

Chapter 2

Annual reports of Commonwealth departments

2.1 The committee was referred the 2017–18 annual reports of the following Commonwealth departments for examination and report:

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

2.2 The committee considers that annual reports of these Commonwealth departments are of an apparently satisfactory standard.

Department of Health

2.3 The 2017–18 annual report for DoH was tabled on 15 October 2018.¹

Secretary's review

2.4 The Secretary, Ms Glenys Beauchamp PSM, reported on DoH's key areas of work for 2017–18, including:

- administration of Medicare and the Pharmaceutical Benefits Scheme (PBS) to ensure Australians' access to healthcare, particularly: the 414 million services provided through Medicare; over 293 prescriptions filled under the PBS; and Australian Government investment of over \$1 billion to restore the indexation of Medicare rebates;
- \$1.78 billion of investment in Australia's health and medical research sector through the Medical Research Future Fund, including to the Genomics Health Futures Mission and Zero Childhood Cancer clinical trial;
- support for sport and physical activity, including the 2018 Commonwealth Games and development of a national sport plan in conjunction with Sport Australia;
- funding for public hospitals, including a five year agreement that will provide \$130.2 billion from 2020–21 to 2024–25; and
- reform in the aged care sector, including over 100 000 home care packages and over 210 000 residential aged care packages provided.²

Chief Medical Officer's report

2.5 The Chief Medical Officer, Professor Brendan Murphy, reported on clinical priorities, including:

1 *Journals of the Senate*, No. 122, 15 October 2018, p. 3871; House of Representatives, *Votes and Proceedings*, No. 141, 15 October 2018, p. 1869.

2 Department of Health (DoH), *Annual report 2017–18*, pp. 4–7.

- the global challenge of antibiotic resistance, for which the over-prescription of antibiotics is a key contributor;
- strengthening Australia's ability to respond to public health emergencies, including development of a national action plan for health security; and
- coordinating efforts to address an outbreak of infectious syphilis in northern and central Australia, predominately affecting indigenous communities.³

Ministerial responsibilities

2.6 As at 30 June 2018, ministers of the Health Portfolio were:

- the Hon. Greg Hunt MP—Minister for Health;
- Senator the Hon. Bridget McKenzie—Minister for Sport and Minister for Rural Health; and
- the Hon. Ken Wyatt AM MP—Minister for Aged Care and Minister for Indigenous Health.⁴

2.7 The committee notes that Senator McKenzie ceased to be the Minister for Rural Health on 28 August 2018 and that the rural health ministry no longer appears on the Australian Government ministry list.⁵

Reporting against performance criteria

2.8 DoH reported its key performance results across its six department-specific outcomes in its annual performance statements. DoH met the majority of its 2017–18 performance targets as follows:

- **Outcome 1:** Health policy, design and innovation—all 11 targets were met;
- **Outcome 2:** Health access and support services—11 targets were met, three targets were substantially met, two targets were not met and five targets were reported as not having data available;
- **Outcome 3:** Sport and recreation—two targets were met and one target was substantially met;
- **Outcome 4:** Individual health benefits—28 targets were met and one target was substantially met;
- **Outcome 5:** Regulation, safety and protection—14 targets were met and five targets were substantially met; and

3 DoH, *Annual report 2017–18*, p. 11.

4 DoH, *Annual report 2017–18*, pp. 22–130.

5 See, Parliament of Australia, *Senator the Hon Bridget McKenzie*, https://www.aph.gov.au/Senators_and_Members/Parliamentarian?MPID=207825 (accessed 27 February 2019); Department of Prime Minister and Cabinet, *Ministry List* (2 March 2019), <https://www.pmc.gov.au/resource-centre/government/ministry-list> (accessed 27 March 2019).

- **Outcome 6:** Ageing and aged care—13 targets were met and four were substantially met.⁶

2.9 The committee observed that DoH did not meet two of its performance targets relating to reducing the child (age 0–4) and chronic disease related mortality rates for Aboriginal and Torres Strait Islander people (compared to non-Aboriginal and Torres Strait Islander people).⁷ The committee recognises that these performance measures account for particularly complex areas of public health. However, as the measures are not met, the committee suggests DoH should provide more detailed information in its report around the work being done towards meeting these outcomes in future years.

