

Chapter 2

Annual reports of Commonwealth departments

2.1 The committee was referred the 2016–17 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 considered that the annual reports of DOH, DSS and DHS were of an apparently satisfactory standard and were presented to Parliament in a timely manner.

Department of Health

2.3 The 2016–17 annual report for DOH was presented to the President out-of-session on 30 October 2017, and was tabled in the Senate on 13 November 2017.¹

2.4 DOH is broadly responsible for leading and shaping:

Australia's health and aged care system and sporting outcomes through evidence based policy, well target programs, and best practice regulation.²

Secretary's review

2.5 The Secretary's review provided a high-level overview of the major work undertaken by DOH during 2016–17. The then Secretary, Mr Martin Bowles PSM, emphasised DOH's:

- initiatives supporting the innovation of Australia's healthcare system, particularly the Government's first disbursement from the \$20 billion Medical Research Future Fund (MRFF);³
- continuation of work to reshape the primary health care system, particularly through Primary Health Networks to tailor health care services to the specific needs of local communities;
- contribution to meeting the closing the gap health care outcomes, including improved health and life expectancy outcomes for Indigenous Australians;
- ongoing clinician-led review of the Medicare Benefits Schedule (MBS), to consider how items listed on the MBS support evidence-based medical practices and improve the health outcomes of patients; and

1 *Journals of the Senate*, No. 68, 13 November 2017, p. 2168.

2 Department of Health (DOH), *Annual report 2016–17*, p. 18.

3 Note: the Medical Research Future Fund was established by the Government as a result of funding provided in the 2014–15 Budget for medium to long-term medical research to support medical innovation that improves the health and wellbeing of Australians.

- support provided for aged care services, including the implementation of the Increasing Choice in Home Care initiative.⁴

2.6 Mr Bowles retired as Secretary on 1 September 2017.⁵ The committee extends its thanks to Mr Bowles for his contribution to the important work of DOH. On 18 September 2017, Ms Glenys Beauchamp PSM was appointed Secretary of DOH.⁶

Chief Medical Officer's report

2.7 The Chief Medical Officer, Professor Brendan Murphy, reported on clinical matters pertinent to DOH during 2016–17, including:

- the capacity of the medical workforce and the maldistribution of doctors;
- initiatives for improving immunisation rates amongst the population, including increased rates of childhood immunisation;
- the response to the increased rates of the MenW invasive meningococcal disease;
- the appointment of the Australian Advisory Council for the Medicinal Use of Cannabis and assessment of the evidence base for medicinal cannabis use;
- DOH's response to Lyme disease and chronic Lyme-like illnesses; and
- strategies employed to respond to antimicrobial resistance, particularly the use of antibiotics only in circumstances where there is clear evidence of benefit.⁷

Ministerial responsibilities

2.8 As at 30 June 2017, ministerial responsibilities for the Health Portfolio were:

- the Hon. Greg Hunt MP, Minister for Health and Minister for Sport;
- the Hon. Ken Wyatt AM MP, Minister for Aged Care and Minister for Indigenous Health; and
- the Hon. Dr David Gillespie MP, Assistant Minister for Health.⁸

2.9 In December 2017, Senator the Hon. Bridget McKenzie was appointed Minister for Rural Health and Minister for Sport. The Hon. Dr David Gillespie MP ceased ministerial responsibilities for the Health Portfolio.⁹

4 DOH, *Annual report 2016–17*, pp. 4–6.

5 The Hon. Greg Hunt MP, *Retirement of Mr Martin Bowels PSM from public service*, 22 August 2017.

6 DOH, *Glenys Beauchamp PSM*, 19 September 2017, <http://www.health.gov.au/internet/main/publishing.nsf/Content/health-profile-beauchamp>.

7 DOH, *Annual report 2016–17*, pp. 7–11.

8 DOH, *Annual report 2016–17*, p. 29.

9 Department of Prime Minister and Cabinet (PM&C), *Ministry list of the Turnbull Government*, 5 March 2018, https://www.pmc.gov.au/sites/default/files/publications/ministry-list-05-march-2018_1.pdf.

