



PART 01

OVERVIEW

SECRETARY'S REVIEW



Jane Halton
Secretary
Department of Health and Ageing

INTRODUCTION

During the year the Department developed over 70 new policy measures, or about one in six measures of all new policy measures across the Australian Government. The Department administered a budget of \$32.8 billion on behalf of the Government, a 9 per cent increase over 2002-03 actual expenditure, accounting for one dollar out of every five dollars of Government spending. This is about 4 per cent of Australia's total GDP and includes support for all Australians, through the major programs which make up Medicare.

There were dual changes in the portfolio Ministry in October 2003, when the Hon Tony Abbott MHR was appointed as the Minister for Health and Ageing and the Hon Julie Bishop MP was appointed as the Minister for Ageing. In addition to this, a month earlier Professor John Horvath commenced as the new Chief Medical Officer. In all, the portfolio's policy and personnel picture is considerably different to the starting point at the beginning of the year.

The success of the Department in the development and timely implementation of such an extensive program of new policy is testament to the dedication and skill of the Department's staff, and has further enhanced the Department's growing reputation as an organisation that can deliver professional results on time. Health and ageing issues will continue to maintain a high profile in the Australian community, and

the Department's leadership role in delivering outcomes through a wide range of areas will continue to be a key to achieving a high quality health and aged care system that meets the needs of a changing population. These areas include research, regulation, policy and program implementation, and building and maintaining partnerships with consumers and stakeholders.

Reviewing the events of 2003-04 highlights the key achievements and challenges faced by the Department and the continuing process of management reforms within the Department that helped us to work more effectively. These issues are discussed in detail in the chapters later in this report, relating to each outcome.

Policy Highlights and Challenges

Over the past twelve months the Department made marked and continued improvements to health and aged care services for Australians.

2003-04 was a big year for Medicare and health financing policy for the Department, with staff working tirelessly to operationalise and refine policy directions set by the Minister and Government. Our major activity was the implementation of improvements to the Medicare package. This consisted of 27 new policy measures targeting access and affordability of out-of-hospital medical services. Measures were developed by the Department in four key areas - bulk billing incentives, an

extended Medicare safety net, improving patient convenience, and investment in the medical workforce targeted to areas of workforce shortage. The Department liaised extensively with stakeholders on the implementation of these issues.

Another challenge in the health financing area was negotiation of the third pathology agreement, which sets out agreed outlays under Medicare between the pathology industry and Government. The agreement was not completed by June 2004 as expected; however, the Department's negotiations with the industry have continued, and services to patients remain unaffected. The agreement will be concluded in 2004-05.

The risk of bioterrorism and emerging infectious diseases such as avian influenza continued to remind us that new health threats can emerge with little or no warning. The Department's response to these threats over the past year highlighted our ability and leadership role with the States and Territories in ensuring the highest level of preparation and security. In particular, the Department enhanced the capabilities of a purpose-built National Incident Room to improve response times to emergencies. The National Incident Room provides the facilities for efficient coordination and communication within a response team, enabling the team to liaise rapidly with other agencies, State and Territory health authorities and international bodies in the event of a disaster that threatens the health of the Australian people. In response to the outbreak of avian influenza, the National Incident Room monitored information as it emerged, and provided up-to-date situation reports to other government agencies and related bodies involved in Australia's efforts to protect our national health. Our response team also worked with border agencies and provided essential information to travellers and Australian health professionals.

In addition, the Department chaired and supported the Australian Health Disaster Management Policy Committee which provides high level strategic advice on Australia's preparedness to respond to a national health disaster resulting from either a naturally

occurring event or a bioterrorist attack. During the year the Committee developed a draft report on Australia's capacity to manage a health emergency that results in mass casualties, and provided advice to ensure Australia's protection in response to the avian influenza outbreaks.

The Department implemented new medical indemnity arrangements, working to ensure that legislation and contracts with insurers underpinning the new arrangements were in place by the commencement date of 30 June 2004. Work was also finalised on the new agreements and arrangements with States and Territory governments under the new five year Australian Health Care Agreements, signed in August 2003.

A major milestone in Australia's aged care system this year was the review of pricing arrangements in residential aged care conducted by Professor Warren Hogan. The review examined the capability of Australia's residential aged care sector to respond to the challenges of an ageing population. The Department provided support to Professor Hogan's review process, and advised Government on preparing a policy response. The Department then shifted into implementing a wide ranging package of measures aimed at expanding the provision of care, increasing recurrent and capital funding for aged care services, improving the quality of care, and supporting the aged care workforce.

A review of the role of the Divisions of General Practice in the health sector was completed in July 2003, confirming that the Divisions play a key role in the implementation of a number of policy initiatives in primary care. The response to the review, released in April 2004, introduced a quality and performance framework for the Divisions' work, and sets out clearer roles and expectations between the Department and this important stakeholder group.

Over the past year the message of prevention has become further embedded in the primary health care initiatives administered by the Department. This message is now supported in a range of clinical settings by strategies to educate Australians on the risk and protective factors for chronic diseases.

The rate of organ donation came to prominence during 2003-04 with the untimely death of David Hooke, with low rates of registration for organ donation picking up in response to the publicity. The Department contributed to this effort through the financing and promotion of the Australian Organ Donor Register. Australia's organ donation rate has declined consistently over the past 10 years, and the Department is engaged in urgent work with States and Territories to address this important issue.

Australia still faces broad, long-term challenges in improving access to health care for rural and remote Australians. A review of the Regional Health Strategy completed in 2003 found the package to have been effective in providing more doctors and better services for Australians living in rural and remote areas. Building on this strategy, the Rural Health Strategy was announced in the Federal Budget in May 2004. Overall, the Department continued to work towards achieving and sustaining growth in access to services by developing and supporting capacity building initiatives, such as education and training support for medical, allied health and Indigenous health workers. Targeted initiatives, such as the Medical Specialist Outreach Assistance Program, completed its first four year phase. Encouragingly, the number of specialist services delivered to rural and remote Australians under the program more than doubled in 2003-04, to over 1,100. This has reduced the need for rural people to travel away from home and other family support for medical consultations and treatment. The program will continue for a further four years under the umbrella of a new Rural Specialist Support Scheme.

