SECRETARY’S REVIEW

Introduction

Once again the Department has had a very active year addressing a wide range of pressing issues facing our health and aged care sectors. Changes put into effect by the Department in 2005-06 will deliver benefits to the nation for many years to come.

Priority was given to the challenges of curbing the rising human and financial cost of chronic disease, including mental illness; ensuring equitable access to health and aged care services for all; and improving health outcomes for Indigenous Australians.

Major advances on some of these fronts reflected the delivery of the Australian Government’s 2004 election commitments, which were the focus of the May 2005 Budget, and new policy directions formulated through the Council of Australian Governments process.

Through carrying on its regular activities in 2005-06, the Department continued to support the health of every Australian – from refinements to Medicare and listing of new drugs through the Pharmaceutical Benefits Scheme (PBS), to training and practice incentives for doctors and nurses, regulation of over-the-counter medications, and payments to community pharmacies.

The backdrop for all of our activities in the year was the need to provide for our ageing population – with rapidly increasing demand for health and aged-care services and pharmaceuticals – and to protect Australia against new health threats, especially a potential influenza pandemic.

The Department administered a record budget of $38.4 billion – nearly a fifth of the entire Federal Budget. This was a 6.1 per cent nominal increase over 2004-05 expenditure. Through this portfolio, the Australian Government continues to provide nearly half of total national spending on health.

Meeting all of these objectives was, at times, difficult, but was achieved through the dedication, hard work and leadership of the Department’s staff.

Key achievements of 2005-06 were:

- the Council of Australian Governments package of major health initiatives – including measures to improve mental health services, reduce avoidable chronic disease, and increase the health workforce (see Outcomes 1, 3 and 9);
- the Fourth Community Pharmacy Agreement – which supports access to PBS medicines dispensed through community pharmacies, signed with the Pharmacy Guild of Australia on 16 November 2005 (see Outcome 2);
• **Influenza pandemic preparations** – the revised Australian Health Management Plan for Pandemic Influenza, a plain English national health action plan to guide Australia’s response to pandemic influenza, released in May 2006 (see Outcome 12);

• **Indigenous health** – a new Medicare-funded annual health check for Aboriginal and Torres Strait Islander children, and expansion of non-sniffable Opal fuel as a replacement for regular unleaded petrol in an additional 21 Aboriginal communities (see Outcome 7); and

• **The National Health and Medical Research Council** – the Department successfully implemented transitional arrangements that enabled the Council to become an independent statutory agency within the Health and Ageing portfolio from 1 July 2006. The new arrangements are expected to strengthen the capacity of the Council to deliver better health and medical research outcomes (see Outcome 11).

**Highlights of 2005-06**

**A Council of Australian Governments (COAG) Package of Major Health Initiatives**

The Department played a strong role in developing, negotiating and implementing a significant package of national health initiatives agreed by the heads of all Australian governments on 10 February 2006. At its 10 February 2006 meeting, COAG endorsed the National Health Workforce Strategic Framework and agreed a number of actions designed to improve Australia’s health workforce and health education structures. The Department undertook additional work on the Strategic Framework for COAG’s consideration at its July 2006 meeting. This additional work included: investigation on the number and distribution of training places; the organisation of clinical training; education; accreditation; and registration of health professionals. The Department is also progressing COAG’s agreement to a national assessment process for overseas qualified doctors.

The Department also developed several mental health initiatives that were announced by the Prime Minister on 8 April 2006 for inclusion in a COAG National Mental Health Action Plan. Initiatives included: increasing the role of psychologists and other health professionals in primary care; a renewed focus on promotion, prevention and early detection and intervention of mental health issues; and increasing the health workforce available to address mental health issues.

In addition, the Department developed a detailed program for the Australian Government’s $250 million contribution to the Australian Better Health Initiative, which was funded in the May 2006 Budget. These measures will address risk factors which contribute to chronic disease, such as poor diet, physical inactivity, smoking, alcohol misuse and excess weight.

The Department is also working on implementing a number of aged care initiatives agreed through COAG to improve the care of older patients in public hospitals, including those in smaller rural hospitals, and to help them to avoid unnecessary admissions to hospital.

**Other Measures to Prevent Disease and Promote Good Health**

The Department provided strategic leadership to combat the harm caused to individuals, communities and society by licit and illicit drugs. The Department took carriage of developing the National Alcohol Strategy 2006-2009 and the National Cannabis Strategy 2006-2009, which were endorsed by all Australian health and law ministers. Initiatives under the National Tobacco Strategy 2005-09 included the introduction of new graphic health warnings on all tobacco products.

In 2005-06, the Department also continued to implement a range of measures to improve consumer knowledge of health risks and promote healthier lifestyles. They included the popular social marketing campaign – ‘Get Moving’ – launched in February 2006 to encourage people, especially...
5 to 12 year-old children, to increase their physical activity levels. The Department also continued to support the Go for 2 & 5® fruit and vegetable campaign, with a second phase of advertising running between May and June.

**Commitment to Caring for Older Australians**

Working with aged care providers of all kinds to meet the diverse needs of older Australians, as the population ages, is another important function of the Department. This year the Department implemented a number of initiatives to continue to raise standards in aged care and to recognise the desire of many older people to receive care in the community rather than in residential facilities.

A milestone was achieved in the continuing expansion and strengthening of the aged care sector. In 2001, the Department was given the target of achieving almost 200,000 operational aged care places. This target was passed with 204,869 operational aged care places at 30 June 2006.

In consultation with industry stakeholders, the Department implemented government reforms to give people using aged care services greater financial security. These include new prudential arrangements for aged care providers and a scheme to guarantee the repayment of aged care residents’ accommodation bonds in the event that a provider becomes bankrupt or insolvent.

The Department also developed measures to increase the physical security of people living in residential care facilities after several cases of sexual or physical assault were reported. Further consideration is being given to ways to encourage incidents to be reported, and to improve the Department’s capacity to respond to issues raised with the Complaints Resolution Scheme, including alleged abuse.

**Protecting Australia Against Health Threats**

The Department established the Office of Health Protection (OHP) in December 2005 to expand its emergency response capability. The new division is dedicated to emergency planning and response, communicable disease surveillance and planning for emerging diseases.

While much of the activity of the new office is geared towards ensuring that Australia is prepared for a possible influenza pandemic, the OHP is able to respond to other immediate concerns, such as any harm from hurricanes or earthquakes in the region, and managing health threats that might emerge from the misuse of hazardous materials.

In May 2006, the Department strengthened Australia’s preparedness for an influenza pandemic through the release of the revised Australian Management Plan for Pandemic Influenza 2005. The Department also substantially increased the range and number of items in the National Medical Stockpile for use in an emergency and developed the National Medicines Stockpile Deployment Plan.

In 2005-06, the OHP also provided the focus within the Department and the Australian Government on matters relating to health security, and had an important role in whole-of-government counter-terrorism activities. This included liaising regularly with Australian Government security and intelligence agencies, and working with the health sector to develop protective security measures in such critical areas as public health laboratories, the blood supply and hospitals.

**Strengthening Our High-Quality Health Care System**

The Department rolled out a number of new initiatives to support Australians’ access to high-quality, well-integrated and cost-effective primary (GP) care. Significant progress was made with the implementation of Round the Clock Medicare, which will be complemented by the National Health Call Centre Network. Both of these programs will make it easier for people to obtain medical help and advice outside normal working hours.
The Department also developed the new streamlined Medical Benefits Schedule care planning items for patients with chronic conditions or complex care needs; introduced new Medicare rebates designed to improve access to mainstream Medicare services for Aboriginal and Torres Strait Islander people; and extended the Training for Rural and Remote Procedural GPs Program to include emergency medicine training.

The Department made significant progress in streamlining the Pharmaceutical Benefits Scheme (PBS) process to reduce the time taken to list approved drugs.

The Department also successfully applied the 12.5 per cent price-reduction policy to new generic brands of drugs listed on the PBS. In August and December 2005 and April 2006, 42 new generic brands triggered a 12.5 per cent price reduction, affecting 264 brands.

Improving National Health Systems

The Department negotiated the Fourth Community Pharmacy Agreement on behalf of the Australian Government. It was signed with the Pharmacy Guild of Australia on 16 November 2005. The agreement sets out remuneration arrangements for community pharmacies for the period 1 December 2005 to 30 June 2010. The fourth agreement provides payments to community pharmacies that distribute and supply PBS medicines and supports professional pharmacy programs and services. These include funding for a range of initiatives, such as medication reviews, support for rural pharmacies and their workforce, improving the access of Indigenous Australians to PBS medicines, and programs to improve community health.

Under the Australian Health Care Agreements, the Department worked closely with the states and territories to improve the collection of data for non-inpatient hospital activity. We are negotiating to broaden the scope of data collected for these activities. This, combined with improvements to the quality and scope of data collected for inpatient activity, will make it possible to improve performance reporting of the services provided by Australia’s hospitals system.

The Department continued to work in partnership with the National Blood Authority, the Therapeutic Goods Administration, State and Territory governments and other stakeholders to ensure that Australians have access to safe and affordable blood and blood products. This work included ensuring the adequacy of the blood supply to Australian patients in need by managing the national blood supply plan; minimising supply-security risks; promoting high-quality management and use of blood products; ensuring product safety; and helping to ensure that affordable blood and blood products are available to the Australian health sector through funding, as outlined in the National Blood Agreement.