2.10 The committee commends DoH on meeting the majority of its performance targets. DoH provided substantive discussion around most of its performance targets and the committee considers that this provides valuable insight into the vital work of DoH during 2017–18. In its previous report on annual reports, the committee commented on the value of summarising performance targets information, and the committee welcomes DoH's inclusion of tables summarising key performance criteria results. DoH's department-specific outcomes represent complex policy and administrative responsibilities, and the use of summarised information to present performance information, coupled with more detailed discussion of results, is an effective method of reporting.

Financial reporting

2.11 In 2017–18, DoH managed over \$65.6 billion in administered expenses.⁸ Compared to the 2016–17 financial year, administered expenses increased by \$2.2 billion.⁹ Liabilities for 2017–18 were \$3.0 billion inclusive of amounts payable under administered programs and \$1.5 billion of un-submitted claims for Medicare Benefits Schedule and Pharmaceutical Benefits Scheme items.¹⁰

2.12 Of the total government expenditure in 2017–18, expenditure on health functions accounted for 16 per cent, or \$76.2 billion.¹¹ This was an increase of \$1.7 billion of health expenditure from the previous financial year, although the proportion of health expenditure remained the same at 16 per cent.¹²

2.13 DoH achieved an operating surplus for 2017–18 of \$30.2 million.¹³ By comparison, DoH ran an operating loss of \$55.5 million in the previous financial year

6 DoH, *Annual report 2017–18*, p. 46.

7 DoH, *Annual report 2017–18*, p. 46.

8 DoH, *Annual report 2017–18*, p. 14.

9 DoH, *Annual report 2017–18*, p. 166.

10 DoH, *Annual report 2017–18*, p. 166.

11 Commonwealth of Australia, *Consolidated Financial Statements for the year ended 30 June 2018*, December 2018, p. 12.

12 Commonwealth of Australia, *Consolidated Financial Statements for the year ended 30 June 2017*, December 2017, p. 12.

13 DoH, *Annual report 2017–18*, p. 167.

(prior to depreciation costs).¹⁴ DoH explained the circumstances contributing to the 2017–18 surplus as follows:

Additional revenues in the form of inspections, applications, conformity assessment and evaluations in the Therapeutic Goods Administration (TGA) and higher revenue from new chemicals assessments in the National Industrial Chemicals Notification and Assessment Scheme (NICNAS) made a significant contribution to this surplus. Revenues from Government remained reasonably consistent with the prior year.

Significant expense controls were further enhanced in 2017–18. More stringent application of controls around engagement of contractors, services under contract or others and other expenses have all led to a reduction in supplier expenses. In addition, maintaining workforce levels to reflect available funding has been a key priority for the Department.¹⁵

Consultants and exempt contracts

2.14 In 2017–18, DoH awarded 548 new consultancy contracts with a value of \$44.0 million.¹⁶ This was a significant decrease (55.6 per cent) of DoH's 2016–17 consultancy expenditure which totalled \$99.3 million.¹⁷ However, DoH's expenditure on new consultancy contracts was still 48.6 per cent higher than the 2015–16 expenditure of \$22.6 million.¹⁸

2.15 Whilst not a mandatory requirement of the Public Governance, Performance and Accountability Rule 2014, the committee encourages DoH to provide further information regarding its consultancy contracts, particularly given its highly variable year on year new consultancy expenditure.

2.16 In 2017–18, 136 DoH contracts over \$10 000 were exempt from publication on AusTender as publication would disclose exempt matters under the *Freedom of Information Act 1982* (FOI Act).¹⁹ This was 20 more exempt contracts than the 116 exempt contracts DoH entered into in 2016–17.²⁰ The committee has previously suggested that DoH could consider including further information in its annual reports regarding exempt contracts, to the extent this would not adversely impact on DoH's obligations under the FOI Act. The committee notes that DoH has not provided further detail in its 2017–18 annual report.²¹

14 DoH, *Annual report 2016–17*, p. 14.

15 DoH, *Annual report 2017–18*, p. 167.

16 DoH, *Annual report 2017–18*, p. 162.

17 DoH, *Annual report 2016–17*, p. 224.

18 See, DoH, *Annual report 2015–16*, p. 243.

19 DoH, *Annual report 2017–18*, p. 152.

20 DoH, *Annual report 2016–17*, p. 225.

21 DoH, *Annual report 2016–17*, p. 152.

2.17 The committee commends DoH on its annual report which provides a significant overview of its activities and performance in 2017–18.