Reporting against performance criteria

2.10 DOH reported on key performance targets across its six portfolio outcomes: health system policy, design and innovation; health access and support services; sport and recreation; individual health benefits; regulation, safety and protection; and ageing and aged care.¹⁰

2.11 The committee is pleased to note that DOH met the majority of its performance targets. DOH reported several significant community outcomes, including:

- the first disbursement of \$64.9 million from the MRFF to fund a 'balance of long-term research and quick win programs which will improve health system efficiency, patient care and access, health outcomes and innovation in health';¹¹
- establishment of 12 suicide prevention trial sites across 11 Primary Health Networks to deliver community-tailored responses to rising rates of suicide;¹²
- expansion of the National Bowel Cancer Screening Program to screen additional age cohorts, which is expected to contribute to the prevention of over 90 000 instances of bowel cancer and 59 000 related deaths between 2015–2040;¹³
- continued success of the *Play.Sport.Australia* initiative in collaboration with the Australian Sports Commission, with 5800 schools registering to participate in the initiative which promotes children's engagement with sport in a fun and supportive environment;¹⁴
- continuation of the MBS review, with over 440 clinicians, consumers and healthcare experts, across 65 committees and working groups, examining the clinical evidence-base for over 5700 MBS listed items;¹⁵ and
- subsidisation of glucose monitoring devices for more than 4000 people aged under 21 years with type 1 diabetes through the National Diabetes Services Scheme.¹⁶ The committee notes that in 2016 there were 2625 people newly diagnosed with type 1 diabetes.¹⁷

10 DOH, *Annual report 2016–17*, pp. 36–192.

11 DOH, *Annual report 2016–17*, p. 43.

12 DOH, *Annual report 2016–17*, p. 62.

13 DOH, *Annual report 2016–17*, p. 60.

14 DOH, *Annual report 2016–17*, p. 101.

15 DOH, *Annual report 2016–17*, p. 112.

16 DOH, *Annual report 2016–17*, p. 136.

17 Australian Institute of Health and Welfare, *Incidence of insulin-treated diabetes in Australia*, 29 January 2018, <https://www.aihw.gov.au/reports/diabetes/incidence-insulin-treated-diabetes-australia-2016/contents/type-1-diabetes-incidence>.

2.12 The committee observed that a proportion of DOH's performance targets were not met. Examples of these targets include: reduced rates of chronic disease related mortality for Aboriginal and Torres Strait Islander people;¹⁸ reduced rates of illicit drug use in the last 12 months for the population aged 14 years or older;¹⁹ and the timeliness of Australia's reporting obligations under the International Narcotic Drugs Convention.²⁰ The committee acknowledges the complexity and scale of these targets and would welcome further reporting from DOH on its strategies for improved performance outcomes in these areas.

2.13 In its 2015–16 annual report, DOH used visual indicators to summarise the proportion of performance targets met in the performance statement for each outcome.²¹ The committee considered that these visual indicators were a useful reporting technique and noted the absence of this information in DOH's annual report for 2016–17. Whilst not a mandatory reporting requirement under the *Public Governance, Performance and Accountability Rule 2014*, the committee encourages DOH to consider if there is merit in presenting more performance information in summarised formats, to assist in the communication of DOH's extensive performance targets.

2.14 The committee is pleased to note that, in response to the committee's comments in its first report on annual reports for 2017 regarding the unavailability of data, DOH has provided additional information in its 2016–17 annual report indicating when data will be available and where it will be published.²²

Financial performance

2.15 In 2016–17, DOH administered: expenses totalling \$63.4 billion; assets totalling \$2.3 billion (as at 30 June 2017); and liabilities of \$2.9 billion.²³ Compared to 2015–16: administered expenses increased from \$55.8 billion; administered expenses increased from \$2.1 billion; and liabilities decreased from \$3.3 billion.²⁴

2.16 Of the total government expenditure in 2016–17, the health expenditure accounted for 16 per cent, or \$74.5 billion.²⁵

2.17 The committee noted that DOH ran an operating loss of \$55.5 million in 2016–17 (prior to depreciation costs).²⁶ This was an increase from the operating loss

18 DOH, *Annual report 2016–17*, p. 67.

19 DOH, *Annual report 2016–17*, p. 86.

20 DOH, *Annual report 2016–17*, p. 151.

21 DOH, *Annual report 2015–16*, pp. 45, 67, 83, 103, 107, 125.

22 See: Senate Community Affairs Legislation Committee, *Annual reports (No. 1 of 2017)*, pp. 4–5; DOH, *Annual report 2016–17*, pp. 82–83, 87.