Greater Choice in Private Health

Initiatives administered by the Department saw the number of Australians covered by private health insurance reach record levels after rising steadily throughout 2005-06. In the June quarter 2006, 8.8 million Australians, or 43 per cent of the population, were covered by private health insurance.

The Department also worked on a comprehensive package of private health insurance reforms to improve competition in the industry, provide better value and protection to consumers and ensure the sustainability of the private health sector. These changes include the introduction of broader health cover to promote wellness and prevent illness, and will be implemented from April 2007.

Addressing Aboriginal and Torres Strait Islander Health Needs

Sustainable gains in Aboriginal and Torres Strait Islander health remain a priority for the Department. All areas of the Department were engaged in this effort.

One particular focus this year was on improving Indigenous access to mainstream health services and increasing the responsiveness of those services to Indigenous needs. An important initiative was the introduction of the new Medicare-funded annual health check for Aboriginal and Torres Strait Islander children from birth to 14 years of age. It encourages doctors to carry out regular comprehensive health checks for Indigenous children to promote healthy behaviour. It complements the Healthy for Life program which focuses on improving the health and wellbeing of Aboriginal and Torres Strait Islander mothers, babies, children and those affected by chronic disease. Implementation of Healthy for Life is ahead of schedule, with 53 sites approved for initiatives by the end of 2005-06.

The Department also allocated funds for more than 40 additional health service delivery staff and more than 50 capital works projects to enhance existing
and establish new primary health facilities. At the same time, the Department improved collaboration with other governments and the private health sector to address gaps in service delivery.

The Department also worked with Indigenous-specific substance abuse services and expanded the availability ofopal fuel to 21 Aboriginal communities in central and northern Australia during the year. As part of a comprehensive approach to combat petrol sniffing, an eight-point plan was agreed by states and territories and the Australian Government and is being implemented in a designated zone in central Australia.

**Supporting Medical Research**

The Department successfully managed the transition of the National Health and Medical Research Council to a financially independent statutory agency under the _Financial Management Act 1997 (FMA Act)._ The new agency was established on 1 July 2006. The new governance arrangements provide for clearer lines of accountability and reporting by the Chief Executive Officer, as head of the agency, to the portfolio minister.

The new arrangements are expected to strengthen the Council’s capacity to deliver better health and medical research outcomes. Following these changes, the Australian Government announced significant additional funding to boost research grants, fellowships and capital works at specific research-agendas facilities.

**Managing Our People**

The results of our annual staff survey in November 2005 showed an improvement in satisfaction with the Department’s internal leadership and the opportunities for staff to be recognised and to pursue career opportunities. The results confirm that we have made significant progress in these areas since the first survey in 2003. We still have much to do to build on the findings. The Department’s new 2006-09 Corporate Plan will help with this, as it gives team leaders and staff direct line-of-sight through the Department’s priorities, values and responsibilities, to the Australian health and aged care sectors relevant to their roles.

**New Portfolio Arrangements and Changes to the Department**

During the year there was a change in the portfolio ministry, with Senator the Hon Santo Santoro sworn in on 27 January as Minister for Ageing.

There were also considerable location changes for the Department’s Central Office in Canberra. The re-opening of Scarborough House has helped to consolidate our accommodation but also required some temporary upheavals. More than 2,500 staff that were once housed across 12 different sites have now moved into six buildings.

In June 2006, Mr David Kalisch and Mr David Learmonth were appointed Deputy Secretaries. One of the expanded executive team’s first management objectives was to revise the Department’s top-level structure to align it with the challenges in the years ahead. The Department will implement a revised organisation structure in 2006-07.

**A Committed, Generous Staff**

Our staff, once again, rose to the occasion when disaster struck Australians around the world. Our involvement in the response to the terrorist attacks in London in July 2005 and the second Bali bombing three months later was very effective, guided by the strategies which we have developed over the last three years as part of our ongoing and thorough preparations for a health crisis.

I continue to be impressed with the dedication of many staff to raising money and providing help as volunteers. They dug deep to support the community through fundraising efforts like the Cyclone Larry Disaster Relief Appeal, and annual events like Australia’s Biggest Morning Tea.

Our achievement with the Hartley House Challenge was outstanding, raising $101,000 through a genuine team effort. This is an annual activity which not only supports a very worthwhile charity, but allows staff to achieve their own fitness goals. As well as continuing our commitment to Hartley, we have introduced a new Workplace Giving Program to extend our help to other worthy causes.
Conclusion

The Department had a very busy but successful year and achieved the strategic objectives set down for it in the 2005-06 Health and Ageing Portfolio Budget Statements.

Staff and managers demonstrated hard work, cooperation and commitment in providing well-considered and professional advice and information to the Australian Government, and strong and useful leadership to the health and ageing sector.

Our key objectives and priorities for the coming year are detailed by outcome in the 2006-07 Health and Ageing Portfolio Budget Statements.

Jane Halton
Secretary
Department of Health and Ageing
Events of the past year have emphasised that, in health matters, no country can regard itself as an island, cut off from outside developments. Health crises in our region and in the broader world demanded our attention and were the focus of increasing allocations of Australian health resources. Much effort was devoted to preparing the nation for an emergency such as an influenza pandemic. The resulting planning and stockpiling of medicines has greatly increased our ability to respond to such an eventuality and to minimise the cost to Australians in health, social and economic terms. The last 12 months have also seen national initiatives to improve the health of all Australians and to tackle areas of concern which have the potential to reverse the long-running trend to longer life expectancy – such as obesity, chronic disease, mental illness, Indigenous health and shortages in the health workforce.

The challenges that face Australia and virtually all other countries in respect of the health workforce shortages are being addressed in a multi-faceted approach. As well as increasing training for doctors, nurses and allied health professionals, we are examining new and more efficient ways of delivering vital services. However, until these measures have their full impact, we will continue to rely to some degree on overseas trained health professionals to assist.

Protecting our Health from Major Threats

Improved public health and vaccinations in the 20th century have led to greatly reduced mortality and morbidity from traditional infectious diseases. The current environment, however, requires us to be vigilant against both old diseases such as polio, which has re-emerged in our neighbour, Indonesia, and new diseases such as avian influenza, H5N1, and Severe Acute Respiratory Syndrome.

A significant part of my work this year focused on the continued preparations for the possible emergence of an influenza pandemic arising from the H5N1 avian influenza strain. While it is impossible to predict when such a pandemic might occur, or to be certain that it will occur, the potential death toll in an uncontrolled epidemic is such that we must have robust systems in place to contain or prevent the spread of the virus as much as possible if a significant outbreak occurs.

To focus our efforts, in early 2006 the Office of Health Protection (OHP) was established within the Department to boost Australia’s capacity to develop and coordinate planning and responses to health threats. The OHP will have a major role in coordinating expert advice on the risk of disease outbreaks and in developing a national disease surveillance system. The OHP will also consolidate and build on the work already undertaken by the Australian Government to manage communicable diseases and to maintain Australia’s biosecurity.

Our plans have focused on the possibility of the deadly influenza H5N1 or ‘bird flu’ virus mutating from a poultry virus to one that is easily transmitted from human to human. While there have been some subtle shifts in the genetic make-up of the virus, it remains predominantly a disease of birds, with relatively few cases of human infection to date, but one which causes serious consequences to humans when transmission does occur. Of the 228 worldwide human H5N1 cases reported up to 30 June 2006, 130 (57 per cent) were fatal.

An important development was the recent research into types of vaccines that might be of value in a pandemic. We are working collaboratively with several vaccine producers both in Australia and overseas on a variety of strategies to ensure that we have optimal access to the right types of vaccines when needed.

We are continuing to build our national stockpile of drugs and medical equipment to supplement stocks presently available in the states and territories in the event a pandemic should occur.
In May this year, Minister Abbott launched a revised Influenza Management Plan\(^1\) that draws on the latest epidemiological modelling. The plan suggests that strict containment strategies employed at the onset of a pandemic could prevent or slow wider spreading of the virus, and buy time for laboratories to develop an effective vaccine.

We are working closely with the states and territories to ensure that the principles contained in the *Australian National Action Plan for Human Influenza Pandemic*\(^2\) are harmonised across all national and state and territory plans.

Containment measures in the Australian Health Management Plan for Pandemic Influenza that would need to be adopted early in the development of a pandemic include:

- escalating border control and quarantine measures to reduce the risk of overseas travellers bringing a pandemic virus into Australia, including potential restrictions on travel from affected regions if a pandemic emerges;
- adoption of basic infection control, such as cough and sneeze etiquette, frequent hand washing and the wearing of masks on public transport;
- social distancing practices, like avoiding crowded public gatherings and short-term home quarantine for people exposed to an infected person; and
- targeted provision of antivirals to people exposed or at continuous high risk of exposure to the virus rather than to broad categories of workers (to ensure the stockpile is used to best effect in slowing or stopping the spread of the virus and to ensure it lasts as long as possible).

Regional Surveillance

Our whole-of-government approach has positioned Australia as the regional leader in preparing a response to emerging diseases and potential pandemics, and to health disasters and emergencies.

Significant progress was also made in 2005-06 on improving our infrastructure for surveillance of disease threats, particularly influenza, within South East Asia and the Pacific. This surveillance will be crucial in providing Australia with notice of an impending pandemic and is an important aspect of our overall strategy for managing threats from influenza.

