 25.

37 Department of Human Services, *Annual Report 2015–2016*, pp. 19–22.

38 Department of Human Services, *Annual Report 2015–2016*, pp. 13–18.

administration of the Disability Support Pension eligibility; and, review process, administration of the Child Dental Benefits Schedule and administration of procurement initiatives to support opportunities for Indigenous Australians. DHS accepted all of the recommendations made by the ANAO.³⁹

2.33 Uniform reporting standards across departments and agencies assists to increase transparency by providing a framework for important information to be presented in a high quality and recognisable format. The committee notes that DHS has provided all the information on consultant contracts required under 17AG(7)(a) of the *Public Governance and Performance Accountability Rule 2014*, albeit in a format differing from the prescriptive statement of paragraph 17AG(7)(b).

Financial performance

2.34 DHS administered approximately \$172.1 billion in expenses on behalf of the Commonwealth in 2015–16, which constitutes approximately 41 per cent of total government outlays. The total income for DHS in 2015–16 was \$4417.1 million, of which \$4223.5 million was government appropriations and \$193.6 million sourced from self-generated revenue and gains. Accounting for amortisation and unfunded depreciation, DHS reported a small operating deficit of \$3.2 million.⁴⁰

2.35 DHS remained in a sound financial position during 2015–16. DHS reported equity of \$639.0 million and assets valued at \$2061.1 million. Liabilities of DHS were reported as \$1363.1 million, a one per cent decrease from the 2014–15 financial year.⁴¹

2.36 DHS presentation of summary financial performance information is clear and reader friendly. However, the committee encourages DHS to present this information in a way that better complies with subdivision 17AF of the *Public Governance, Performance and Accountability Rule 2014*, which requires information be presented in a table that summarises the total resources and payments of the department.

39 Department of Human Services, *Annual Report 2015–2016*, pp. 234–237.

40 Department of Human Services, *Annual Report 2015–2016*, p. 186.

41 Department of Human Services, *Annual Report 2015–2016*, pp. 187–38.