

## Chapter 2

### Annual reports of Commonwealth departments

2.1 The committee was referred the 2018–19 annual reports of the following Commonwealth departments for examination and report:

- Department of Health;
- Department of Social Services; and
- Services Australia.

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

#### Department of Health

##### *Secretary's review*

2.3 The Secretary of the Department of Health (DoH), Ms Glenys Beauchamp PSM, highlighted a number of elements of DoH's work in her review of the 2018–19 financial year. These highlights included:

- continued delivery of Medicare through the initial reviews of 5 700 items on the Medicare Benefits Schedule (MBS), additional services added to the MBS, and an increase in bulk billing rates;
- reforms to aged care, notably the establishment of the Aged Care Quality and Safety Commission;<sup>1</sup>
- establishment of a Mental Health Division within DoH;
- new listings on the Pharmaceuticals Benefits Scheme;
- implementation of a \$6 billion package for medical research;
- introduction of the Gold, Silver, Bronze, Basic four tier system for private health insurance;
- development of a 10 year National Preventive Health Strategy; and
- development of Australia's first national sport plan, *Sport 2030*.<sup>2</sup>

2.4 Ms Beauchamp also noted that, in addition to this, DoH actioned 20 979 items of ministerial correspondence, primarily responding to letter campaigns relating to My Health Record, natural therapies and private health insurance, and Medicare rebates for psychological services.<sup>3</sup>

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1 The first annual report of the Aged Care Quality and Safety Commission will be examined in Chapter 3 of this report.

2 Department of Health, *Annual Report 2018–19*, pp. 4–7.

3 Department of Health, *Annual Report 2018–19*, p. 7.

### **Chief Medical Officer's report**

2.5 The Chief Medical Officer, Professor Brendan Murphy, also reported on the year's activities. In particular, he commented on the issue of access to medical care:

Addressing inequities in access to high quality medical care has been a longstanding challenge in Australia. Despite many policy initiatives over a number of years, some rural and remote locations have demonstrably poorer access to health services than metropolitan areas.<sup>4</sup>

2.6 Professor Murphy commented that, in response to this challenge, DoH had begun implementation of the *Stronger Rural Health Strategy*. This strategy aims to build a sustainable, high quality health workforce that is distributed across the country according to community need, particularly in rural and remote communities, through a range of measures including incentives, and targeted funding.<sup>5</sup>

2.7 Professor Murphy also commented on DoH's significant work in the following areas:

- elimination of cervical cancer;
- reducing the incidence of blood borne viruses and sexually transmissible infections;
- increased availability of flu vaccine; and
- securing and maintaining contingency levels of products in the National Medical Stockpile.<sup>6</sup>

### **Performance reporting**

2.8 DoH's purpose, as set out in its 2018–19 corporate plan is:

To support government and stakeholders to lead and shape Australia's health and aged care system and sporting outcomes through evidence-based policy, well targeted programs, and best practice regulation.<sup>7</sup>

2.9 In 2018–19, DoH continued to deliver this purpose through six outcomes and reported its key performance results across these outcomes in its annual performance statements. DoH met the majority of its 2018–19 performance targets as follows:

- **Outcome 1:** Health system policy, design and innovation—all eight targets were met;
- **Outcome 2:** Health access and support services—seven targets were met, five targets were substantially met, and eight targets were reported as not having data available;

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4 Department of Health, *Annual Report 2018–19*, p. 10.

5 Department of Health, *Stronger Rural Health Strategy – factsheets*, <https://www1.health.gov.au/internet/main/publishing.nsf/Content/stronger-rural-health-strategy-factsheets> (accessed 5 February 2020).

6 Department of Health, *Annual Report 2018–19*, pp. 10–11.

7 Department of Health, *Corporate Plan 2018–19*, 31 August 2018, p. 1.

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- **Outcome 3:** Sport and recreation—all three targets were met;
  - **Outcome 4:** Individual health benefits—24 targets were met, two targets were substantially met, and one target was reported as not having data available;
  - **Outcome 5:** Regulation, safety and protection—14 targets were met and one target was substantially met; and
  - **Outcome 6:** Ageing and aged care—nine targets were met, three were substantially met, and one target was reported as not having data available.<sup>8</sup>

2.10 The committee notes that eight targets under outcome 2 were reported as not having data available. The committee also notes that in two of these instances, the data not available relates 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) which is the same data that was not able to be provided in DoH's previous annual report.<sup>9</sup>

2.11 The committee understands that the data required is due to be released by the Australian Bureau of Statistics mid-2020<sup>10</sup>, and encourages DoH to include this information in its next annual report.

2.12 The committee commends DoH on meeting 65 out of 86 (or 75 per cent) of its performance targets; and appreciates the detailed explanations provided against each target, particularly where a target has not been fully met or where data was not available.