In addition, the University Departments of Rural Health program provided training placements of two weeks or longer for over 3,000 undergraduate health science students in rural higher education facilities across Australia during the reporting period. Another achievement for the Department is the continued development of a variety of scholarship schemes for people seeking to enter rural health practice in the medical, nursing and other health professions.

This has resulted in a significant increase in recent years in rural undergraduate and postgraduate scholarship uptake. By 2004 over 2,000 medical scholarships, 2,000 nursing scholarships, and about 300 pharmacy and other health professional scholarships had been awarded to encourage further growth in the rural health workforce.

Improving Indigenous health outcomes involves addressing a range of contributing factors across all levels of government. As many of the Department's programs in this sector require a long-term focus, it is often difficult to recognise our achievements. In this context, the results of an independent review of the Government's Aboriginal and Torres Strait Islander primary health care program,¹ completed during the year, provided valuable evidence of improved outcomes. The main assessment found that the approach being taken is sound, and that good progress has been made in recent years.

Particular achievements included significant growth in new and existing primary health care services funded in all States and Territories for Indigenous Australians through the Primary Health Care Access Program and the Service Activity Reporting Enhancement Program. Significant progress was also made under the capital works program, with 31 projects completed during the year. This included 14 new or upgraded clinics and substance use facilities as well as 17 remote area housing projects to enable additional health staff to be located in these areas. In addition, in May 2004, a new Medicare Benefits Schedule item was introduced for a health check for Aboriginal and Torres Strait Islander people aged 15 to 55 years. Development work was also undertaken for a new Pharmaceutical Benefits Scheme (PBS) initiative to facilitate inclusion of medicines on the PBS to treat conditions particular to Indigenous people's health needs. Addressing Aboriginal and Torres Strait Islander health workforce issues was another area of achievement during the year. This included awarding 26 Puggy Hunter Memorial Scheme Scholarships to Aboriginal and Torres Strait Islander people to undertake study in tertiary

¹ The Primary Health Care Review can be accessed online at <www.health.gov.au/oatsih/pubs/reviewphc.htm>.

health courses such as medicine, nursing and allied health degrees in the 2004 academic year.

The year also saw new arrangements introduced to better co-ordinate services across government for Aboriginal and Torres Strait Islander Australians and improve outcomes and processes in Indigenous policy and service delivery. Secretaries from all portfolios with Indigenous programs began work to develop closer collaboration across Australian Government agencies to make services more responsive to local and regional needs.

The Department also continued to support the role the private health sector plays in Australia's health care system through policy advice, administration and regulation relating to private health insurance. In this context, after policy development work in the Department and with the health funds in September 2003, the regulatory framework was changed to prevent health funds from paying ancillary benefits for goods and services which are primarily for the purpose of sport, recreation or entertainment. In addition, following departmental work and an inter-departmental review in February 2004, legislation was changed to improve the regulation of health funds, increase the powers of the Private Health Insurance Ombudsman (PHIO), and to require that PHIO produce an annual State of the Health Funds Report.

A great achiever in health information this year was *HealthInsite*,² a web portal managed by the Department that directs users to up-to-date and quality assessed information on a range of health topics and conditions. In 2003-04, *HealthInsite* broadened its scope to provide more than 600 topic pages, and more than doubled the number of hits per day to an average 520,000 and number of visitors to 3,600 from the previous year.

International Cooperation and Leadership

The past year provided significant opportunities for the Department to participate in international health and demonstrate our leadership and experience. A particular highlight was signing

the Framework Convention on Tobacco Control, an international public health treaty developed by the World Health Organization (WHO) to reduce tobacco-related deaths and diseases. It was with great pleasure that I signed this agreement in December 2003 on behalf of the Minister for Foreign Affairs.

As portfolio Secretary, I also co-chaired a group managing a three year project by the Organisation for Economic Co-operation and Development aimed at addressing some of the key challenges policy makers face in improving the performance of health and long-term care systems. These challenges included workforce, private and public health insurance, long term care, the economic impact of emerging technologies, and hospital waiting times.

During the year, Australia commenced a three year term on the WHO Executive Board representing the Western Pacific Region. This will provide further opportunities for the Department to influence and play an active role in administrative reform, work programs and developing accountability and performance improvement systems within the region.

The Department also played an active role in the negotiation of the Free Trade Agreement with the United States of America, contributing strategic policy input and guidance to government issues relating to the portfolio.

Our People Moving Forward

The Department has introduced a number of changes in response to feedback received from the 2003 Staff Survey. These have included increasing learning and development opportunities for staff and trialling a new selection and recruitment process. I am pleased to acknowledge that we have already seen positive results including a significant improvement in staff retention. Turnover rates have decreased from 20.44 per cent in 2003 to 17.57 per cent in 2004. In addition to the department-wide initiatives, each branch in the department identified specific actions based on issues arising from the survey results for their branch.

² The *HealthInsite* can be accessed online at <www.healthinsite.gov.au/>.

There is always room for improvement, however, and I am committed to continuing with the annual staff surveys to learn about the health and culture of the organisation.

A highlight of 2003-04 was the successful negotiation of the Department's fourth certified agreement. The agreement was supported by staff following an open and collaborative negotiation process between staff, union and management representatives. It is satisfying to see that the final agreement supports our objectives and contributes to improving our overall performance. The certified agreement will introduce improvements to the Performance Development Scheme and provides for reviews of individual and team workloads.

The agreement also aligns with the Department's Health and Life Strategy, by enabling the purchase of extended leave, to assist people to balance their work and life commitments.

I was pleased to see staff embracing the principles of the Health and Life Strategy in 2003-04. This was most evident in staff participation in the 10k a Day initiative. The initiative encourages people to take, on average, at least 10,000 steps per day. This year, staff participated in a 3,150 kilometre 'walkabout' in Canberra, regular team walks along the Swan River in Perth and the Derwent River in Hobart, team walks in Sydney's Domain, Perth's Kings Park and Brisbane city, and lunchtime sporting activities as part of the initiative.

I also continue to be impressed by the dedication and generous nature of Departmental staff, who have contributed to numerous causes over the year, such as the Heart Week appeal and Relay for Life. I am particularly proud of the Department's efforts in raising a total of \$73,200 over the past two years for Hartley Lifecare – an organisation that provides services and accommodation for physically disabled children, young adults and their families.

Better Business Management

The more efficiently we operate, the better value we return to the Australian community.