The new World Health Organization (WHO) Collaborating Centre for Reference and Research on Influenza in Melbourne, is performing an integral role in the national surveillance system. The centre forms part of the WHO’s international influenza surveillance network, and monitors the frequent changes in influenza viruses with the aim of reducing the incidence of influenza through the use of vaccines that target circulating strains. We are working closely

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\(^1\) Available at: [www.health.gov.au/internet/wcms/publishing.nsf/content/ohp-pandemic-ahmppi.htm](http://www.health.gov.au/internet/wcms/publishing.nsf/content/ohp-pandemic-ahmppi.htm) or printed copy on request to: pandemicplan@health.gov.au.

with the WHO to expand and co-locate the centre with the Victorian Infectious Disease Reference Laboratory in Melbourne to build on its capacity for disease surveillance in Australia and overseas.

We will also continue to help countries in the region to strengthen their own national surveillance systems, train local health professionals, and purchase equipment and antiviral medicines to combat emerging diseases such as avian influenza. These offshore initiatives will be guided by the OHP.

**New Infectious Diseases**

As well as avian influenza, we must strengthen surveillance for, and response capability against other zoonotic diseases which have emerged in the region. Zoonotic diseases are diseases transmitted from vertebrate animals to people, and include mosquito-borne diseases such as dengue fever, Japanese encephalitis and the chikungunya virus.

The Department is working closely with agricultural agencies such as the Department of Agriculture, Fisheries and Forestry to improve surveillance for diseases not yet in Australia, diagnostic laboratory skills, and awareness in the community of the dangers posed by these diseases.

**National Chronic Disease Strategy**

The WHO has long warned that the global burden of chronic disease is increasing rapidly and predicts that by the year 2020, chronic disease will account for almost three-quarters of all deaths.

Australia’s chronic disease burden and its consequent effect on disability and death are of course growing in line with this trend. We must start building capacity now to deal with this challenge. Failure will have an impact not only upon the affected individuals in terms of pain and suffering, but also on their families and carers, and on the whole Australian community in terms of productivity losses and high health care costs.

Much of our chronic disease burden is caused by avoidable lifestyle factors. While we have made major advances in reducing smoking in the community, regrettable the current epidemic of obesity threatens to outweigh these health gains. Across all age groups there is a marked increase in body weight and the associated downstream health effects such as diabetes and other chronic diseases and their complications.

The role we as doctors and health professionals play in this difficult and complex area cannot be underestimated. Each time we see patients is an opportunity to help get vital health messages across. To do this, we need to understand the best way to approach our patients. As well as this, we need, as community leaders, to use our influence to create the best environment where a healthy lifestyle is made easier, not harder.

The Australian Government and the State and Territory governments have all recognised the need to support health professionals and individuals in these endeavours over the last three years, and have worked closely to develop a united national approach. In November 2005, the Australian Health Ministers’ Conference endorsed a national strategic policy to manage and improve chronic disease prevention and care in the Australian population. The National Chronic Disease Strategy represents a major step forward, providing an overarching framework of agreed national directions for improving chronic disease prevention and care in Australia.

The strategy is supported by five disease-specific National Service Improvement Frameworks covering asthma; cancer; diabetes; heart, stroke and vascular disease; and osteoarthritis, rheumatoid arthritis and osteoporosis. The frameworks draw on scientific evidence to identify opportunities for improvements to health service arrangements at the national, state and territory levels.

**Mental Health Package**

The $1.8 billion mental health package announced on 5 April 2006 included a major increase in clinical and health services available in the community and new team work arrangements for psychiatrists, GPs, psychologists and mental health nurses; new non-clinical and respite services for people with mental illness and their families and carers; an increase in the mental health workforce; and new programs for community awareness.
Challenges of Mental Health

Mental health has been the subject of considerable community concern and debate during 2005-06. Since the 1960s, there has been a shift in the service orientation towards people with severe mental health disorders, from care in long-term mental health hospitals to care provided within the community. More than 22,000 mental hospital beds were closed by the early 1990s. This shift was deliberate because of the poor quality of institutional life but was relatively unplanned before 1993, and limited community services were developed to replace the ‘whole of life’ function played by these hospitals.

Despite the efforts of all governments through the introduction of the National Mental Health Strategy in 1993, the community-based care system has struggled to address the needs of individuals with mental disorders, their families and the wider community. Recent reports, and the Australian Government’s own reviews, have identified the need to improve access to services for people with severe mental disorders, and to improve the effectiveness of treatments for people with common mental disorders.

As mental health continued to be a shared Australian Government and State and Territory government responsibility, significant reform needed to be progressed at the highest level through the Council of Australian Governments (COAG). The reforms announced by the Australian Government following the COAG agreement in February 2006 will make significant inroads to addressing the needs of all people affected by mental illness.

These reforms will provide people with severe mental illness with better access to appropriate clinical treatment in the community, including services by appropriately trained GPs, psychologists and psychiatrists. The reforms will improve services for people with more common mental disorders and for particular groups including people in rural areas, Indigenous people, and will promote early intervention for children and families.

The Department is playing a key role in the development of the new mental health package and will continue to do so in coordinating the implementation of the new measures.

Disaster Management

The second terrorist attack in Bali, Indonesia in October 2005, which resulted in the death of four Australians and injury to 19 others, demonstrated the capacity of Australia’s health and emergency management communities to respond rapidly and effectively at critical times.

The then Australian Health Disaster Management Policy Committee (AHDMPC) — comprising Chief Health Officers of all jurisdictions and emergency services health experts — worked closely with the Australian Defence Forces to rapidly assess medical needs, provide medical treatment to victims and manage their evacuation. The AHDMPC met regularly by teleconference to coordinate resources and direct them to where they were most needed, such as the formation of civilian medical teams and their deployment to Bali. In Australia, Darwin hospitals responded quickly, initially acting as staging facilities for the evacuating injured, and in the end treating the majority of injuries caused by the bombing.

As a result of the lessons learned from the 2002 Bali bombings, the Department established the National Incident Room (NIR) that can be activated for national health emergencies such as an influenza pandemic, and the health aspects of other emergencies in which the Australian Government has a role. This may include health emergencies of all types, including natural disasters, acts of terrorism, or communicable disease outbreaks. The NIR was officially opened on 7 September 2006.

The NIR has been used extensively by the Department during the past 20 months, to monitor and coordinate the national responses to global outbreaks of SARS and avian influenza, as well as recent mass casualty incidents such as the second Bali bombing, Yogyakarta earthquake and the medical evacuation of injured from East Timor. The NIR has close information linkages with operational centres in other Australian Government agencies which ensures coverage of both crisis and consequence management aspects of acts of terrorism.

After the recent review of the Australian Health Ministers’ Advisory Council sub-committee functions, the role of the AHDMPC has been significantly expanded to cover a broader range of health protection related activities that go beyond disaster management. The committee has also been renamed the Australian Health Protection Committee (AHPC), and is supported by the Department.
Soon after its inception, the AHPC was called on to respond to two new crises in April-May 2006:

- violence in East Timor: the Department’s National Incident Room, in consultation with the AHPC, mobilised 17 medical evacuations from Dili, East Timor, to Darwin and supported local facilities and nursing and medical personnel who were rapidly recruited from other states and territories to work with Darwin Hospital staff; and

- massive earthquake in Indonesia: immediately following the earthquake, the AHPC worked with AusAID and Emergency Management Australia to deploy two Australian medical assistance teams to Java, Indonesia.

These events confirmed our preparedness to act in health disaster events and the effectiveness of the current inter-jurisdictional arrangements. They also reinforced the prospect that continuing demands will be placed on Australia to cope with health disasters throughout the region.

Research Successes

This year saw two Australian doctors, Barry Marshall and Robin Warren, receive the 2005 Nobel Prize in Medicine for their careful clinical research which identified the cause of and appropriate treatment for the common disease of stomach ulcers.

Professor Ian Frazer from Queensland was named the 2006 Australian of the Year for his work in developing vaccines against cervical cancer. For the last 20 years, Professor Frazer has researched the link between papilloma viruses and cervical cancer. He has now developed vaccines to prevent and to treat the cancer. The first, a preventative vaccine, is in the final stages of world-wide trials and is expected to be available in late 2006. The creation of these vaccines is an exciting breakthrough and another example of the high standard and enormous benefits of Australian medical research.

The papilloma vaccines suggest further exciting clinical potential for drugs to combat some resilient diseases. Drugs are becoming more sophisticated at targeting molecules and receptors to ensure more effective therapy, including fewer side effects, and many new drugs offer the promise of significantly improved treatment for cancer and metabolic diseases. These new drugs will need to be evaluated to ensure that they are safe and effective before they are made available to Australian patients.

The Health Workforce

The World Health Report 2006 examines the current worldwide shortage of health workers. The WHO estimates there are at present 57 countries with critical shortages equivalent to a global deficit of 2.4 million doctors, nurses and midwives.³

In Australia, the uneven distribution of the health workforce creates areas of particular shortage. Increasing demand for health services and the ageing population are also raising demand for doctors and nurses. In recent years, the Australian Government has introduced a wide variety of initiatives, including increasing the number of medical school places, increasing the number of appropriately qualified overseas trained doctors operating in Australia, and training and funding more practice nurses.

During 2006-07, the Department will manage the implementation of a major COAG health workforce package, which will provide a further expansion in new medical school and undergraduate nursing places. It will also increase the number of doctors in rural areas by allowing more rural students to get into medicine and by training more medical students in rural areas.