23 DOH, *Annual report 2016–17*, p. 14.

24 DOH, *Annual report 2015–16*, p. 17.

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

of \$5.5 million of the previous financial year.²⁷ DOH explained that its operating loss in 2016–17:

...was largely a result of undertaking important additional activities within existing resources. Included in the operating loss is the Medicine and Medical Devices Review which was agreed by Government through the 2016-17 Budget process and was funded by revenue derived from industry.²⁸

Consultants and exempt contracts

2.18 DOH's 2016–17 consultancy expenditure totalled \$99.3 million.²⁹ The committee notes that compared to 2015–16, consultancy expenditure increased over 70 per cent and there was a 33 per cent increase in the total number of consultancy contracts. DOH reported that the increased use of consultants was associated with work for the Aged Care Digital Payments Program and the evaluation of submissions made to the Pharmaceutical Benefits Advisory Committee.³⁰

2.19 Commonwealth entities are required to report on contracts greater than \$10 000 in value, and which were exempt from publication on AusTender as publication would disclose exempt matters under the *Freedom of Information Act 1982* (FOI Act), to the extent that reporting would not disclose exempt matters.³¹ DOH reported it held 116 exempt contracts in 2016–17, a reduction from 171 exempt contracts held in 2015–16, however no further information was provided.³² To the extent that reporting information regarding exempt contracts does not adversely impact on DOH's obligations under the FOI Act, the committee encourages DOH to consider if making further information available would enhance the probity of DOH's reporting.

2.20 Overall, the committee commends DOH for producing a high-quality annual report, which presents substantive information regarding its operational performance and highlights its significant achievements across the 2016–17 financial year.

Department of Social Services

2.21 The 2016–17 annual report for DSS was tabled in Parliament on 16 October 2017.³³

26 DOH, *Annual report 2016–17*, p. 14.

27 DOH, *Annual report 2015–16*, p. 17.

28 DOH, *Annual report 2016–17*, p. 14.

29 DOH, *Annual report 2016–17*, p. 224.

30 DOH, *Annual report 2016–17*, p. 224.

31 See: paragraph 17AG(9) of PGPA Rule.

32 DOH, *Annual report 2016–17*, p. 225.

33 *Journals of the Senate*, No. 64, 16 October 2017, p. 2040; House of Representatives, *Votes and Proceedings*, No. 80, p. 1123.

2.22 The mission of DSS is to improve 'the lifetime wellbeing of people and families'.³⁴

Secretary's review

2.23 The then Secretary, Mr Finn Pratt AO PSM, provided an overview of DSS' key achievements in 2016–17, including:

- progress made with increasing rates of vaccination through the *No Jab, No Pay* initiative, and noted that more than 210 000 families are now compliant with vaccination requirements, and that immunisation rates for children aged one to five are now greater than 93 per cent;
- launch of the *Third Action Plan 2016–2019* of the *National Plan to Reduce Violence against Women and their Children 2010–2022*, which focusses on 'prevention and early intervention, and keeping perpetrators accountable across all systems'; and
- launch of the Try Test Learn Fund (TTLF), which will provide \$96 million for financing 'new and innovative policy responses for groups of people identified as being at risk of long-term welfare dependency'. The committee notes DSS received close to 400 ideas through the TTLF from individuals and organisations across Australia.³⁵

2.24 Since producing the Secretary's review, Mr Pratt was appointed Secretary of the Department of Environment and Energy. The committee thanks Mr Pratt for his service and welcomes Ms Kathryn Campbell CSC as the new Secretary of DSS.