During the year, the Department continued to invest significant resources in improving the quality and efficiency of our business systems. Investments in our financial management information systems have allowed us to continue to deliver corporate support functions more efficiently - particularly due to the increased use of electronic business initiatives.

While improvements to our processes are focused on efficiency, these changes have not been at the expense of the environment. On the contrary, the Department has taken an active role in this area. This included developing an environmental management system that identified clear targets for reducing energy consumption, minimising waste and introducing strategies for more environmentally-sound purchasing decisions. Following interest by staff members the Department also established a 'green team' to promote new recycling initiatives.

Looking Ahead

Although we have achieved much this year, our challenge remains to deliver improvements in our overall level of public health and to continue to support sustainable private and public sectors.

In 2004-05, the Department will continue to address pressing health and ageing priorities before and as they emerge, as well as continuing to administer a wide range of programs. A major challenge for the Department will be to implement improvements that will continue to strengthen the operations and sustainability of Medicare, and provide better access to affordable care to the Australian community. Implementing the comprehensive reforms package arising from the Hogan review of pricing arrangements in residential aged care and developing new rural health initiatives under the Rural Health Strategy will also be priorities.

The Department's ability to meet all its challenges is only possible through the hard work of its staff and their capacity to focus on achieving the Government's reform objectives in a challenging environment.

I look forward to the continuing high level of commitment and support of staff over the coming year, and am confident that the Department can continue to strengthen our partnerships and deliver sustained improvement in health and aged care for all Australians.

Jane Halton

Secretary

Department of Health and Ageing

CHIEF MEDICAL OFFICER'S REPORT

'RESPONDING TO THE CHALLENGES OF AUSTRALIA'S HEALTH SYSTEM'

Introduction

My role as Chief Medical Officer (CMO) is to provide support to the Minister for Health and Ageing 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. I provide consultation and advice on international aspects of health and maintain close relationships with health professionals and researchers in Australia and overseas.

The challenges of the 21st century are far different from those experienced 100, 50 and even 20 years ago. Australians – like people in other developed nations – continue to expect more and more from their health system in terms of good health and long life.

2003-04 has been a busy year for the Department in addressing a range of changing health issues for the community. During 2003-04, a number of steps were taken to improve our response to three main areas of risk to health: the growing impact of chronic disease, emerging and re-emerging communicable diseases, and the potential threats of bioterrorism and other health emergencies. In addition, efforts to improve systems and health infrastructure, such as safety and quality, the health workforce, and information technology, have continued.

Trends and Developments

Australia, like many other developed nations, faces increasing costs to the health system from the impact of chronic illness such as type 2 diabetes, cardiovascular disease and cancers. *Australia's Health 2004*, showed a number of trends in health and health spending over recent years have continued. In 2000-01, cardiovascular conditions cost \$5.5 billion to treat,¹ with the cost of cardiovascular medications alone being \$1.4 billion.² Arthritis and other musculoskeletal conditions cause more disability than any other

medical condition, affecting 34 per cent of all people with a disability.³ These conditions cost \$4.7 billion to treat of which \$0.7 billion was for pharmaceuticals.⁴

Developments in medical technologies, new pharmaceutical therapies and improved delivery of medical care to patients are providing opportunities to improve the quality of life for patients. The increasing costs to the health system from changing patterns of illness alert us to the need to continue to make improvements in those areas of our health system which aim to prevent and better manage these conditions.

Australia's health system continues to be amongst the world's most effective in delivering good health outcomes. Australians continue to live longer and can now expect to live for an average 80 years, ranking their life expectancy at fourth in the world in 2002 (WHO 2003).⁵ Despite these overall good results, an area of continuing concern is the persistence of poorer health among Indigenous Australians both in terms of morbidity and life expectancy.

In primary care, an important trend is the move away from treatment of specific problems only, and towards a more holistic and multi-disciplinary approach. The Department is actively progressing this trend through a number of programs. For example, Enhanced Primary Care items available under Medicare allow GPs to work with allied health and community care providers, as well as carers. This coordinated care is also important in supporting patients after discharge from hospital.

Chronic Disease and Ageing

One of the biggest challenges I see facing the nation's health is the burden of non-communicable and chronic disease. New epidemics of lifestyle related disease, along with an increased proportion of conditions related to our ageing population, have replaced

1 Australian Institute of Health and Welfare (AIHW) *Australia's Health 2004* Canberra: AIHW p254.

2 AIHW *Australia's Health 2004* ibid.

3 AIHW *Australia's Health 2004* p xi.

4 AIHW *Australia's Health 2004* p254.

5 AIHW *Australia's Health 2004* p 5.

communicable diseases as the main cause of death of Australians.

Heart and vascular disease, stroke, chronic respiratory and lung conditions, cancer and depression are now among the leading causes of non-communicable disease burden and death world wide.⁶ Conditions of ageing, such as cataracts, hearing loss and osteoarthritis are also becoming an increasing disease burden, and these will increase over the next decade as the large number of 'babyboomers' reach their older years.

I am Chair of the National Health Priority Action Council (NHPAC), which, along with the support of the Department, is developing a National Chronic Disease Strategy that will ensure that expenditure on chronic illness care buys the best and most efficient type of prevention and care for all Australians.

It is well recognised that chronic diseases are often too complex to be addressed by one single health discipline or solely in public hospitals. An integral component of the National Chronic Disease Strategy is the development of National Service Improvement Frameworks. These Frameworks are an important tool to bring about a more coordinated approach to health care delivery which is 'person centred', equitable, timely, effective and affordable.

These frameworks are being developed for some of the conditions within the National Health Priority areas - cancer, diabetes, asthma, cardiovascular disease and stroke, and arthritis and musculoskeletal conditions. They will provide a systematic basis for services at all stages of these chronic diseases, including prevention.

The National Service Improvement Framework for Cancer, endorsed by the Australian Health Ministers Advisory Council in March 2004, will become a prototype for the other priority areas. It outlines what all Australians with, or at risk of, cancer should expect to be provided through the Australian health care system, irrespective of where they live. As cancer services are organised and resourced differently in every State and Territory, the cancer framework does not prescribe what services will look like at the local level. Instead it focuses on what should happen for people with, or at risk of, cancer, based on optimal pathways of care.