There is recognition that medical specialist training in Australia needs to adapt to changes in the way health care is delivered. The changing patterns of disease, increasing complexity of treatment and advances in medical technology have altered the way services are delivered, with more than 75 per cent of all health care expenditure now being distributed outside of public hospitals.

The Department is working closely with medical colleges, private sector health practitioners, the Australian Medical Association, and the states and territories’ health departments to produce a training plan that will enable medical education to be delivered more effectively. It is anticipated the program will commence in early 2007.

Indigenous Health

There have been significant gains in some areas of the health of Aboriginal and Torres Strait Islander peoples in recent years. Life expectancy for females increased by three years to 67.9 years in the Northern Territory between 2000 and 2003, while mortality for both males and females in Western Australia fell by 25 per cent between 1991 and 2002. There have been significant reductions in infant mortality in Western Australia, the Northern Territory and South Australia between 1991 and 2002.4

Recent research has also shown death rates for the most common chronic diseases in the Northern Territory have been easing or falling since the end of the 1980s. These include slowing death rates from diabetes and ischaemic heart disease (the biggest killer) and falling death rates for chronic obstructive pulmonary disease (chronic bronchitis and emphysema). The investment by the Australian Government and the dedication of many health professionals working in primary care has largely been responsible for this welcome change in health outcomes. New initiatives in preventing chronic disease and modifying high risk behaviour will hopefully improve outcomes further.

Chronic disease such as diabetes is particularly high among Indigenous people. The new Medicare health check will be beneficial, as a focus on children’s health is crucial to the health of future generations. Implementation of the National Chronic Disease Strategy, commencement of the Healthy for Life program to reduce the impact of chronic diseases, and measures to address petrol sniffing and alcohol abuse are also important achievements in 2005-06.

Smoking is almost three times as common in Indigenous people, and contributes to many of the chronic diseases affecting quality of life and life expectancy. Helping Indigenous Australians to quit smoking is another important goal.

The Department is working hard to increase access to mental health services, and programs aimed at specific diseases such as cervical cancer, rheumatic heart disease and trachoma. A continuing focus on Indigenous health is integral to maintaining the outstanding reputation of Australia’s health system.

Conclusion

The Australian Government has invested heavily to improve the capacity and focus of our health systems in the past two years, with a commitment to build on this over the next three to five years. This investment presents us with unprecedented opportunities to meet the challenges facing us to deliver the best health outcomes for Australians.

In doing so, we will build on our achievements in 2005-06 in increasing the preparedness of our health infrastructure for a pandemic outbreak, and adapting our health structures to face the growing burden of chronic disease.

Professor John Horvath AO
Chief Medical Officer

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The Departmental Overview provides information on the Department’s role, management and accountability arrangements in 2005-06. This includes discussion on the Department’s management of its people, finances and resources.

About the Department

Vision
The Department of Health and Ageing’s vision, as outlined in the 2006-09 Department of Health and Ageing Corporate Plan, is of better health and active ageing for all Australians.

Role
In 2005-06, the Department was responsible for achieving the Australian Government’s priorities (outcomes) for population health, medicines and medical services, aged care and population ageing, primary care, rural health, hearing services, Indigenous health, private health, health system capacity and quality, acute care, health and medical research, biosecurity and emergency response.

The Department worked to achieve the Australian Government’s priorities through its policy, program, research and regulations activities, and by leading and working with other government agencies, consumers and stakeholders. The Department operated under the Public Service Act 1999 and the Financial Management and Accountability Act 1997. The Department also administered a large number of Acts which are listed in Appendix 4 – Freedom of Information.

A detailed discussion of the Department’s activities in 2005-06 can be found in Part Two – Outcome Performance Reports.

Jane Halton – Secretary
Ms Jane Halton was appointed as Secretary to the Department in January 2002. In 2005-06, Ms Halton had overall responsibility for the efficient administration of the Department and for the corporate and strategic directions of the Department and portfolio. She also provided the most senior policy counsel on major and sensitive policy issues to the ministerial team.

Following an increase in the Department’s work and responsibilities in 2005-06, including major Council of Australian Governments-driven reforms and the establishment of the new Office of Health Protection, Ms Halton reorganised the Executive team in early June, and promoted Mr David Kalisch and Mr David Learmonth to the position of Deputy Secretary.

Professor John Horvath AO – Chief Medical Officer
Professor John Horvath AO was appointed as Chief Medical Officer in September 2003. In 2005-06, Professor Horvath provided support to the Minister and the Department across the full range of professional health issues, including health and medical research, public health, medical workforce, quality of care, evidence-based medicine and an outcomes-focused health system. He also had responsibility for the continuous development of professional relationships between the Department and the medical profession, medical colleges and universities.

Mary Murnane – Deputy Secretary
Ms Mary Murnane became Deputy Secretary with the Department in May 1993. Ms Murnane’s responsibilities in 2005-06 encompassed ageing and aged care, population health, biosecurity and health protection, Aboriginal and Torres Strait Islander health services, infrastructure and research.

Ms Murnane also oversaw the Department’s Ageing and Aged Care and Population Health Divisions, the Office for Aboriginal and Torres Strait Islander Health, the Department’s State and Territory Offices in New South Wales, Tasmania, Queensland and the Northern Territory, and portfolio interests in the National Health and Medical Research Council.

Philip Davies – Deputy Secretary
Mr Philip Davies joined the Department as Deputy Secretary in 2002. Mr Davies had specific responsibility in 2005-06 for issues relating to medical and pharmaceutical benefits, acute care, health financing, workforce, quality, e-health and private health insurance. He oversaw the Department’s Primary Care, Medical and Pharmaceutical Services, Health Services Improvement and Acute Care Divisions, together with the Department’s State and Territory Offices in the Australian Capital Territory, South Australia, Victoria and Western Australia.
### Department Structure Chart as at 30 June 2006

#### Executive Team
- **Secretary** - Jane Halton
- **Chief Medical Officer** - Prof John Horvath AO
- **Deputy Secretary** - Philip Davies
- **Chief Medical Officer** - David Kalisch
- **Deputy Secretary** - David Learmonth

#### Health and Ageing Sector Divisions

<table>
<thead>
<tr>
<th>Population Health</th>
<th>Office of Health Protection</th>
<th>Primary Care</th>
<th>Acute Care</th>
<th>Ageing &amp; Aged Care</th>
<th>Medical &amp; Pharmaceutical Services</th>
<th>Portfolio Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrew Stuart</td>
<td>Cath Halbert</td>
<td>Richard Eccles</td>
<td>Linda Addison</td>
<td>Stephen Dellar</td>
<td>Rosemary Hustable</td>
<td>Jamie Clout</td>
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<tr>
<td>Drug Strategy</td>
<td>Health Protection Policy</td>
<td>National Health Call Centre Network Taskforce</td>
<td>Private Health Insurance</td>
<td>Quality Outcomes</td>
<td>Pharmaceutical Access &amp; Quality</td>
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<tr>
<td>Allison Rosevear</td>
<td>Simon Cotterell</td>
<td>Leo Kennedy</td>
<td>Louise Clarke</td>
<td>Carolyn Scheetz</td>
<td>Sarah Major</td>
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<td></td>
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<td>Assistant Secretary</td>
<td>Assistant Secretary (Acting)</td>
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</tr>
<tr>
<td>Strategic Planning</td>
<td>Surveillance</td>
<td>General Practice Programs</td>
<td>Acute Care Strategies</td>
<td>Policy &amp; Evaluation</td>
<td>Pharmaceutical Benefits</td>
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<tr>
<td>Peter Morris</td>
<td>Megan Morris</td>
<td>Lou Andreata</td>
<td>Damian Coburn</td>
<td>Peter Broadhead</td>
<td>Joan Corbett</td>
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<tr>
<td>Food &amp; Healthy Living</td>
<td>Health Emergency Planning &amp; Response</td>
<td>Primary Care Programs</td>
<td>Acute Care Development</td>
<td>Residential Program Management</td>
<td>Pharmaceutical Policy Taskforce</td>
<td>(Acting)</td>
</tr>
<tr>
<td>Jennifer McDonald</td>
<td>Dr Leslee Roberts</td>
<td>Jennie Roe</td>
<td>Yael Cass</td>
<td>Fiona Nicholls</td>
<td>Dr Ruth Lopert</td>
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<tr>
<td></td>
<td>Medical Officer</td>
<td>Assistant Secretary (Acting)</td>
<td>Assistant Secretary</td>
<td>Assistant Secretary (Acting)</td>
<td>Principal Adviser</td>
<td></td>
</tr>
<tr>
<td>Targeted Prevention Programs</td>
<td>General Practice Divisions and Information</td>
<td>Medical Indemnity Branch</td>
<td>Community Care</td>
<td>Medicare Benefits Branch</td>
<td>Minister-Counsellor (Health)</td>
<td></td>
</tr>
<tr>
<td>Carolyn Smith</td>
<td>Lisa McGlynn</td>
<td>Charles Maskell-Knight</td>
<td>Mary McDonald</td>
<td>Samantha Robertson</td>
<td>(Health)</td>
<td></td>
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<td></td>
<td></td>
<td>Principal Adviser</td>
<td>Assistant Secretary</td>
<td>Assistant Secretary (Acting)</td>
<td>Cath Patterson</td>
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<td>Australian Permanent</td>
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<td>Nations Geneva, Switzerland</td>
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<tr>
<td>Primary Care Policy</td>
<td>Diagnostics &amp; Technology</td>
<td>Office for an Ageing Australia</td>
<td>Office of Hearing Services</td>
<td>Office of the Prudential Regulator</td>
<td>Economic &amp; Statistical Analysis</td>
<td></td>
</tr>
<tr>
<td>Judy Daniel</td>
<td>Peter Woodley</td>
<td>Fiona Lynch-Migor</td>
<td>Tony Kingdon</td>
<td>Iain Scott</td>
<td>Julie Roediger</td>
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<td></td>
<td>Assistant Secretary</td>
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<tr>
<td>Medical Officer</td>
<td>Dr Bernie Towler</td>
<td>Medical Officer</td>
<td>Aged Care Clinical Advisor</td>
<td>Senior Adviser</td>
<td>Policy Strategies Branch</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dr Bernie Towler</td>
<td>Dr Joanne Ramadige</td>
<td>Judy Blazow</td>
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<td>Susan Rogers</td>
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#### Additional Notes
- **First Assistant Secretary** - (Acting)
### Cross Portfolio Divisions