Department of Social Services

2.18 The 2017–18 annual report for DSS was tabled on 15 October 2018.²²

Secretary's review

2.19 The Secretary, Ms Kathryn Campbell AO, CSC, provided an overview of DSS' focus in 2017–18, and said:

In 2017–18 our main focus has been to ensure the welfare system is well targeted and designed to help people find employment, progressing the implementation of a quality National Disability Insurance Scheme (NDIS) and standing up a National Redress Scheme for the survivors of institutional child sexual abuse.²³

2.20 Ms Campbell also provided examples of DSS' key work activities, including:

- finalising full National Disability Insurance Scheme (NDIS) arrangements with New South Wales and South Australia, and working with all states and territories to establish the NDIS Quality and Safeguards Commission;
- negotiating with the states and territories and major institutions to opt-in to the National Redress Scheme, which was implemented on 1 July 2018;
- development of a new Humanitarian Settlement Program in conjunction with Australian Government departments and establishing a new regional settlement location in Armidale, New South Wales;
- reforming the 1800RESPECT service resulting in 98 500 people receiving support for family and domestic violence and sexual assault through that service in 2017–18; and
- supporting the commencement of the National Housing and Homelessness Agreement on 1 July 2018 to provide \$1.5 billion in ongoing assistance to state and territory government for housing and homelessness outcomes.²⁴

Ministerial responsibilities

2.21 As at 30 June 2018, ministerial responsibilities for the Social Services Portfolio were:

- the Hon. Dan Tehan MP—Minister for Social Services;
- the Hon. Jane Prentice MP—Assistant Minister for Social Services and Disability Services; and

22 *Journals of the Senate*, No. 122, 15 October 2018, p. 3871; House of Representatives, *Votes and Proceedings*, No. 141, 15 October 2018, p. 1869.

23 Department of Social Services (DSS), *Annual report 2017–18*, p. 1.

24 DSS, *Annual report 2017–18*, pp. 1–2.

- the Hon. Dr David Gillespie MP—Assistant Minister for Children and Families.²⁵

2.22 The committee notes as at the time of this report, ministerial responsibilities for the Social Services Portfolio have changed to:

- the Hon. Paul Fletcher MP—Minister for Families and Social Services;
- the Hon. Sarah Henderson MP—Assistant Minister for Social Services, Housing and Disability Services; and
- the Hon. Michelle Landry MP—Assistant Minister for Children and Families.²⁶

Performance reporting

2.23 DSS reported on its performance across the following four portfolio outcomes: social security; families and communities; disability and carers; and housing.²⁷ DSS highlighted several key results from 2017–18, including:

- **Outcome 1:** Social Security—estimating the future lifetime costs of Australia's social security system and developing insights on cohorts at risk of long-term welfare dependency;
- **Outcome 2:** Families and Communities—delivering family and community services to approximately 2.7 million people and delivering key activities under the *National Plan to Reduce Violence against Women and their Children 2010–2022* and the *Third Action Plan 2015–2018 of the National Framework for Protecting Australia's Children 2009–2020*;
- **Outcome 3:** Disability and Carers—development of the *Australian Government Plan to Improve Outcomes for Aboriginal and Torres Strait Islander People with Disability* and the *National Disability Strategy 2010–2020 Australian Government Action Plan*;²⁸ and
- **Outcome 4:** Housing—establishment of a review of the National Regulatory System for Community Housing.²⁹

Financial performance

2.24 During the 2017–18 reporting year, DSS was responsible for \$117.7 billion in government expenditure.³⁰ This included \$109.3 billion for outlays to individuals and

25 DSS, *Annual report 2017–18*, p. 12.

26 Department of Prime Minister and Cabinet, Ministry List, 2 March 2019, <https://www.pmc.gov.au/resource-centre/government/ministry-list> (accessed 27 March 2019).