The following guiding principles are being applied in mapping out the health service needs of the Australian community through the National Service Improvement Frameworks:

- placing people, families and communities affected by chronic diseases at the centre of care;
- spanning the continuum of care and life course for the condition - embracing where required, prevention, screening, diagnosis, management, rehabilitation, living with the condition, and palliation;
- spanning different clinical and community settings;
- supporting the application of evidence-based practice; and
- focusing on disadvantaged and special population groups having appropriate health services.

While control of hypertension and lipid abnormalities such as high cholesterol have substantially reduced heart and vascular disease, the rise in obesity may well reverse these gains. Increased rates of obesity have been associated with the dramatic increase in type 2 diabetes and some vascular diseases. Obesity is also associated as a co-morbid factor in disease of the skeleton and joints.

Obesity is one example of the importance of educating families and the community in disease prevention and health promotion. As a clinician, I have frequently faced patients who needed to make lifestyle changes after being diagnosed with renal disease. However, achieving lifestyle changes before a disease develops is a much more desirable outcome.

As a nation, we now need to make greater efforts to avoid risky lifestyles and ensure that disease prevention becomes accepted by the community as part of health care. The announcement in June 2004 of a range of initiatives to tackle the growing problem of declining levels of physical activity and poor eating habits in Australian children is an important step in this direction.

Diabetes is another key area requiring action. Australian Government funding under the National Diabetes Services Scheme (NDSS) will

⁶ World Health Organization 2003. *The World Health Report 2003: Shaping the Future* pp 14-17.

increase by up to \$15.3 million over four years to ensure Australians affected by diabetes are better able to manage the condition and thereby decrease the risk of serious complications that can result in major disability.

Advances in medical technology have also led to changes in the delivery of care for chronic illness. Insulin pump therapy is the only option for people who are unable to adequately control diabetes with regular daily insulin injections. This treatment improves the health and quality of life and reduces the risk of long-term complications. The Australian Government will subsidise the cost of consumables for new generation infusion pumps. These will be available to people up to 18 years of age, adults with Type 1 diabetes with a history of severe episodes of high or low blood sugar levels, women with gestational diabetes (diabetes which develops during pregnancy) or women who have ongoing problems with diabetes in pregnancy. The decision announced in the 2004 Budget to subsidise these products under the NDSS will mean the cost to the person with diabetes and to the health system of managing an individual's diabetes will be significantly reduced. This is in keeping with world best practice.

Tackling Risk Factors for Chronic Disease – Smoking and Health

Although fewer people now smoke, tobacco smoking remains the single most significant, preventable cause of death and chronic disease in Australia, currently responsible for 19,000 deaths a year. Lung cancer is the most common cause of death from cancer, responsible for about 6,700 deaths per year. Even as the prevalence of smoking is declining in our country, with adult prevalence now less than 20 per cent, down from 23.5 per cent in 1997, it is rising in many other less developed countries and this is a matter of concern for the whole international health community.

On 25 June 2004, the introduction of graphic health warnings on tobacco products which will cover 30 per cent of the front and 90 per cent of the back of the packaging was announced. By early 2006, all tobacco packaging will be required to carry the new graphic health warnings.

Research conducted for the National Tobacco campaign indicates that for every dollar spent on

the campaign, more than two dollars has been saved in costs to the Australian health system - in addition to the 'human' savings shown in the reduction in premature deaths and potential life years saved. This means an immense gain for the nation's health in terms of future lung cancer, heart disease, stroke, and peripheral vascular disease.

The impact of this campaign has certainly been amplified by the general shift in community - and legal - attitudes to smoking. New concerns about passive smoking and the possible legal implications for employers and businesses that allow smoking on their premises, have given new impetus to the anti-smoking movement over the past eight years.

Communicable Disease

The expectation of 50 years ago that humanity would soon wipe out infectious disease, has been replaced with the knowledge that we will probably never win the 'arms race' against ever-changing microbes and viruses. In January 2004, I released a report that was envisioned by my predecessor Professor Richard Smallwood, *Protecting Australia against Communicable Disease: Everybody's Business*.⁷ The report was designed to help the public understand better the challenges of infectious diseases, and has several important messages. Australians need to understand more about communicable diseases in order to protect themselves. Moreover, all of us have a responsibility to try to prevent communicable diseases from spreading, by maintaining basic hygiene and through vaccination.

Many of the communicable diseases problems of today are the consequence of changes in human behaviour. Hospital-acquired infections and antibiotic resistant organisms remain a major challenge. Two generations of antibiotic use have given a selective advantage to those microbes that are resistant. Consequently, some serious bacterial infections can no longer be cured by antibiotics. Future research and development will yield medical and public health innovations to support improvements in disease control. Biomedical science is providing new vaccines and other molecular tools for the prevention, diagnosis and treatment of communicable disease.

⁷ This publication can be downloaded at <www.health.gov.au/pubhlth/publicat/document/cmo2004/chapter4.pdf>.

The burden of illness and death from communicable diseases is much lower in Australia than in our developing country neighbours, largely because of our high public health standards. Nevertheless, many diseases still have the potential to cause serious illness and epidemics. Australian Government and authorities successfully managed to minimise the impact of diseases such as Severe Acute Respiratory Syndrome (SARS) and variant Creutzfeldt-Jakob Disease (vCJD), and with the emergence of new diseases response plans are continually being updated. In October 2003 an *Australian Action Plan for Pandemic Influenza* was endorsed by the National Public Health Partnership and the Australian Health Ministers' Advisory Council. This plan provides direction for the Australian, State and Territory governments and emergency services in the event of an influenza pandemic.