<table>
<thead>
<tr>
<th>Office for Aboriginal &amp; Torres Strait Islander Health</th>
<th>Health Services Improvement Division</th>
<th>Business Group</th>
<th>National Health &amp; Medical Research Council</th>
<th>Therapeutic Goods Administration group of regulators</th>
<th>Audit &amp; Fraud Control Branch</th>
<th>General Counsel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lesley Podesta</td>
<td>Margaret Lyons</td>
<td>Alan Law</td>
<td>Prof Warwick Anderson</td>
<td>Dr David Graham</td>
<td>Allan Rennie</td>
<td>Wynne Hannon</td>
</tr>
<tr>
<td>First Assistant Secretary</td>
<td>First Assistant Secretary</td>
<td>Chief Operating Officer</td>
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<thead>
<tr>
<th>Program Planning &amp; Development</th>
<th>Health Workforce</th>
<th>Finance</th>
<th>Centre for Health Advice, Policy &amp; Ethics</th>
<th>Principal Medical Adviser</th>
<th>Principal Medical Adviser</th>
<th>Drug Safety &amp; Evaluation</th>
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</thead>
<tbody>
<tr>
<td>Mark Thomann</td>
<td>David Dennis</td>
<td>Stephen Sheehan</td>
<td>Cathy Clutton</td>
<td>Dr Rohan Hamnett</td>
<td>Assistant Secretary</td>
<td>Dr Leonie Hunt</td>
</tr>
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<td>Assistant Secretary</td>
<td>Assistant Secretary</td>
<td>Chief Finance Officer</td>
<td>Assistant Secretary</td>
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<thead>
<tr>
<th>Health Strategies</th>
<th>Chronic Disease &amp; Palliative Care</th>
<th>Corporate Support</th>
<th>Centre for Research Management &amp; Policy</th>
<th>Drug Safety &amp; Evaluation Medical Officers</th>
<th>Financial &amp; Property Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rachel Balmanno</td>
<td>Linda Powell</td>
<td>Mike Siers</td>
<td>Suzanne Northcott</td>
<td>Dr Jason Feria (Acting)</td>
<td>Michel Lok</td>
</tr>
<tr>
<td>Assistant Secretary</td>
<td>Assistant Secretary</td>
<td>Assistant Secretary</td>
<td>Assistant Secretary</td>
<td>Dr Phillip Chapman</td>
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<tr>
<th>Policy &amp; Analysis</th>
<th>Mental Health &amp; Suicide Prevention</th>
<th>Strategic Management Branch</th>
<th>Centre for Corporate Operations</th>
<th>Drug Safety &amp; Evaluation Medical Officers</th>
<th>Legal Services Group</th>
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<tbody>
<tr>
<td>Joy McLaughlin</td>
<td>Nathan Smyth</td>
<td>Dr Clive Morris</td>
<td>Dr Greg Ash</td>
<td>Dr Jason Feria (Acting)</td>
<td>Group Terry Lee</td>
</tr>
<tr>
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<td>Assistant Secretary</td>
<td>Chief Operating Officer</td>
<td>Executive Director (Acting)</td>
<td>Dr Philip Chapman</td>
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</table>

<table>
<thead>
<tr>
<th>Medical Officer</th>
<th>E-Health</th>
<th>People Branch</th>
<th>Centre for Compliance &amp; Evaluation</th>
<th>Non Prescription Medicines</th>
<th>Joint Agency Establishment Group</th>
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</thead>
<tbody>
<tr>
<td>Dr Tim Williams</td>
<td>Tam Shepherd</td>
<td>Georgie Harman</td>
<td>Dr Greg Ash</td>
<td>Pio Cesari</td>
<td>Group Alice Creelman</td>
</tr>
<tr>
<td>Assistant Secretary (Acting)</td>
<td>Assistant Secretary</td>
<td>Assistant Secretary</td>
<td>Director</td>
<td>Director</td>
<td>Assistant Secretary</td>
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<tr>
<td>Haylene Grogan</td>
<td>Sharon Appleyard</td>
<td>John Trabiniger</td>
<td>Dr David Briggs</td>
<td>Dr Margaret Hartley</td>
<td>Dr Margaret Hartley</td>
</tr>
<tr>
<td>Senior Adviser</td>
<td>Assistant Secretary (Acting)</td>
<td>Assistant Secretary</td>
<td>Director</td>
<td>Director</td>
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<thead>
<tr>
<th>Health Services Improvement Division Taskforce</th>
<th>Technology Group IT Solutions Development</th>
<th>Communications</th>
<th>Office of Devices, Blood &amp; Tissues Unit</th>
<th>Office of Devices, Blood &amp; Tissues Medical Officer</th>
<th>Blood and Tissues Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prof Rick McLean</td>
<td>Steve Bell</td>
<td>Joanne Bransdon</td>
<td>Prof Albert Farnigia</td>
<td>Dr Geanne Harris</td>
<td>Dr Albert Farnigia</td>
</tr>
<tr>
<td>Assistant Secretary</td>
<td>Assistant Secretary (Acting)</td>
<td>Assistant Secretary (Acting)</td>
<td>Principal Scientific Advisor</td>
<td>Assistant Secretary (Acting)</td>
<td>Assistant Secretary</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Principal Medical Adviser E-Health and Safety &amp; Quality</th>
<th>Legal Services</th>
<th>Office of Devices, Blood &amp; Tissues Medical Officer</th>
<th>Policy &amp; Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr Brian Richards</td>
<td>David Watts</td>
<td>Dr Geanne Harris</td>
<td>Elizabeth Flynn</td>
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<tr>
<th>TGA Laboratories</th>
<th>Evaluation</th>
<th>Manufacturers Assessment Branch</th>
<th>General Counsel</th>
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<tbody>
<tr>
<td>Dr Larry Kelly</td>
<td>Jonathan Benyei</td>
<td>Dr Mark Doverty</td>
<td>Wynne Hannon</td>
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<tr>
<td>Assistant Secretary</td>
<td>Assistant Secretary</td>
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### State and Territory Managers

- **New South Wales - Vicki Murphy**
- **Victoria - Raelene Thompson**
- **Queensland - Elizabeth Cain**
- **Western Australia - Michael O’Kane**
- **South Australia - Jan Feneley**
- **Tasmania - Lisa Wardlaw-Kelly**
- **Northern Territory - Fay Gardner**
- **Australian Capital Territory - Robyn Staniforth (Acting)**

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The Department’s Divisional Structure

The Department’s divisional structure in 2005-06 was based around the key sectors of Australia’s health and ageing system and a number of cross-portfolio functions.

<table>
<thead>
<tr>
<th>Health and Ageing Sector</th>
<th>Cross Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute Care Division</td>
<td>Health Services Improvement Division</td>
</tr>
<tr>
<td>Ageing and Aged Care Division</td>
<td>Office for Aboriginal and Torres Strait Islander Health</td>
</tr>
<tr>
<td>Medical and Pharmaceutical Services Division</td>
<td>Office of Health Protection</td>
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<tr>
<td>Population Health Division</td>
<td>Portfolio Strategies Division</td>
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<td>Primary Care Division</td>
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</table>

Business Group, the Audit and Fraud Control Branch, the National Health and Medical Research Council and the Therapeutic Goods Administration group of regulators (comprising the Therapeutic Goods Administration, the Office of the Gene Technology Regulator and the Office of Chemical Safety) also formed part of the Department.

The Department’s State and Territory Offices

The role of the Department’s State and Territory Offices is very significant, as they represent the Department’s interests at state and territory level and ensure appropriate integration of services on the ground with State and Territory government agencies. The State and Territory Offices also work in cooperation with other Australian Government agencies. State and Territory Offices are well positioned to assist in identifying policy links as well as overlaps and gaps between programs.

In 2005-06, State and Territory Office staff continued to work in partnership with local stakeholders to ensure services provided through departmental programs were responsive to diverse local needs and conditions. Contact details for each office can be found at Appendix 11 – Department Contact Details.

Changes to the Department

In December 2005, the Minister for Health and Ageing announced a major package of health emergency preparedness measures, including the establishment of the Office of Health Protection as a division within the Department. The new division was formed around the former Biosecurity and Disease Control Branch from Population Health Division. The new Office allows the Department to substantially strengthen and extend the measures it already had put in place to ensure that there is a coordinated national health response to any disaster or emergency including pandemic influenza.