Ministerial responsibilities

2.25 As at 30 June 2017, ministerial responsibilities for the Social Services Portfolio were:

- the Hon. Christian Porter MP, Minister for Social Services;
- the Hon. Jane Prentice, Assistant Minister for Social Services and Disability Services; and
- Senator the Hon. Zed Seselja, Assistant Minister for Social Services and Multicultural Affairs.³⁶

2.26 Following the tabling of DSS' 2016–17 annual report, changes were made to the ministerial responsibilities for the Social Services Portfolio as follows: the Hon. Dan Tehan MP was appointed Minister for Social Services; the Hon. Dr David Gillespie MP was appointed Assistant Minister for Children and Families and Senator

34 Department of Social Services (DSS), *Annual report 2016–17*, p. 6.

35 DSS, *Annual report 2016–17*, pp. 1–2.

36 DSS, *Annual report 2016–17*, p. 15.

the Hon. Zed Seselja ceased ministerial responsibilities in the Social Services Portfolio.³⁷

Performance reporting

2.27 DSS reported on its performance across the following four portfolio outcomes: social security; families and communities; disability and carers; and housing.³⁸ DSS presented several key achievements, including:

- the settlement of 24 376 refugees, including 12 000 refugees from Syria and Iran through the Humanitarian Settlement Services Program;³⁹
- expansion of the Data Exchange (DEX) used for measuring the effectiveness of grants and presenting the outcome achieved for clients and services. DEX is currently used by six agencies for reporting on 55 programs and, with over 2300 organisations and 11 000 individuals registered, DEX supported close to 30 million interactions since July 2016;⁴⁰ and
- work to support the establishment of the National Disability Insurance Scheme (NDIS) Quality and Safeguards Commission, including securing an agreement for a national NDIS quality and safeguards framework and progression of the bill to establish the commission.⁴¹

2.28 In its first report on annual reports for 2017, the committee commented on DSS' performance reporting, particularly regarding the desirability of using descriptors for reporting results, such as 'met' or 'not met'.⁴² The committee acknowledges that there has been some improvement in this regard. However, the committee suggests that there may be further scope to improve the transparency of DSS' performance reporting by providing information, where applicable, on whether an outcome measure result meets DSS' performance target. For example, in reporting on the following outcome measures, DSS has provided relevant figures but has not indicated whether those figures met DSS' performance targets:

- the accuracy of social security payments;⁴³
- the percentage of DSS' assisted individuals and families who experience improved circumstances relevant to individual/family needs;⁴⁴ and

37 Department of Prime Minister and Cabinet, *Ministry list of the Turnbull Government*, 5 March 2018, https://www.pmc.gov.au/sites/default/files/publications/ministry-list-05-march-2018_1.pdf.

38 DSS, *Annual report 2016–17*, pp. 21–81.

39 DSS, *Annual report 2016–17*, pp. 20, 48.

40 DSS, *Annual report 2016–17*, pp. 48, 93.

41 DSS, *Annual report 2016–17*, pp. 64, 70.

42 Senate Community Affairs Legislation Committee, *Annual reports (No. 1 of 2017)*, p. 15.

43 DSS, *Annual report 2016–17*, pp. 40, 92.

44 DSS, *Annual report 2016–17*, p. 51.

- the percentage of Commonwealth Rent Assistance (CRA) units which recorded reduced rental stress after receiving CRA.⁴⁵

2.29 The committee encourages DSS to review the information provided in its performance reporting.

Financial performance

2.30 In 2016–17, DSS administered around one quarter of the Commonwealth Budget, inclusive of \$109.5 billion in payments to individuals and \$4.3 billion for 'programs, subsidies and grants to support the community'.⁴⁶ Comparatively, DSS administered \$113.4 billion in payments to individuals and \$6.9 billion for programs, subsidies and grants in the 2015–16 reporting period.⁴⁷

2.31 DSS managed administered appropriations of \$116.8 billion, and departmental appropriations of \$0.5 billion.⁴⁸ Compared to 2015–16, DSS' administered appropriations decreased from \$120.3 billion and departmental appropriations decreased from \$0.6 billion.⁴⁹

2.32 In 2016–17, DSS achieved a small surplus of \$0.9 million. This surplus improved on the surplus achieved in the previous financial year of \$0.8 million.