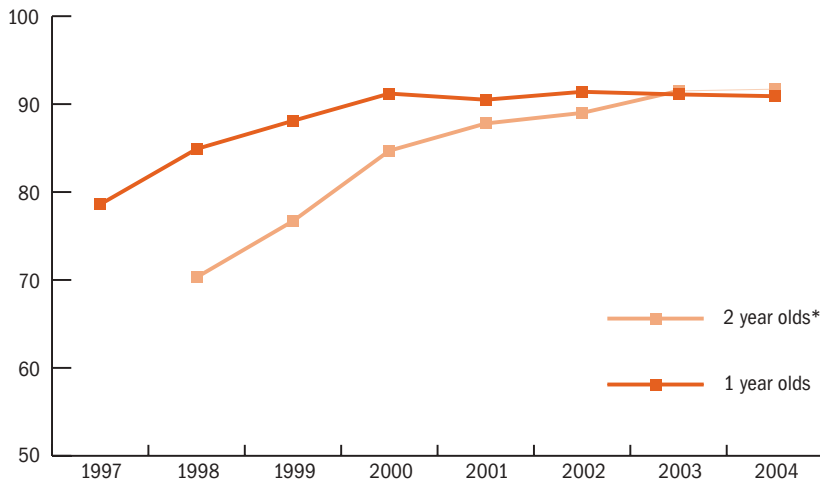
Influenza pandemics result from a major change in the structure of the influenza virus and are

expected to occur about every 30 years. Experts predict that future pandemics are likely, if not inevitable. There is also the constant underlying threat that animal species of influenza can cross over to infect humans and that new strains could lead to the emergence of a highly virulent pandemic strain. This was the prospect that faced Australia and neighbouring countries in 2003-04 after an outbreak of avian influenza H5N1 (bird 'flu) in Asia. This was the second time in as many years that an unknown and highly contagious disease had posed a major international threat, the previous one being SARS.

Vaccine Preventable Diseases

Childhood immunisation coverage rates in Australia have increased to an all-time high with over 90 per cent of children at 12 months of age fully immunised, while rates of many vaccine preventable diseases continue to decline.

Childhood Immunisation Coverage - Percentage Immunised



Source: *Australian Childhood Immunisation Register 2004*, Health Insurance Commission.
 * 2 year old data was unavailable in 1997.

From 1 January 2005 the Department will fund free pneumococcal vaccine for all children born on or after 1 January 2003 and those aged 65 years and over. In 2003-04, Australian Government expenditure on vaccines was estimated to be \$143 million – an 11-fold increase on the 1996 spending. The addition of the two new multi-million dollar pneumococcal vaccination programs will result in vaccine expense for 2004-05 being approximately \$254 million.

Biosecurity and Disaster Management

The potential national and international consequences of emerging infectious diseases along with the heightened risk of bioterrorism have required a renewed focus on the coordination of health services to deal with health emergencies, and a strong partnership between the Australian and State and Territory governments. The Australian health system has worked as a whole to address these risks and

improve surveillance and monitoring systems, health infrastructure and processes to deal with such events in the future.

There has been an increasing focus on enhancing Australia's preparedness to respond to emergency health disasters, whether natural or caused by a bioterrorist attack. The Australian Health Disaster Management Policy Committee (AHDMP) is a high level committee that provides national coordination and advice in the event of a health disaster. Additional stocks of antibiotics, antiviral drugs, chemical antidotes have been acquired and a new reserve supply of personal protective equipment for health care workers and border control staff. The stockpile provides a reserve of essential medical supplies and is designed to supplement existing stocks kept in the Australian health system.

Improvements are planned for the nation's infectious diseases surveillance system to rapidly identify emerging diseases or a deliberate release of a biological agent among the Australian population. The capacity of Australia's network of public health laboratories to diagnose outbreaks of infectious diseases will also be strengthened. Multi-jurisdictional exercises and a number of counter-terrorism and emergency response forums were held to improve our response and coordination mechanisms and procedures, and to raise general awareness about possible health disasters.

A Health Infrastructure Assurance Advisory Group was established by the Department as part of the Australian Government's policy for protection of critical infrastructure. The Department is providing assistance to the private sector owners and operators of critical health infrastructure to assist in identifying and protecting against risks.

Improving Systems and Infrastructure

Safety and Quality

I consider patient safety and quality of care as critical areas to my work. With medical advances, rapid technological changes and more complex patient needs, modern health care has become more complex. Although millions of Australians receive safe and effective health care every year, sometimes things go wrong. The Department continues to support the Australian Council for Safety and Quality in Health Care

(the Council) to lead national efforts to promote systemic improvements in the safety and quality of health care in Australia. The Council has a number of agreed priority areas for which a variety of projects are currently underway:

- supporting those who work in the health system to deliver safer patient care;
- improving data and information for safer health care;
- involving consumers in improving health care safety;
- redesigning systems of health care to facilitate a culture of safety; and
- building awareness and understanding of health care safety.

10 Tips for safer health care: what everyone needs to know

10 Tips for safer health care: what everyone needs to know was developed by the Council in 2003 to help consumers understand health care safety and become more actively involved in their health care. The Council has distributed approximately 60,000 copies of the booklet, which will be translated into 15 languages. An electronic version of the booklet is available at <www.safetyandquality.org/>. In April 2004, Health Ministers agreed that all public patients will receive a copy of the booklet at or before the time of admission.

National Medication Safety Breakthrough Collaborative

Inappropriate medication use results in around 140,000 hospital admissions each year at a cost of around \$380 million dollars, and a considerable proportion of this morbidity is potentially preventable. The Breakthrough Collaborative process is an effective method for rapid and sustainable improvement in health care. The Council's National Medication Safety Breakthrough Collaborative is the first national collaborative of this type focusing on medication use to be undertaken in Australia. One hundred clinical teams from across Australia are participating in two waves of collaborative action to reduce harm from medication use by 50 per cent in participating facilities. Wave one concentrates on acute health systems and Wave two concentrates on the interaction between the acute and community systems.

Workforce Development

I have always had a commitment to workforce development. Amongst many other appointments, prior to commencing my role as CMO in September 2003 I chaired the Australian Medical Workforce Advisory Committee and was a member of the Commonwealth's Medical Training Review Panel.

With more care now provided in private and community based settings, there is a need for medical specialist training to expand beyond public acute care hospitals. Training in the private sector, in rural and regional areas, and within community health care settings currently occurs on an ad hoc and voluntary basis; the challenge is to formalise training in these settings. The Medical Specialist Training Taskforce is exploring possibilities for providing specialist training in a diverse range of settings. Additional training settings will ultimately augment the features and strengths of current training arrangements, to match the health service requirements of the community.

The Department has provided funding to Universities to establish a national network of health education and training facilities across regional Australia. This is a long-term strategy that aims to increase the recruitment and retention of rural health professionals and to improve the quality and appropriateness of health care for rural and remote communities. The resulting network of ten Rural Clinical Schools and ten University Departments of Rural Health is significantly strengthening the rural focus in clinical training and encourages health professionals to take up a career in rural clinical practice.

Health Information Technology

As the former Director General of the World Health Organization, Gro Harlem Brundtland, said in November 2000:

“For people to have power to be healthy, they first need knowledge. Accurate, reliable knowledge about how to achieve good health, and about the risks to health that they face in their daily lives. They need knowledge that helps them to make the best choices and to implement them.”