2.13 DoH's annual performance statements are clearly set out and easy to read. Further, the inclusion of summary tables for DoH's performance under each outcome provides a helpful snapshot of DoH's work for 2018–19.

### ***Financial reporting***

2.14 The 2018–19 Budget and Mid-Year Economic and Fiscal Outlook delivered an increase in funding of \$20 billion to the Health portfolio over the forward estimates. This increase brings the Budget to \$115 billion in 2022–23.<sup>11</sup>

2.15 Of the total government expenditure in 2018–19, expenditure on health functions accounted for 15.9 per cent, or \$80.3 billion.<sup>12</sup> This figure represents an

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8 Department of Health, *Annual Report 2018–19*, pp. 28–135.

9 Department of Health, *Annual Report 2018–19*, p. 46; Department of Health, *Annual Report 2017–18*, p. 46.

10 Department of Health, *Annual Report 2018–19*, p. 46.

11 Department of Health, *Annual Report 2018–19*, p. 7.

12 Commonwealth of Australia, *Consolidated Financial Statements for the year ended 30 June 2019*, December 2018, p. 12.

increase of \$4.1 billion on health expenditure, however a decrease of 0.1 per cent in the proportion of total government expenditure.<sup>13</sup>

2.16 In 2018–19, DoH's total administered expenses were \$69.7 billion. Of this figure, over 66 per cent (\$46.1 billion) was for payments for personal benefits, including for medical and pharmaceutical services and private health insurance rebates. A further \$12.67 billion was expended on subsidies, predominantly for aged care, and \$9.2 billion was allocated to grants.<sup>14</sup>

2.17 DoH had an operating loss of \$2.4 million (0.3 per cent of total expenditure) however remained in a net asset position at 30 June 2019.<sup>15</sup>

### ***Consultants and contracts***

2.18 In 2018–19, DoH awarded 557 new consultancy contracts involving total actual expenditure of \$28.7 million.<sup>16</sup> Compared with the previous financial year, these figures show an increase in the number of contracts awarded, however, a decrease in the total spend on new contracts.<sup>17</sup>

2.19 The committee notes that DoH exceeded its target of 74 contracts with Indigenous businesses, entering into 140 new contracts with a combined value of \$24.8 million.<sup>18</sup>

2.20 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.

2.21 In 2018–19, 111 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).<sup>19</sup> This is 25 fewer exempt contracts than the 136 exempt contracts DoH entered into in 2017–18.<sup>20</sup>

2.22 The committee commends DoH on its annual report which provides a comprehensive overview of its activities and performance in 2018–19.

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

14 Department of Health, *Annual Report 2018–19*, p. 14.

15 Department of Health, *Annual Report 2018–19*, p. 14.

16 Department of Health, *Annual Report 2018–19*, p. 167.

17 Department of Health, *Annual Report 2018–19*, p. 167; Department of Health, *Annual Report 2017–18*, p. 167.

18 Department of Health, *Annual Report 2018–19*, p. 167.

19 Department of Health, *Annual Report 2018–19*, p. 167.

20 Department of Health, *Annual report 2017–18*, p. 152.

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## Department of Social Services

### *Secretary's review*

2.23 In her review of 2018–19, Ms Kathryn Campbell AO, CSC, Secretary of the Department of Social Services (DSS), pointed to a number of initiatives implemented by DSS which are designed to 'support Australians through the welfare system and into jobs'.<sup>21</sup> In particular, Ms Campbell highlighted:

- the use of actuarial data analysis from the Australian Priority Investment Approach to Welfare to identify groups of people who would benefit from innovative projects to provide them with pathways to work;
- the extension of *Try, Test and Learn Fund* projects to at-risk youth, refugees and other groups at risk of joblessness; and
- the redesign of Disability Employment Services to help people with disability get and keep a job.<sup>22</sup>

2.24 The Secretary noted the launch of the *Fourth Action Plan 2018–2020* under the *National Framework for Protecting Australia's Children 2009–2020*, noting:

The plan is an important step towards improving the safety and wellbeing of Australia's children, with a strong focus on improving outcomes for Aboriginal and Torres Strait Islander children and their families.<sup>23</sup>

2.25 The Secretary also noted the extension of the Cashless Debit Card program to the Bundaberg and Hervey Bay regions of Queensland, explaining:

This expansion provides an opportunity to test the card's flexibility as a tool to support people in non-remote locations and to help address social problems. We worked closely with the community to design tailored eligibility criteria for the trial site.<sup>24</sup>

2.26 The National Disability Insurance Scheme (NDIS) was also an important focus for DSS, which saw:

- full scheme agreements for New South Wales and South Australia come into effect on 1 July 2018;
- full scheme agreements finalised with Tasmania, the Northern Territory, the Australian Capital Territory and Victoria by 30 June 2019;
- finalisation of an agreement with Queensland agreement;
- establishment of the NDIS Quality and Safeguards Commission on 1 July 2018; and

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21 Department of Social Services, *Annual Report 2018–19*, p. 1.