On 10 February 2005, the Council of Australian Governments decided to accelerate the electronic health records agenda. This became the impetus for the Department to realign its e-health activities. The Department disbanded the E-Health Policy Group and transferred its ongoing work to the E-Health Branch within the Health Services Improvement Division. The E-Health Branch has responsibility for all electronic health activities in which the Department is involved.

Towards the end of 2005-06, the Executive team began a review of the Department’s structure, given its increasing responsibilities. As at 30 June 2005, the new structure had not been finalised. Discussion of the new structure will be included in the Department’s 2006-07 annual report.

Ministerial Team

In 2005-06, the Department was responsible to the Minister for Health and Ageing, the Minister for Ageing and the Parliamentary Secretary to the Minister for Health and Ageing.

As at 30 June 2006, the Hon Tony Abbott MHR, as senior Minister and member of Cabinet, held overarching policy responsibility for all issues pertaining to health and ageing. He was appointed Minister for Health and Ageing on 7 October 2003.

Senator the Hon Santo Santoro, Minister for Ageing, had responsibility for all matters relating to ageing, as well as other areas including hearing services, human cloning and stem cell research. He was appointed Minister for Ageing on 27 January 2006.
The Hon Christopher Pyne MP, Parliamentary Secretary to the Minister for Health and Ageing, assisted Minister Abbott by assuming responsibility for matters relating to the Therapeutic Goods Administration group of regulators and other population health, mental health, asthma, and blood and organ donation issues. He was appointed Parliamentary Secretary to the Minister for Health and Ageing on 26 October 2004.

A full description of ministerial responsibilities can be found at Appendix 7 – Ministerial Responsibilities.

**Portfolio Structure**

In 2005-06, the Health and Ageing portfolio comprised of the Department and 11 portfolio agencies. The portfolio worked within a 19 outcome structure, 12 of which were specific to the Department. These are discussed in the following section. The remaining seven were specific to the agencies that received direct funding from the Australian Government.

A full description of portfolio agencies’ outcomes, functions and key achievements for 2005-06 can be found at Appendix 9 – Portfolio Governance.

**Outcome and Output Structure**

**Department-Specific Outcomes**

In 2005-06, the Department’s activities, resourcing and performance reporting were organised under the following 12 department-specific outcomes in the Health and Ageing outcome structure. The outcomes reflect the Australian Government’s desired results or impacts on the community.

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Division Responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome 1. Population Health</td>
<td>Population Health Division</td>
</tr>
<tr>
<td>The incidence of preventable mortality, illness and injury in Australians is minimised.</td>
<td>Therapeutic Goods Administration group of regulators</td>
</tr>
<tr>
<td></td>
<td>Business Group</td>
</tr>
<tr>
<td>Outcome 2. Medicines and Medical Services</td>
<td>Medical and Pharmaceutical Services Division</td>
</tr>
<tr>
<td>Australians have access through Medicare to cost-effective medicines and medical services.</td>
<td></td>
</tr>
<tr>
<td>Outcome 3. Aged Care and Population Ageing</td>
<td>Ageing and Aged Care Division</td>
</tr>
<tr>
<td>Older Australians enjoy independence, good health and wellbeing. High quality, cost-effective care is accessible to frail older people, and their carers are supported.</td>
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</tr>
<tr>
<td>Outcome 4. Primary Care</td>
<td>Primary Care Division</td>
</tr>
<tr>
<td>Australians have access to high quality, well-integrated and cost-effective primary care.</td>
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</tr>
<tr>
<td>Outcome 5. Rural Health</td>
<td>Health Services Improvement Division</td>
</tr>
<tr>
<td>Improved health outcomes for Australians living in regional, rural and remote locations.</td>
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</tr>
<tr>
<td>Outcome 6. Hearing Services</td>
<td>Medical and Pharmaceutical Services Division</td>
</tr>
<tr>
<td>Australians have access through the Hearing Services Program to hearing services and devices.</td>
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<tr>
<td>Outcome</td>
<td>Division Responsible</td>
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</tr>
<tr>
<td>Outcome 7. Indigenous Health</td>
<td>Office for Aboriginal and Torres Strait Islander Health</td>
</tr>
<tr>
<td>Improved access by Aboriginal and Torres Strait Islander peoples to effective primary health care and substance use services and population health programs.</td>
<td></td>
</tr>
<tr>
<td>Outcome 8. Private Health</td>
<td>Acute Care Division</td>
</tr>
<tr>
<td>A viable private health industry to improve the choice of health services for Australians.</td>
<td></td>
</tr>
<tr>
<td>Outcome 9. Health System Capacity and Quality</td>
<td>Health Services Improvement Division</td>
</tr>
<tr>
<td>The capacity and quality of the health care system meet the needs of Australians.</td>
<td>Portfolio Strategies Division</td>
</tr>
<tr>
<td>Outcome 10. Acute Care</td>
<td>Acute Care</td>
</tr>
<tr>
<td>Australians have access to public hospitals, related hospital care, diagnostic services and medical services underpinned by appropriate medical indemnity arrangements.</td>
<td></td>
</tr>
<tr>
<td>Outcome 11. Health and Medical Research</td>
<td>National Health and Medical Research Council</td>
</tr>
<tr>
<td>Australia’s health system benefits from high quality health and medical research conducted at the highest ethical standard, well-developed research capabilities and sound evidence-based advice that informs health policy and practice.</td>
<td></td>
</tr>
<tr>
<td>Outcome 12. Biosecurity and Emergency Response</td>
<td>Office of Health Protection</td>
</tr>
<tr>
<td>Business Group</td>
<td></td>
</tr>
<tr>
<td>Australia’s health system has coordinated arrangements to respond effectively to national health emergencies, including infectious disease outbreaks, terrorism and natural disasters.</td>
<td></td>
</tr>
</tbody>
</table>

The Department revised its outcome structure in 2005-06, as part of the 2006-07 Budget process, to better reflect the Australian Government’s priorities for health and ageing. Changes included new outcomes for mental health and health workforce. Separate outcomes for pharmaceutical services and medical services were also created. The revised 15 outcome structure can be found in the 2006-07 Health and Ageing Portfolio Budget Statements.²

**Departmental Outputs**

The Department described its core activities in 2005-06 in terms of the following three output groups:

- **Output Group 1 – Policy Advice:** includes the provision of policy advice and ministerial services to the Ministers, Parliamentary Secretary and Parliament;
- **Output Group 2 – Program Management:** includes the development and management of contracts and grants for administered funds and the payment of administered funds. This output group also includes the administration of legislation; and the provision of information to stakeholders on departmental programs; and
- **Output Group 3 – Agency-specific Service Delivery:** includes reporting of direct delivery of services to the community. The Department’s activities under this output group are conducted by the Therapeutic Goods Administration group of regulators in relation to therapeutic goods, genetically modified organisms and industrial chemicals, pesticides and veterinary medicines.

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Corporate Governance

Governance Framework
The Department’s governance framework provides the structure for informed decision making, efficient and effective program management, risk management and accountability. In 2005-06, the framework consisted of the Executive Committee and four primary governance committees, as illustrated in the following diagram.

**Executive Committee**
The primary responsibilities of the Executive Committee in 2005-06 were to provide leadership, strategic guidance and formalise executive level decision-making for the delivery of its responsibilities under the Health and Ageing portfolio and the internal management of the Department.

**Policy Outcomes Committee**
The Policy Outcomes Committee is a sub-committee of the Executive Committee. Its role is to drive strategic policy directions, establish priorities and facilitate integration across programs.

In 2005-06, the Policy Outcomes Committee focused on Indigenous health – including the whole-of-government collaborative approach to Indigenous affairs, and the long term sustainability of the health system. The committee also oversaw the Department’s research priorities and effective use of research; aged care issues, including dementia; and ethical and privacy issues associated with health technology.

**Business Management Committee**
The Business Management Committee is responsible for providing strategic guidance and oversight of corporate change in the Department. This includes providing guidance and monitoring of governance, planning, budgeting and risk management; and prioritising and recommending change management projects to the Executive.

In 2005-06, the Business Management Committee oversaw an internal review of the Department’s 2005-06 business planning process and related strategies (finance, people, IT and property) to improve future planning cycles. The committee also endorsed a new quarterly reporting format to monitor progress against divisional business plans, as well as a more simplified and improved 2006-07 business planning process and resource kit.

**Audit Committee**
The Audit Committee is responsible for overseeing internal audit and fraud control activities within the Department. This includes enhancing the
Department’s control framework; improving the objectivity and reliability of externally published financial information; and assisting the Secretary to comply with all legislative and other obligations.

Discussion relating to the Audit Committee’s achievements in 2005-06 can be found in the Internal Scrutiny section of this Overview.

Risk and Security Steering Committee
The Risk and Security Steering Committee is responsible for ensuring that the Department has appropriate risk management, security, business continuity and insurance frameworks in place. It also monitors, encourages and supports compliance with the Department’s risk, security and business continuity frameworks.

Key achievements in 2005-06 included the successful test of the Risk Management Framework within the Health Services Improvement and Ageing and Aged Care Divisions; and the review and update of the current Enterprise Risk Management Plan.