Good health outcomes require active involvement by individual Australians, families, communities, and their health care professionals.

Australians are using internet information sources to actively maintain their health and manage their chronic conditions. As early adopters of new technologies they are also helping to trial new systems for transferring their health records and keeping track of their medications.

Recent developments in information technology have the potential to improve information available to health consumers and health professionals. Australia's health information network - *HealthConnect* - and the proposed national electronic medicines record system medicines will, with consumer consent, allow the electronic exchange of clinical and prescribing information between health care providers, providing better integration of patient care, reduce the incidence of adverse events resulting from the use of medicines and improve outcomes across the health care system.

Daily use of *HealthInsite*, the Australian Government's health information gateway has risen to around 10,000 unique users in the first half of 2004, and the site was ranked as the second most used health and medical information site for Australians in May 2004.

The Future

The many advances in medicine and health care of the last decade will be dwarfed by the new challenges for our health system in the coming decade. There are challenges ahead to meet the needs of an ageing population, to understand the causes of emerging infections, and to support the development of medical science that creates new drugs and technologies.

Chronic disease management and self-management strategies will become increasingly important. Using internet sources such as *HealthInsite*, and home monitoring of conditions such as blood pressure, glucose and air-flow, patients can become more informed and share responsibility for managing their health with health professionals. New approaches, however, are needed to support chronic disease management and these will require the collaboration and coordination of a range of primary care providers. The Department's Primary Care Collaboratives program, in the early stages of implementation, is aimed at adapting best practice solutions in the prevention and management of chronic disease to local conditions.

Scientific advances and heavy investment globally in drug research and development, mean that new pharmacological treatments are continually on the horizon. Over the next ten years there are likely to be many new vaccines, including patient specific vaccines and gene therapy approaches for treatment for lung cancer (already being trialled), and vaccines against Epstein Barr virus, lymphoma and human papilloma virus which can cause cancers. There is also hope of drugs to prevent or delay dementia conditions such as Alzheimer's.

Advances in medical treatments will need to be critically analysed to ensure that the Australian population is getting not only the best and most effective treatments, but also the best value for this investment Australia is well served by the Medical Services Advisory Committee and the Pharmaceutical Benefits Advisory Committee whose work ensures that health technologies, procedures and treatments are demonstrated to be safe, effective and cost effective and are made available and reimbursed under Medicare and the Pharmaceutical Benefits Scheme.

We have the opportunity to assess patient outcomes against these new treatment strategies and how they may benefit not only the individual, but the Australian population as a whole. Some of these new treatments will raise difficult questions across the broader domains of ethics and personal and community values.

The numbers of cost-effective treatments are increasing, along with public expectations and increasing pressures on the public purse. But should we all expect to be able to take a pill to protect us from cardiovascular disease, obesity, or the effects of tobacco smoking?

The probable answer is that we will need to balance the availability of new treatments for lifestyle-related diseases with individual, health professional and community responsibility. These questions will no doubt become the subject of considerable public debate in the next few years.

The future will require not only dedication and vigilance from medical scientists, professionals, and administrators, but a partnership with the population as a whole, as much of our disease burden can be modified by lifestyle changes. The robust structures of the Australian health care system are well placed to achieve our desired outcomes. I look forward to sharing in these exciting and interesting challenges in my role as CMO.

Professor John Horvath
Chief Medical Officer

DEPARTMENTAL OVERVIEW

The Departmental Overview outlines the Department's management and accountability arrangements and includes general discussion of key corporate activities and business reforms which support the Department delivering its outcomes and improving its processes. The section also includes information about CRS Australia, a business unit within the Department which operates its own human resources, audit and finance functions.

THE DEPARTMENT'S ROLE AND FUNCTION

In 2003-04 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 2004, the Hon Tony Abbott MHR, as senior Minister and member of Cabinet, held overarching policy responsibility for all issues pertaining to health and ageing, and has specific administrative responsibility for:

- Medicare benefits;
- hospitals;
- medical indemnity;
- private health insurance;
- medical workforce issues;
- the Pharmaceutical Benefits Scheme;
- population health, including issues concerning HIV/AIDS and other communicable diseases, immunisation, specific women's and men's health issues, environmental health issues and drug abuse reduction;
- national health priorities;
- rural and regional health;
- health and medical research and biotechnology;
- Indigenous health issues;
- strategic policy analysis and evaluation;
- corporate leadership and resource management;
- the Health Insurance Commission; and

- Professional Services Review.

As at 30 June 2004, the Hon Julie Bishop MP, Minister for Ageing had administrative responsibility for:

- the National Strategy for an Ageing Australia;
- the National Continence Management Strategy;
- a range of programs to meet the needs of Australia's ageing population, including:
 - Home and Community Care;
 - Residential Care;
 - National Respite for Carers - including the Carer Information and Support Program, Carer Respite Centres and Carer Resource Centres;
 - Aged Care Assessment;
 - Community Care Packages;
 - Assistance with Care and Housing for the Aged;
 - Complaints Resolution Scheme;
 - Dementia Support Services;
 - Advocacy Services;
 - Aged Care Standards and Accreditation Agency;
 - Safe at Home Program;
 - Oral Hygiene for Ageing Australians in Residential Care;
 - Hearing Services Program; and
 - Australian Hearing Services.
- Human cloning and stem cell research.

As at 30 June 2004, the Hon Trish Worth MP, as Parliamentary Secretary, assisted Minister Abbott by assuming administrative responsibility for matters relating to:

- Therapeutic Goods Administration;
- Office of the Gene Technology Regulator;
- National Industrial Chemicals Notification and Assessment Scheme;
- Food Standards Australia New Zealand;
- food policy;

- Australian Radiation Protection and Nuclear Safety Agency;
- Health Services Australia Limited;
- CRS Australia;
- National Blood Authority;
- blood and organ donation;
- mental illness and suicide prevention;
- alcohol;
- tobacco; and
- illicit drugs.

Details of the Department's responsibilities are set out in the Administrative Arrangements Orders, with the legislation administered by the Department at Appendix 4.

The Department's vision is for better health and healthier ageing for all Australians through a world class health system which:

- meets people's needs throughout their life;
- is responsive, affordable and sustainable;
- provides an accessible, high quality service including preventative, curative, rehabilitative maintenance and palliative care; and
- seeks to prevent disease and promote health.