27 DSS, *Annual report 2017–18*, pp. 16–85.

28 DSS, *Annual report 2017–18*, p. 64.

29 DSS, *Annual report 2017–18*, p. 78.

30 DSS, *Annual report 2017–18*, p. 104.

\$6.8 billion for 'programs, subsidies and grants to support the community'.³¹ This represents an increase in administered expenses of \$2354.2 million, but a decrease in personal benefits of \$157.1 million from the 2016–17 reporting year.³²

2.25 During the reporting year, DSS received \$406.8 million in departmental appropriations and generated \$68.8 million in own source revenue from recoveries and other revenue, which included services rendered and rental income.³³ This represents an increase in Australian Government revenue of \$3.7 million and a decrease in other revenue of \$19.3 million.³⁴

2.26 The committee notes that DSS amended some of the comparative figures for departmental finances from the 2016–17 reporting year.³⁵ DSS explained in the notes to the financial statements that '...during the 2016 and 2017 financial years, the department transferred Appropriation Act 1 funding between operating and capital as the funds were to be used for capital acquisitions.'³⁶ However, the department has now recognised that 'accounting standards prevent this reclassification of funds between operating and capital' and therefore DSS included a detailed table in the financial statements that clearly set out the adjusted and restated figures for this year.³⁷

2.27 DSS also noted in the financial statements that departmental own source revenue and expenses had been overstated in the 2017 financial statements because reimbursements of expenses were recognised as revenue.³⁸ DSS advised that the restatement from revenue to expenses did not affect the department's operating result or its statement of financial position.³⁹

2.28 The committee considers that DSS provided a clear explanation in its financial statements about which figures from the 2016–17 reporting year had been restated and why this was considered to be necessary. However, the committee considers that, in future, the department may wish to consider providing a note in the body of the report to draw to the reader's attention that the figures have been restated and are available for consideration in the financial statements.

2.29 The committee thanks DSS for another helpful, informative and compliant annual report which highlights the work and performance of the department.

31 DSS, *Annual report 2017–18*, p. 104.

32 DSS, *Annual report 2017–18*, p. 105.

33 DSS, *Annual report 2017–18*, pp. 105, 129.

34 DSS, *Annual report 2017–18*, p. 104.

35 See, DSS, *Annual report 2017–18*, p. 104, Table 3.4.1.

36 DSS, *Annual report 2017–18*, p. 123.

37 DSS, *Annual report 2017–18*, p. 123.

38 DSS, *Annual report 2017–18*, p. 124.

39 DSS, *Annual report 2017–18*, p. 124.

Department of Human Services

2.30 The 2017–18 annual report for DHS was tabled in the House of Representatives and in the Senate on 15 October 2018.⁴⁰

2.31 The purpose of DHS is as follows:

The department delivers payments and associated services on behalf of partner agencies; and provides related advice to government on social welfare, health and child support service delivery policy.⁴¹

Secretary's review

2.32 The Secretary, Ms Renée Leon PSM, provided a substantive overview of the work undertaken by DHS during 2017–18. Ms Leon noted the department:

- provided \$173.4 billion in payments;
- paid more than 3.3 million social security claims, 62 000 aged care claims and 419 million Medicare services;
- worked with students to make more than 45 online and behind-the-scenes improvements to make it easier for students to claim and manage payments;
- continued to focus on digital transformation, including increasing the percentage of Medicare services claimed online to 97.9 per cent, adding Department of Veterans' Affairs staff to the payroll system and delivering the second tranche of welfare improvements;
- used multidisciplinary teams to plan and deliver projects in a more cohesive way;
- improved communication with staff to promote engagement; and
- achieved its target of five per cent Aboriginal and Torres Strait Islander employees.⁴²

Ministerial responsibilities

2.33 For the first part of the reporting year, the Hon. Alan Tudge MP was the Minister for Human Services.⁴³ On 20 December 2017, the Hon. Michael Keenan MP was sworn in as Minister for Human Services.⁴⁴

Performance reporting

2.34 DHS reported on its performance across three program areas:

- **Program 1.1: Services to the Community—Social Security and Welfare;**

40 House of Representatives, *Votes and Proceedings*, No. 141, 15 October 2018, p. 1185; *Journals of the Senate*, No. 122, 15 October 2018, p. 3871.