22 Department of Social Services, *Annual Report 2018–19*, p. 1.

23 Department of Social Services, *Annual Report 2018–19*, p. 1.

24 Department of Social Services, *Annual Report 2018–19*, p. 2.

- development of a *Younger People in Residential Aged Care Action Plan* to reduce the number of younger people with disability in residential aged care.<sup>25</sup>

### ***Performance reporting***

2.27 As set out in its Corporate Plan 2018–19, DSS' purpose is:

We work in partnership with government and non-government organisations to achieve our mission through the effective development, management and delivery of payments, policies, programs, and services.<sup>26</sup>

2.28 This purpose is delivered through four core areas:

- 1—Social Security
- 2—Families and Communities
- 3—Disability and Carers
- 4—Housing

2.29 In presenting its annual performance statements, DSS provided a summary and analysis of its performance as well as a list of key results for each of its core areas.

2.30 The committee notes the following key results across the four core areas:

- successful delivery of the one-off Energy Assistance Payment to approximately 5 million allowance and pension recipients;
- launch of a Commonwealth/state and territory government National Consumer Protection Framework for Online Wagering and coordination of the implementation of the first tranche of measures under this Framework;
- launch of the Employ their Ability campaign, which raised awareness amongst employers of the benefits of employing people with disability; and
- together with the Commonwealth Treasury, delivery of \$1.5 billion through the National Housing and Homelessness Agreement (NHHA) to support housing and homelessness services across Australia. The NHHA provides funding certainty to homelessness services with \$620 million over five years dedicated for homelessness, which is to be matched by state and territory governments.<sup>27</sup>

2.31 The committee considers that the annual performance statements comply with the requirements as set out in *Resource Management Guide 134*.<sup>28</sup>

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25 Department of Social Services, *Annual Report 2018–19*, p. 2.

26 Department of Social Services, *Corporate Plan 2018–19*, p. 4.

27 Department of Social Services, *Annual Report 2018–19*, p. 21, p. 48, p. 72, p. 87.

28 Department of Finance, *Annual performance statements for Commonwealth entities (RMG 134)*, <https://www.finance.gov.au/government/managing-commonwealth-resources/annual-performance-statements-commonwealth-entities-rmg-134> (accessed 6 February 2020).

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### ***Financial performance***

2.32 DSS received \$420.5 million in departmental funding in 2018–19; and was responsible for the management of \$120 billion in government expenditure. Both of these figures have grown in comparison with the previous financial year.<sup>29</sup>

2.33 The committee considers that the section of DSS' report entitled 'Managing our finances' on page 121 is clearly set out, and particularly appreciates the inclusion of the financial resources table which indicates trends in departmental finances between the previous and current financial years. However, the committee encourages DSS to include more discussion in this section in order to make the information in the table more accessible.

### ***National Redress Scheme***

2.34 DSS' report contains an annual report on the operation of the National Redress Scheme (scheme), which was created in response to the Royal Commission into Institutional Responses to Child Sexual Abuse. Established on 1 July 2018, the scheme will operate for 10 years.<sup>30</sup>

2.35 Under the scheme, an individual who has experienced child sexual abuse before 1 July 2018 may apply for redress, which can consist of three components:

- a counselling and psychological component;
- a redress payment; and
- a direct personal response from each participating institution responsible for the abuse.<sup>31</sup>

2.36 A redress payment is calculated using an assessment framework which considers the individual's circumstances as well as the type of abuse they experienced. The maximum redress payment is \$150 000.<sup>32</sup>

2.37 In its first year of operation, the scheme received 4200 applications, of which:

- 346 people were assessed as eligible (no one was assessed as ineligible);
- 239 redress payments were made, ranging from \$10 000 to \$150 000; and
- of the 346 eligible applications, 186 institutions were found to have been responsible across the individual cases of abuse.<sup>33</sup>

2.38 The committee appreciates the high level of detail included in DSS' annual report, and considers that it meets the relevant reporting requirements.

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29 Department of Social Services, *Annual Report 2018–19*, pp. 121–122.