The Department's mission is to make a difference by:

- *looking outwards* to listen and respond to consumers and engage constructively with professionals, providers, government and industry;
- *looking forwards* to respond effectively to emerging challenges including an ageing population and improve services and care by strategic planning, benefiting from emerging knowledge and technologies; and
- *looking after* the health and wellbeing of the community; the funds entrusted to the Department by the Australian people; and the priorities of the Ministerial team and the Government.

MANAGEMENT STRUCTURE



The Senior Executive *From clockwise top left:* Mary Murnane, Deputy Secretary; Jane Halton, Department Secretary; Professor John Horvath, Chief Medical Officer; and Philip Davies, Deputy Secretary.

Jane Halton - Department Secretary

As Secretary for the Department of Health and Ageing, Ms Halton is ultimately responsible for the efficient administration of the Department and for the corporate and strategic directions for the Department and Portfolio. She also provides the most senior policy counsel on major and sensitive policy issues to the Ministerial team. She chairs the Department's Executive Committee.

Mary Murnane - Deputy Secretary

Ms Murnane's responsibilities encompass ageing and aged care, population health including drug policy, food policy and regulation, communicable diseases, health protection and biosecurity, Aboriginal and Torres Strait Islander health services and infrastructure and research. Ms Murnane oversees the Department's Ageing and Aged Care Division, Population Health Division, the Office for Aboriginal and Torres Strait Islander Health, CRS Australia, the Department's Offices in New South Wales, Tasmania, Queensland and the Northern Territory and Portfolio interests in the National Health and Medical Research Council. She chairs

the Departmental Audit Committee and the Policy Outcomes Committee.

Philip Davies - Deputy Secretary

Mr Davies has responsibility for issues relating to medical and pharmaceutical benefits, acute care, health financing, workforce, quality, e-health and private health insurance. He oversees 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. He chairs the Business Management Committee.

Professor John Horvath AO - Chief Medical Officer

In September 2003 Professor Horvath commenced as the Chief Medical Officer. Professor Horvath provides 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 has responsibility for the continuous development of professional relationships between the Department and the medical profession, medical colleges and universities.

CORPORATE MANAGEMENT

The Department's governance framework became effective in January 2003. It is described in the diagram below.



The primary responsibilities of the Executive Committee are to provide leadership, strategic guidance and formalise executive level decision-making for:

- the delivery of the Department's responsibilities under the Health and Ageing Portfolio; and
- internal management of the Department and responsibilities under the Department's governance framework.

The Policy Outcomes Committee (POC) is responsible for driving strategic policy directions, identifying critical issues for the health and ageing Portfolio and determining a structured way of addressing these issues. The key objectives of POC are to:

- drive a whole-of-portfolio approach to addressing health and ageing policy issues, with particular emphasis on those issues that cut across divisional boundaries;
- identify emerging issues likely to impact on the Health and Ageing Portfolio and ensure that the Department is able to respond in a timely and effective way;
- recommend strategies for achieving greater consistency in policy approaches and internal and external communications; and
- ensure there are systems in place so that the Government is getting best value for money.

The Business Management Committee is responsible for providing strategic guidance and oversight of corporate change in the Department. This includes:

- providing guidance on reform initiatives in corporate services including improvement issues;
- providing guidance and monitoring of governance, planning, budgeting and risk management; and
- making recommendations to the Executive on the allocation and prioritisation of expenditure on capital and change management projects.

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.

PORTFOLIO GOVERNANCE

The Department is committed to strengthening its relationship with Portfolio Agencies through the facilitation of consultative forums such as the Portfolio Chief Executive Officers (PCEOs) meeting. The Secretary and the PCEOs met on several occasions during 2003-04 to share information on, and discuss, key issues in the Health and Ageing Portfolio.

The Department engaged a consultant to examine and report on the relationships between the Portfolio Agencies and the Department. The consultant's report provides recommendations aimed at achieving better practice in the Portfolio by improving clarity, monitoring performance and developing protocols setting out the relationship between the Department and the Portfolio Agencies. The recommendations will be implemented in 2004-05 in collaboration with the agencies.

The Department was also actively involved in a number of significant corporate governance and performance monitoring activities in the Portfolio, including:

- advising Ministers and the Parliamentary Secretary, as representatives of the Government's ownership of the business enterprise within the Portfolio (Health Services Australia Limited), on governance aspects of the operations and performance of the business enterprise;
- initiating regular contact with Portfolio Agencies to assist in establishing sound corporate governance and financial practices;
- implementing and managing the financial monitoring role for small Portfolio Agencies as required under the Government's review of the Budget Estimates Framework;
- reviewing, as appropriate, the establishment or restructure of Portfolio Agencies; and
- completing appointments and providing frequent advice on remuneration matters to statutory authorities, statutory office holders and other bodies within the Portfolio. The Department actively promotes a suitable balance of expertise on Government Boards and increasing the representation of women at senior levels.

ORGANISATION STRUCTURE

Divisional Structure

The Department's structure is based on the key sectors of the health and ageing system in Australia and a number of other cross-portfolio functions of which it is responsible.

The Divisions covering the key sectoral and service areas are:

- Acute Care Division;
- Ageing and Aged Care Division;
- Population Health Division;
- Primary Care Division; and
- Medical and Pharmaceutical Services Division.

The Divisions covering cross-portfolio functions are:

- Information and Communications Division;
- Health Services Improvement Division;
- Office for Aboriginal and Torres Strait Islander Health; and
- Portfolio Strategies Division.

Moreover, two areas provide support for managing our business environment:

- Business Group; and
- Audit and Fraud Control Branch.

The Therapeutic Goods Administration, the National Health and Medical Research Council and CRS Australia also form part of the Department. A detailed structure chart is provided at the end of this section.

CRS Australia

CRS Australia is the largest provider of expert assessment and vocational rehabilitation services in Australia and operates as a business unit within the Department. It provides services from over 170 sites located in urban, regional, rural and remote areas across Australia. CRS Australia contributes to Outcome 4.

It is the sole provider of government funded rehabilitation services provided under the *Disability Services Act 1986* and purchased by the Department of Family and Community Services (FaCS). It helps people with a disability, injury or health condition to enter or remain in the work force.