Ethical Standards – Application of the APS Values and Code of Conduct
In 2005-06, the Department continued its commitment to maintaining high ethical standards. This is reflected in the Department’s 2006-09 Corporate Plan, which guides team leaders and staff on how to approach their work. These principles are underpinned by the Australia Public Service (APS) Values.

The Department provided all new staff with a copy of the APS Values and Code of Conduct and made them aware of their responsibilities under the Public Service Act 1999 in orientation sessions. This information was also available to all staff on the Department’s intranet site.

Managers were also encouraged to use these tools in decision-making processes with individual employees; and to apply the Code of Conduct in performance arrangements, to guide staff on their responsibilities with colleagues and the public.

People Management

Staff Survey
The Department held its third annual Staff Survey on 16 November 2005 to measure primary staff motivation indicators, special interest issues and culture. The Department uses staff feedback to measure specific performance targets in the People Strategy 2004-07 and to develop action plans to raise overall motivation and productivity.

Eighty-seven per cent of staff present on the day participated in the survey. The results showed significant improvements from the previous year, particularly in how staff feel about their work, career and the organisation. The overall motivation tally score exceeded the Department’s target and, when benchmarked against other public sector agency users of the survey tool, the Department did considerably better on six of the seven motivation indicators and equalled the public sector user average on the seventh.

Performance Development Scheme
In 2005-06, the Department introduced new Performance Development Scheme guidelines, a four point rating scale for non-SES staff and an improved agreement template, which promote a clearer line-of-sight and alignment between individual effort, learning and development opportunities, and the Department’s corporate goals and priorities. They reinforce the principles of the Department’s Capability Map and provide all staff and their managers with the tools to have meaningful discussion about performance and development.

Recruitment and Selection
In 2005-06, the Department reviewed the selection process for all gazetted APS classification 1-Executive Level 2 vacancies that it introduced in May 2005, following feedback from staff and applicants. The review was conducted by a representative working group, which included the National Staff Participation Forum (the peak staff consultation body in the Department).

The review findings reinforced that staff support the strong alignment to the Capability Map and a standardised approach and objectivity, and recommended a simpler two-stage process. The Department implemented the review’s recommendations in May 2006, which included
a new suite of more user-friendly supporting documentation. The process was endorsed by the Australian Employers’ Network on Disability. The Department will conduct a full evaluation of recruitment processes in December 2006.

Staff Training and Development

In 2005-06, the Department continued to invest in staff capability by providing a calendar of learning and development programs. The calendar included comprehensive financial management training for staff in the areas of financial services and financial management. These programs were provided as part of the drive to improve the financial capability of staff, to ensure the Department has a sound level of financial management across the organisation. In 2006, 46 staff completed either the Certificate or Diploma in the Government (Financial Management) program. In April 2006, 13 staff commenced the Diploma in Government (Financial Services) program. A total of 75 staff members have completed both programs since 2004-05.

The Department piloted a suite of three Program Management Advanced training courses in November 2005, which saw participants’ mean confidence ratings on all 26 of the key learning areas increase significantly. The training courses became a highlight of the Department’s training calendar, with 468 participants in 2005-06.

The Department also piloted a Negotiating in the Indigenous Context course in June 2006. Fifty staff from the Central and New South Wales Offices completed the course, which will be added to the Department’s training program in 2006-07.

Health and Life Strategy

The Department continued its commitment to providing a healthy work environment and encouraging a work-life balance through active promotion of initiatives under the Health and Life Strategy. These included the reinvigoration of ‘10K a Day’ to encourage staff to walk at least 10,000 steps each day, a Smoker’s Forum and the formation of a staff-led Smoking Working Group to develop sustainable quit smoking initiatives and support for staff.

WorkChoices

The Department changed its employment arrangements to align with the introduction of WorkChoices legislation in late March 2006. For example, the Department developed new Australian Workplace Agreement (AWA) templates and supporting handbooks for all Senior Executive Service (SES) and non-SES staff, to comply with the policy parameters (AWAs are also offered on a case-by-case basis across classifications and locations as a means of addressing specific workplace needs and attracting and retaining staff).

Support for the National Health and Medical Research Council to negotiate a twelve month interim Certified Agreement, providing employment conditions as a separate agency after Machinery of Government changes, was also managed by the Department under the new legislation.

The Department’s current Certified Agreement, which provides the employment arrangements for most staff, will continue to operate until it expires in July 2007. The Department will then develop a new agreement that accords with WorkChoices and the Government’s Policy Parameters on Agreement Making.

Workplace Giving Program

On 30 June 2006, the Department launched a Workplace Giving Program, which is an initiative of the Prime Minister’s Community Business Partnership scheme. The program encourages individual and collective giving to the community, is voluntary, and allows staff to donate directly from their pay to 15 community partners chosen by staff.

Workplace Diversity

The Department is committed to the principles of and action on workplace diversity. The Department’s ongoing employment rates of Indigenous Australians and people with a disability remain above the APS average. In 2005-06, the Department continued to work with the Australian Public Service Commission on a number of Indigenous development, recruitment and retention campaigns and programs, and actively participated in the Management Advisory Committee review of people with disability in the APS. The Department also worked with the Australian Employers’ Network on Disability, of which the Department is a financial member, to further advance employment opportunities for people with a disability.

Financial Management

The Department’s financial accountability responsibilities are set out in Section 44 of the Financial Management and Accountability Act 1997 and are based on efficient, effective and ethical use
of allocated resources. The Department meets these responsibilities by working within a financial control framework that supports efficient processing and recording of financial transactions (including the production of audited financial statements).

In 2005-06, the Department continued to focus on improving its financial management performance to improve the way it does business. This included managing the Department’s internal controls to increase the level of departmental governance, financial responsibility and managerial performance and to deliver best value-for-money corporate services.

Key initiatives in 2005-06 included:

- an improved focus and alignment of financial management responsibilities between State and Territory Offices and program delivery;
- continued improvement in the budgeting and reporting of administered program expenditure including better alignment of the external budget and internal financial management systems and processes; and
- maintenance and enhancement of the Department’s Goods and Services Tax control framework.

**Purchasing**

In 2005-06, the Department complied with the Australian Government’s purchasing policies as articulated in the Commonwealth Procurement Guidelines.

**Assets Management**

The Department’s asset management strategy emphasises whole-of-life asset management and focuses on the responsibilities of staff in this process. In addition, the annual asset review looks to minimise holdings of surplus and underperforming assets.

The Department’s stocktake of fixed and intangible assets in 2005-06 confirmed the location and condition of the Department’s assets. The Department’s review of assets for impairment, undertaken in accordance with the new Australian Accounting Standard (AASB 136 Impairment of Assets), ensured that the Department only carries assets at a value above the recoverable amount.

**Competitive Tendering and Contracting**

In 2005-06, the Department’s contracts with office services and warehousing and distribution service providers saw the streamlined delivery of office services, with the ability to incorporate additional contracted services including various components of physical security and vehicle fleet management. They also delivered improved warehousing and distribution services which demonstrated benefits and cost savings to the Department.

The Department conducted a review of the office services provider in November 2005, which confirmed a satisfactory delivery of services meeting all intended departmental business requirements. Following this, a two year contract extension was exercised between the Department and the service provider, taking the contract to 31 January 2008.

**Exempt Contracts**

In 2005-06, the Department did not exempt any contracts from publishing in AusTender, on the basis that publishing contract details would disclose exempt matters under the *Freedom of Information Act* 1982.

**External Liaison and Scrutiny**

In 2005-06, the Department’s Audit and Fraud Control Branch continued to be responsible for liaison between the Department and the Australian National Audit Office (ANAO). The branch also provided coordinated departmental responses to preliminary audit findings and recommendations prior to the Auditor-General presenting his reports in Parliament.

The Audit and Fraud Control Branch was responsible for the coordination of arrangements between the Department and the Joint Committee of Public Accounts and Audit (JCPAA) and the Commonwealth Ombudsman’s Office. Details of ANAO reports, JCPAA and Commonwealth Ombudsman matters affecting the Department in 2005-06 are below.

**Australian National Audit Office**

During 2005-06, the ANAO tabled a number of reports on audits involving the Department in Parliament. Included were audits specific to the Department, audits of other individual agencies that involved consultation with the Department, cross-agency audits where the Department was involved and other audits where the Department was not directly involved but where recommendations were targeted at all agencies.
Audits Specific to the Department

• A Financial Management Framework to Support Managers in the Department of Health and Ageing (Audit Report No.5 of 2005-06): the audit objective was to examine whether the Department’s financial management framework and processes adequately support the Secretary, Executive and managers to make informed decisions.

The audit made one recommendation to which the Department agreed and has taken steps towards implementation.

• Regulation by the Office of the Gene Technology Regulator (Audit Report No.7 of 2005-06): the audit objective was to form an opinion on the discharge by the Office of the Gene Technology Regulator (OGTR) of selected functions entrusted to it under the Gene Technology Act 2000 (the Act). The audit assessed the practices of the OGTR against the criteria of whether the OGTR has established systems and procedures for the management and assessment of applications under the Act; whether the OGTR has established systems and procedures for ensuring compliance with the requirements of the Act; and whether the OGTR manages selected aspects of its work efficiently and effectively.

The audit report made a number of recommendations for improvement, which the Department has made progress towards implementation.