30 Department of Social Services, *Annual Report 2018–19*, p. 98.

31 Department of Social Services, *Annual Report 2018–19*, p. 98.

32 Department of Social Services, *Annual Report 2018–19*, p. 99.

33 Department of Social Services, *Annual Report 2018–19*, p. 100.

## Services Australia

2.39 As noted in Chapter 1 of this report, the Department of Human Services was renamed Services Australia following the Administrative Arrangements Order of 29 May 2019.<sup>34</sup>

2.40 Services Australia's purpose remains:

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.<sup>35</sup>

### *Secretary's review*

2.41 In her review of 2018–19, Ms Renée Leon PSM, Secretary of Services Australia, set out that as a department, Services Australia's vision is to 'provide trusted services that are respectful, simple, helpful and transparent'.<sup>36</sup>

2.42 The Secretary noted the increased use of modern technology in delivering this vision, and highlighted the use of digital assistants in responding to customer inquiries and the incorporation of suggestions from staff to improve interactions with customers.<sup>37</sup>

2.43 Ms Leon also noted Services Australia's work in other areas of government services, pointing to the use of Services Australia's Cyber Security Branch to provide a secure internet gateway for the Australian Electoral Commission during the federal election in May 2019.<sup>38</sup>

2.44 The Secretary noted that in delivering services during 2018–19, the department had dealt with:

- payments totalling \$184 billion;
- more than 3.5 million social security and welfare claims;
- more than 429 million Medicare services;
- more than 63 500 aged care claims; and
- approximately 980 million interactions with individual Australians.<sup>39</sup>

### *Performance reporting*

2.45 Services Australia has one outcome:

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34 Department of Prime Minister and Cabinet, Administrative Arrangements Order—29 May 2019, <https://www.pmc.gov.au/resource-centre/government/aao-29-may-2019> (accessed 4 February 2020).

35 Services Australia, *2018–19 Annual Report*, p. 313.

36 Services Australia, *2018–19 Annual Report*, p. 3.

37 Services Australia, *2018–19 Annual Report*, p. 3.

38 Services Australia, *2018–19 Annual Report*, p. 5.

39 Services Australia, *2018–19 Annual Report*, p. 3.



Support individuals, families and communities to achieve greater self-sufficiency; through the delivery of policy advice and high quality accessible social, health and child support services and other payments; and support providers and businesses through convenient and efficient service delivery.<sup>40</sup>

2.46 This outcome is delivered through three programs:

- 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.<sup>41</sup>

2.47 In its delivery of program 1.1, Services Australia met six out of nine targets. The three targets that were not met were:

- Criterion 1: Customer satisfaction: Achievement of customer satisfaction standards;
- Criterion 5: Achievement of face-to-face service level standards: Average wait time; and
- Criterion 7: Achievement of processing service level standards: Claims processed within standard.<sup>42</sup>

2.48 The committee notes, however, that Criteria 1 and 5 were not met by relatively small margins. The target for Criterion 7 was to process over 82 per cent of claims within standard. Services Australia achieved 68 per cent. The committee notes Services Australia's explanation that the 'reduction in the department's performance against this measure during 2018–19 reflects the priority given to reducing the number of claims on hand, in particular older claims'.<sup>43</sup>

2.49 Services Australia successfully met all 11 targets under program 1.2. In assessing its own performance, the department noted that 'five performance measure results improved, four are comparable, and one declined, compared to 2017–18 results'.<sup>44</sup>

2.50 Under program 1.3, Services Australia met only three out of seven targets. The report set out:

Overall, the 2018–19 results for the Child Support Program performance measures are consistent with previous years. While the average speed of answer for Child Support customers was longer in 2018–19 compared to 2017–18, the other performance measures that did not meet annual targets in 2017–18 improved in 2018–19, demonstrating the department's

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40 Services Australia, *2018–19 Annual Report*, p. 176.

41 Services Australia, *2018–19 Annual Report*, p. 320.

42 Services Australia, *2018–19 Annual Report*, p. 178.

43 Services Australia, *2018–19 Annual Report*, p. 190.

44 Services Australia, *2018–19 Annual Report*, p. 196.

commitment to delivering high-quality services and payments for the community on behalf of Government.<sup>45</sup>

2.51 The committee recognises Services Australia's transparent approach to performance reporting. 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.

2.52 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; and encourages Services Australia to continue to include this information in future annual reports.

### ***Financial reporting***

2.53 In 2018–19, Services Australia administered approximately \$184.0 billion in payments, or around 38 per cent of government outlays. The department reported an operating deficit of \$33.8 million after adjustment for unfunded depreciation and amortisation expenses and the revaluation of assets. This represents a 3 per cent variance from the budgeted net cost of services of \$4.8 billion.<sup>46</sup>

2.54 The committee considers that the information provided by Services Australia in section *11.1 Statement of Financial Performance* is clear and easy to follow, notably, the level of detail provided in this section is sufficient yet not overwhelming for a member of the public to understand

2.55 Overall, the committee considers that Services Australia has produced an informative and clearly presented annual report which meets the required reporting standards.

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45 Services Australia, *2018–19 Annual Report*, p. 213.

46 Services Australia, *2018–19 Annual Report*, p. 228.