2.33 The committee commends DSS on the quality of its annual report. The committee also encourages DSS to consider if reporting more detailed information regarding the effectiveness of its assets management processes, and its procurement practices in support of small and medium enterprises, would enhance the comprehensiveness of DSS' annual report.⁵⁰

Department of Human Services

2.34 The 2016–17 annual report for DHS was tabled in the House of Representatives on 24 October 2017, and in the Senate on 13 November 2017.⁵¹

2.35 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 delivery.⁵²

45 DSS, *Annual report 2016–17*, p. 77.

46 DSS, *Annual report 2016–17*, p. 110.

47 DSS, *Annual report 2015–16*, p. 129.

48 DSS, *Annual report 2016–17*, p. 2.

49 DSS, *Annual report 2015–16*, p. 4.

50 For further information see: Department of Finance, *Resource Management Guide No. 135: Annual reports for non-corporate Commonwealth entities*, May 2017, pp. 22–23, 28–29, https://www.finance.gov.au/sites/default/files/RMG-135_Annual_reports_for_non-corporates.pdf.

51 House of Representatives, *Votes and Proceedings*, No. 85, p. 1185; Journals of the Senate, No. 68, 13 November 2017, p. 2168.

Secretary's review

2.36 The then secretary, Ms Kathryn Campbell CSC, provided a substantive overview of the work undertaken by DHS during 2016–17. Ms Campbell noted:

- the scale of DHS' service delivery arrangements, including the processing of more than 3.8 million social security and welfare claims, delivery of more than 700 million self-service transactions, handling 52 million phone calls and 19 million visits to service centres, and 74 000 kilometres covered by mobile service centres;
- public controversy associated with the online compliance initiative, which raised automated debts based on averaged income data, and DHS' response to improve the initiative's results;
- efforts to improve service delivery, including moving to the delivery phase of the Welfare Payment Infrastructure Transformation Program to improve the delivery of student payments and to upgrade ageing information and communications technology (ICT) infrastructure;
- collaboration with the Digital Transformation Agency to improve the myGov service, particularly focusing on achieving a simplified, user-centric design; and
- the importance of, and approach to, developing workforce capacity and diversity.⁵³

2.37 As in DHS' annual report for 2015–16, Ms Campbell noted people's frustration when their calls to DHS went unanswered, or they had to wait for calls to be answered.⁵⁴ The committee notes DHS' performance measure for customer satisfaction of 'time to receive service' was just 46.3 per cent.⁵⁵

2.38 As previously noted, Ms Campbell commenced as Secretary of DSS on 18 September 2017. On the same day, Ms Renée Leon PSM commenced as Secretary of DHS.⁵⁶ The committee thanks Ms Campbell for her work and welcomes Ms Leon.

Ministerial responsibilities

2.39 During the 2016–17 reporting period, the Hon. Alan Tudge MP was the Minister for Human Services.⁵⁷

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

53 DHS, *Annual report 2016–17*, pp. X–XIII.

54 DHS, *Annual report 2016–17*, pp. X–XIII.

55 DHS, *Annual report 2016–17*, p. 242.

56 DHS, *Ms Renée Leon PSM*, 6 February 2018, <https://www.humanservices.gov.au/organisations/about-us/our-department/secretary-department-human-services>.

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

2.40 On 20 December 2017, the Hon. Michael Keenan MP was sworn in as Minister for Human Services.⁵⁸

Performance reporting

2.41 DHS reported on its performance across three program areas: Program 1.1: Services to the Community – Social Security and Welfare; Program 1.2: Services to the Community – Health; and Program 1.3: Child Support.⁵⁹

2.42 For Program 1.1, DHS met 13 of its 15 performance measures.⁶⁰ DHS reported that the performance measures it met included positive results for customers' 24/7 access to DHS' ICT systems and Centrelink's accurate delivery of Indigenous customer payments.⁶¹ DHS did not meet its performance targets for achieving customer service satisfaction standards, or its targets for the delivery of the strengthening the integrity of welfare payments Budget measure.⁶²