• Administration of Primary Care Funding Agreements (Audit Report No.41 of 2005-06): the audit objective was to assess the Department’s administration of primary care funding, with a focus on the administrative practices of the Primary Care Division and the Department’s State and Territory Offices. The audit report commented on a range of issues including the utility of funding agreements, monitoring, payments and support for administrators.

The Department has commenced implementing a number of initiatives for the administration of primary care funding agreements which address many of the issues raised in the audit report. These reforms and initiatives have been acknowledged in the report.

• Administration of the 30 per cent Private Health Insurance Rebate Follow-up Audit (Audit Report No.42 of 2005-06): the follow-up audit assessed the extent to which the Department had implemented recommendations arising from Audit Report No.47 2001-02, Administration of the 30 per cent Private Health Insurance Rebate. The audit also looked at the implementation of some of the suggestions for improvement made in the original audit; and the current validity of some of the positive findings from that audit.

The follow-up audit found that the administration of the rebate is being undertaken effectively.

• Selected Measures for Managing Subsidised Drug Use in the Pharmaceutical Benefits Scheme (Audit Report No.44 of 2005-06): the audit objective was to examine how effectively the Department manages the risks of the Pharmaceutical Benefits Scheme (PBS) not being used according to PBS subsidy conditions. The audit examined how the Department identified and implemented measures to decrease the risks of PBS drugs being used outside of subsidy conditions, and how the Department confirmed that usage and expenditure on PBS drugs was consistent with estimates.

The audit concluded that the Department’s management of the risk of drugs being used outside of the subsidy conditions is reasonable, although some improvements in the Department’s administration would strengthen the management of the risks. The audit made two recommendations which have received the Department’s agreement.

Audits of other Individual Agencies that Involved Consultation with the Department

• Administration of the Commonwealth State Territory Disability Agreement (Audit Report No.14 of 2005-06);

• The Management and Processing of Leave (Audit Report No.16 of 2005-06);

• Regulation of Private Health Insurance by the Private Health Insurance Administration Council (Audit Report No.20 of 2005-06); and

• Administration of Petroleum and Tobacco Excise Collections: Follow-up Audit (Audit Report No.33 of 2005-06).

Cross-agency Audits where the Department was Involved

• Cross Portfolio Audit of Green Office Procurement (Audit Report No.22 of 2005-06);

• Reporting of Expenditure on Consultants (Audit Report No.27 of 2005-06); and

• Management of Net Appropriation Agreements (Audit Report No.28 of 2005-06).
Other Audits where the Department was not Directly Involved but where Recommendations were Targeted at all Agencies

- The Senate Order for Departmental and Agency Contracts (Calendar Year 2004 Compliance) (Audit Report No.11 of 2005-06);
- IT Security Management (Audit Report No.23 of 2005-06); and

In line with arrangements applying to all Australian Government agencies, the Department’s Audit Committee maintains scrutiny over the implementation of recommendations from ANAO reports, where they are applicable to the Department. Formal reports are provided to the Audit Committee twice yearly. Following the departmental Audit Committee’s consideration of the progress in implementing ANAO recommendations, a summary report is provided to the JCPAA.

Details of the above ANAO reports, including responses to the recommendations where the Department was involved in the audit, can be found at the ANAO web site.¹

Joint Committee of Public Accounts and Audit (JCPAA)

- JCPAA Report No.404 included the Committee’s review of Audit Report No.18, 2004-05, Regulation of Non-prescription Medicinal Products (Therapeutic Goods Administration). The Committee made six recommendations, to which the Department has responded.
- On 13 February 2006, the JCPAA conducted a public hearing in relation to its review of the Auditor-General’s Audit Report No.58, 2005-06, Helping Carers: the National Respite for Carers Program. The Department attended the hearing and gave evidence.
- On 14 June 2006, the JCPAA conducted a public hearing in relation to its review of the Auditor-General’s Audit Report No.11, 2005-06, The Senate Order for Departmental and Agency Contract (Calendar Year 2003 Compliance) and Audit Report No.27, 2005-06, Reporting of Expenditure on Consultants. The Department attended the hearing and gave evidence.

Other Parliamentary Scrutiny

The Department appeared before the Senate Community Affairs Legislation Committee (Senate Estimates) on three occasions during the year for a total of four days. The Department also gave evidence and/or made submissions to a number of Parliamentary Committee Inquiries, as indicated in the following table.

¹ Accessible at: <www.anao.gov.au>.
<table>
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<tr>
<th>Committee/Committee(s)</th>
<th>Title/Subjects</th>
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<tr>
<td>Joint Committee of Public Accounts and Audit</td>
<td>Audit Report No.58, 2005-06, Helping Carers: The National Respite for Carers Program</td>
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| Senate Community Affairs References and Legislation Committee | Quality and Equity in Aged Care  
Services and Treatment Options for Persons with Cancer  
Inquiry into Gynaecological Cancer in Australia  
Response to the Petition on Gynaecological Health Issues  
Petrol Sniffing in Remote Aboriginal Communities  
The Aged Care (Bond Security) Bill 2005, the Aged Care (Bond Security) Levy Bill 2005 and the Aged Care Amendment (2005 Measures No. 1) Bill 2005  
A matter relating to Positron Emission Tomography (PET) Review of 2000  
Health and Other Services (Compensation) Amendment Bill 2006  
Health Insurance Amendment (Medicare Safety-nets) Bill 2005  
National Health Amendment (Budget Measures – Pharmaceutical Benefits Safety Net) Bill 2005  
Inquiry into the Transparent Advertising and Notification of Pregnancy Counselling Services Bill 2005  
Inquiry into Therapeutic Goods Amendment Bill 2005  
National Health and Medical Research Council Amendment Bill 2006  
Therapeutic Goods Amendment (Repeal of Ministerial Responsibility for Approval of RU486) Bill 2005 |
| House of Representatives Standing Committee on Economics, Finance and Public Administration | Improving the Superannuation Savings of People under the Age of 40 |
| House of Representatives Standing Committee on Health and Ageing | Health Funding |
| Senate Select Committee on Mental Health | Provision of Mental Health Services in Australia |
| Joint Standing Committee on Migration | Skills Recognition and Associated Issues of Licensing and Registration |
| ACT Legislative Assembly Standing Committee on Health and Disability | Health Science in the ACT |
| House of Representatives Standing Committee on Science and Innovation | Pathways to Technological Innovation |
| House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs | Indigenous Employment |
| Joint Standing Committee on Foreign Affairs, Defence and Trade – Trade Subcommittee | Review of the Australia-New Zealand Closer Economic Relations Trade Agreement (CER Agreement) |
| Joint Parliamentary Committee on the Australian Crime Commission’s Inquiry into Amphetamines and Other Synthetic Drugs | Amphetamine and Other Synthetic Drugs |
In addition, the Department had a significant workload of Parliamentary Questions with a combined total of 228 questions received on notice from the House of Representatives and the Senate, and a total of 745 from the three Senate Estimates Hearings.

**Judicial Decision and Decision of Administrative Tribunals**

In 2005-06, the Department was involved in 13 matters before the Administrative Appeals Tribunal; three matters before the Federal Magistrates Court; four matters before the Federal Court; two matters before the High Court; and one matter before the Full Federal Court.

**Commonwealth Ombudsman**

During 2005-06, the Commonwealth Ombudsman investigated 22 complaints against the Department’s administrative practices, with four of these remaining open. In comparison to 2004-05, the number of complaints lodged with the Commonwealth Ombudsman that went to the investigation stage decreased by 39 per cent.

Of the 11 complaints that were carried over from 2004-05, investigations have now been completed for nine. The investigations conducted by the Commonwealth Ombudsman, and finalised during 2005-06, did not result in any adverse findings for the Department.

**Internal Scrutiny**

**Audit Committee**

The Department’s Audit Committee met on five occasions during 2005-06. Membership included an independent member appointed from outside the Department and a representative from the Australian National Audit Office as a ‘participating observer’.

The committee is responsible for approving the strategic direction of the Audit and Fraud Control Branch and assessing the branch’s performance. The committee also considers the outcomes of audits and reviews undertaken by the branch, including the appropriateness of subsequent follow-up action by managers; provides advice to the Secretary on the signing of the Department’s financial statements; and assesses the outcomes of external reviews of departmental programs, including any follow-up action.

**Audit and Fraud Control Branch**

The Department’s Audit and Fraud Control Branch promotes and improves the Department’s corporate governance through the conduct of audits and investigations, and the provision of high quality independent advice and assistance.

In 2005-06, the branch undertook a department-wide audit risk assessment to guide the development of the Audit and Fraud Control Branch strategic planning framework and annual work program. The branch conducted a range of audits and reviews, in line with the approved work program. These related to compliance with departmental control frameworks, grants and contract management, IT management and departmental expenditure and procurement activities. The branch also provided fraud prevention and investigation services.

**Fraud Minimisation Strategies**

As part of its responsibilities to protect the public interest, the Department pursues a fraud control program that complies with the Commonwealth Fraud Control Guidelines. In this program, fraud risk assessments and fraud control plans are prepared; appropriate fraud prevention, detection, investigation and reporting procedures and processes are in place; and annual fraud data is collected and reported. These are all undertaken in line with the Commonwealth Fraud Control Guidelines.

In 2005-06, the Department investigated 40 fraud allegations. While some of these investigations are continuing, outcomes of completed investigations included a number of matters being referred to the Australian Federal Police, State Police or departmental officers with powers authorised under the Public Service Act 1999.