41 Department of Human Services (DHS), *Annual report 2016–17*, p. 2, 240.

42 DHS, *Annual report 2017–18*, pp. 3–5.

43 DHS, *Annual report, 2016–17*, p. 4.

44 DHS, *Annual report, 2017–18*, p. 12.

- **Program 1.2:** Services to the Community—Health; and
- **Program 1.3:** Child Support.⁴⁵

2.35 For Program 1.1, DHS met 13 of its 15 performance measures.⁴⁶ DHS reported that the performance measures it met included the achievement of digital service standards and delivery of the following key Budget measures:

- Welfare Payments Infrastructure Transformation Budget measures;
- Strengthening the Integrity of Welfare Payments Budget measures;
- Jobs Budget measures;
- Families Budget measures; and
- Income Management Budget measures.⁴⁷

2.36 DHS also met its performance targets for both telephony and face-to-face customer service, although wait times increased slightly.⁴⁸ DHS did not meet its performance targets for achieving customer service satisfaction standards (75.2% achieved against a target of 85%), or its targets for the achievement of payment integrity standards: Centrelink: Debt under recovery Budget measure (59% achieved against a target of 60%).⁴⁹

2.37 For Program 1.2, DHS met 13 of its 14 performance measures.⁵⁰ Some of DHS' positive results included telephony service standards for calls made to the Pharmaceutical Benefits Scheme Authority line and the My Health Record Providers line, and levels of general practitioner satisfaction with Medicare provider service delivery.⁵¹ DHS did not meet its targeted results relating to achieving customer satisfaction standards, again falling just short of the 85 per cent target.⁵²

2.38 For Program 1.3, DHS met three out of its seven performance measures.⁵³ Performance measures achieved included meeting its targets for the child support collection rate and its target for the percentage of active paying parents with less than one month liability outstanding.⁵⁴ DHS did not meet its targets for the achievement of customer satisfaction standards, the average speed of answer for telephony services or

45 DHS, *Annual report 2017–18*, p. 16.

46 DHS, *Annual report 2017–18*, p. 167.

47 DHS, *Annual report 2017–18*, p. 167.

48 DHS, *Annual report 2017–18*, pp. 167, 174–175.

49 DHS, *Annual report 2017–18*, pp. 167–168, 177.

50 DHS, *Annual report 2017–18*, p. 178.

51 DHS, *Annual report 2017–18*, pp. 178–179, 183.

52 DHS, *Annual report 2017–18*, pp. 178, 180.

53 DHS, *Annual report 2017–18*, p. 186.

54 DHS, *Annual report 2017–18*, pp. 186.

for claims processed within the standard processing time.⁵⁵ DHS noted that the transition to a new information technology system and the need for staff to work across two systems contributed to longer wait times for customers in the transition phase.⁵⁶

2.39 The committee again recognises that DHS' approach to reporting its performance, with respect to its annual statements and stated purpose, is transparent, helpful and informative. Where targets were not met, DHS provided clear information about the outcome, the context surrounding the result and the work being undertaken to improve on its performance.⁵⁷

2.40 The committee considers that including the performance measures from previous reporting years in the performance statement greatly enhances the transparency and utility of the annual report in describing the performance of the entity.

Financial reporting

2.41 In 2017–18, DHS administered \$173.4 billion in payments, which is approximately 38 per cent of government outlays.⁵⁸ DHS received \$4297.1 million in government appropriations and generated \$315.4 million in own source revenue.⁵⁹ This represents an increase in governmental appropriations of \$95.5 million (from \$4201.6 million) and an increase in own source revenue of \$70.6 million.⁶⁰

2.42 DHS reported an operating surplus of \$174.9 million (after adjustment for depreciation, amortisation and revaluation of the assets). This is an increase on DHS' \$80.7 million operating surplus in the previous reporting period.⁶¹

2.43 As at 30 June 2018, DHS held assets totalling \$2808.1 million, mostly comprised from retained appropriations and non-financial assets. Asset values increased 24.5 per cent from the same time during the previous year.⁶²

2.44 Overall, the committee commends DHS for producing an informative, clearly presented and compliant annual report.

55 DHS, *Annual report 2017–18*, pp. 186, 189.

56 DHS, *Annual report 2017–18*, p. 189.

57 DHS, *Annual report 2017–18*, pp. 166–192.

58 DHS, *Annual report 2017–18*, p. 194.

59 DHS, *Annual report 2017–18*, p. 195.

60 DHS, *Annual report 2017–18*, p. 195, DHS, *Annual report 2016–17*, p. 199.

61 DHS, *Annual report 2017–18*, p. 194.

62 DHS, *Annual report 2017–18*, p. 198.