2.43 For Program 1.2, DHS met 12 of its 14 performance measures.⁶³ Some of DHS' positive results included pharmacists' satisfaction with Medicare providers' service delivery and high rates of claims processed within service level standards.⁶⁴ DHS did not meet its targeted results relating to achieving customer satisfaction standards, or telephony service standards for calls made to the Pharmaceutical Benefits Scheme Authority line and the My Health Record Providers line.⁶⁵

2.44 For Program 1.3, DHS met five out of its seven performance measures. Performance measures achieved included the rate of child support liabilities raised, and child support claims processed within service level standards.⁶⁶ DHS did not meet its targeted results for the achievement of customer satisfaction standards, although it came very close to its 85 per cent target, nor did DHS meet its target for the average speed of answer for telephony services.⁶⁷

2.45 The committee recognises that DHS' approach to reporting its performance, with respect to its annual statements and stated purpose, is transparent and informative. When DHS reported that it did not meet a targeted result, it provided

58 DHS, *The Hon Michael Keenan MP*, December 2017, <https://www.mhs.gov.au/biography>.

59 DHS, *Annual report 2016–17*, pp. 240–258.

60 DHS, *Annual report 2016–17*, p. 241.

61 DHS, *Annual report 2016–17*, pp. 242, 246.

62 DHS, *Annual report 2016–17*, pp. 242, 244.

63 DHS, *Annual report 2016–17*, p. 249.

64 DHS, *Annual report 2016–17*, pp. 249, 253.

65 DHS, *Annual report 2016–17*, pp. 250, 252.

66 DHS, *Annual report 2016–17*, pp. 255–256.

67 DHS, *Annual report 2016–17*, pp. 254, 256.

clear information regarding the outcome of the result and provided information as to the work being undertaken to improve on its performance.⁶⁸

Management of human resources

2.46 DHS reported on matters regarding the management of human resources and exceeded the reporting standards required by legislation. DHS highlighted its: provisions for supporting employees from culturally and linguistically diverse (CALD) backgrounds;⁶⁹ plans and processes to support the employment of people with a self-identified disability;⁷⁰ and employment of, and support for, Aboriginal and Torres Strait Islander peoples.⁷¹

2.47 DHS provided information on the number of employees who had self-identified as having a CALD background, disability background, or an Aboriginal and Torres Strait Islander background. DHS also reported on the substantive Australian Public Service classification levels for employees with the abovementioned backgrounds.⁷²

Financial reporting

2.48 In 2016–17, DHS administered approximately 40 per cent of the Government's total outlays, through approximately \$174.3 billion in payments. DHS received \$4201.6 million in government appropriations and generated own-source revenue and gains of \$244.8 million.⁷³ Compared to the previous reporting period, DHS' government appropriations decreased from \$4223.5 million and own source revenue and gains increased from \$193.6 million.⁷⁴

2.49 DHS achieved an \$80.7 million operating surplus (after adjustment for depreciation, amortisation and asset revaluation).⁷⁵ This improves on DHS' operating deficit of \$3.2 million during the previous reporting period.⁷⁶

2.50 At the end of the 2016–17 reporting period, DHS' total equity was \$847.3 million, which was an increase from \$698 million at the same time in the previous year.⁷⁷

68 DHS, *Annual report 2016–17*, pp. 242, 244, 250, 252.

69 DHS, *Annual report 2016–17*, p. 133.

70 DHS, *Annual report 2016–17*, p. 134.

71 DHS, *Annual report 2016–17*, pp. 138–140, 144–145.

72 DHS, *Annual report 2016–17*, pp. 266–267.

73 DHS, *Annual report 2016–17*, p. 198.

74 DHS, *Annual report 2015–16*, p. 186.

75 DHS, *Annual report 2016–17*, p. 198.

76 DHS, *Annual report 2015–16*, p. 186.

77 DHS, *Annual report 2015–16*, p. 188; DHS, *Annual report 2016–17*, p. 201.

2.51 As at 30 June 2017, DHS held assets totalling \$2227 million, mostly comprised from retained appropriations and non-financial assets. Asset values increased 8.1 per cent from the same time during the previous year.⁷⁸

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

78 DHS, *Annual report 2016–17*, p. 201.