CRS Australia also provides career planning services for the Department of Education, Science and Training, vocational rehabilitation services for the Department of Veterans' Affairs, wage assessments in Business Services for FaCS and rehabilitation services to a range of workers compensation insurers.

CRS Australia, while part of the Health and Ageing Portfolio, is allocated funds through the Family and Community Services (FaCS) Portfolio. Details of CRS Australia's administered appropriations and performance are found in the FaCS Annual Report.

State and Territory Offices

The role of the eight State and Territory offices is significant for the Department. They represent the Department's interests at the State and Territory level and are able to ensure appropriate integration of services on the ground with those of State and Territory government agencies.

State and Territory staff work in partnership with local stakeholders to ensure services provided through departmental programs are responsive to diverse local needs and conditions. State and Territory Offices are well positioned to assist in identifying policy links as well as overlaps and gaps between programs.

Central Office Management Structure Chart, 30 June 2004

Executive

Secretary - Jane Halton

Chief Medical Officer - Prof John Horvath

Deputy Secretary - Mary Murnane

Deputy Secretary - Philip Davies

Health and Ageing Sector Divisions					Cross Portfolio Divisions		
Population Health Andrew Stuart	Primary Care David Learmonth	Acute Care Dr Louise Morauta	Ageing & Aged Care Nick Mersiades	Medical & Pharmaceutical Services Judy Blazow	Portfolio Strategies David Webster	Office for Aboriginal & Torres Strait Islander Health Helen Evans	Health Services Improvement Robert Wells
Medical and Scientific Director Deputy Chief Medical Officer Prof John Mathews	General Practice Programs Leonie Smith	Private Health Insurance Linda Addison	Quality Outcomes Jane Bailey	Diagnostics & Technology Chris Sheedy	Budget Jamie Clout	Program Planning & Development Peter Broadhead	Health Priorities Dr Vin McLoughlin
	Primary Care Programs Lisa McGlynn	Acute Care Strategies Alex Rankin	Policy & Evaluation Virginia Hart	Pharmaceutical Access & Quality Allan Rennie	Parliamentary & Portfolio Agencies Greg Roche	Health & Community Strategies Joy Savage	Health Workforce Brett Lennon
Biosecurity & Disease Control Lesley Podesta	Budget & Performance Richard Eccles	Acute Care Development Simon Cotterell	Residential Program Management Stephen Dellar	Pharmaceutical Benefits Joan Corbett	Policy & International Cath Halbert	Workforce Information & Policy Yael Cass	Rural Health, Palliative Care & Health Strategies Jan Bennett
Drug Strategy Jenny Hefford	Primary Care Policy Judy Daniel	Medical Indemnity Charles Maskell-Knight	Community Care Warwick Bruen	Medicare Benefits Rosemary Huxtable	Economic & Statistical Analysis Julie Roediger	Primary Health Care Review Mary McDonald	Health Priorities & Suicide Prevention Dermot Casey
Strategic Planning Dr Tom Ioannou		Medical Officer Dr Bernie Towler	Office for an Ageing Australia Mark Thomann	Office of Hearing Services Tony Kingdon		Medical Officer Dr Patricia Fagan	
Food & Healthy Living Sarah Major			Aged Care Clinical Advisor Dr Joanne Ramadge	Medical Officers Dr Jane Cook Dr John Primrose			
Targeted Prevention Programs Carolyn Smith			Pricing Review Implementation Unit Liz Cain				
Medical Officer Vacant							
			Aged Care Redevelopment Project Neville Tomkins				

State and Territory Offices

New South Wales - Sue Kerr

Victoria - Maree Bowman

Queensland - Vicki Murphy A/g

Australian Capital Territory - Joseph Murphy

Western Australia - Alan Philip A/g

South Australia - Jan Feneley

Tasmania - Lisa Wardlaw-Kelly

Northern Territory - Helen Brown

Information & Communications Dr Rob Wooding	Business Group Alan Law	NHMRC Prof Alan Pettigrew	CRS Australia Dr David Graham	TGA Group of Regulators Terry Slater	Audit and Fraud Control Phillip Jones	General Counsel Wynne Hannon
Health Information Policy Irene Krauss A/g	Finance Stephen Sheehan	Centre for Health Advice, Policy & Ethics Cathy Clutton	Deputy General Manager Service Delivery Margaret Carmody	Principal Medical Advisor Dr John McEwen	Trans Tasman & Business Management Ngairé Bryan A/g	
Communications Gail Finlay	Corporate Support Christine King A/g		Deputy General Manager Corporate Victoria Callioni	Drug Safety & Evaluation Dr Leonie Hunt	Financial Services Group Michel Lok	
National e-Health Systems Paul Fitzgerald	Program Management Improvement Tania Utkin A/g	Centre for Research Management & Policy Suzanne Northcott	Deputy General Manager IT Peter Moran	Medical Officers Dr Andrew Pengilley Dr Neil Mitchell Dr Phillip Chipman Dr James McGinness Dr Grahame Dickson	Legal Services Group Terry Lee	
Medical Officer Dr Peter MacIsaac	People Alison Larkins	Centre for Corporate Operations Tony Krizan A/g		Non Prescription Medicines Pio Cesarin	Joint Agency Establishment Christianna Cobbold A/g	
	Technology Group Eija Seittenranta	Centre for Compliance & Evaluation Dr Clive Morris		Office of Complementary Medicines Dr David Briggs A/g	Trans Tasman Group - Principal Scientific Advisor Dr Fiona Cumming	
	Legal Services Michelle Baxter			Office of Devices, Blood & Tissues Rita Maclachlan	Office of Chemical Safety (including NICNAS) Dr Margaret Hartley	
				Medical Officer 5 Dr Graeme Harris	Gene Technology Regulator Dr Sue Meek	
				Senior Principal Research Scientist Dr Albert Farrugia		
				Adverse Drug Reaction Unit Dr Kerri Mackay A/g	Policy & Compliance Elizabeth Flynn	
				TGA Laboratories Dr Larry Kelly A/g	Evaluation Jonathon Benyei A/g	

Outcomes and Outputs Structure

The services provided by the Department are delivered through nine outcomes set by the Government. These outcomes, and the divisions that contribute to achieving them, are set out below:

<p>Outcome 1: Population Health and Safety To promote and protect the health of all Australians and minimise the incidence of preventable mortality, illness, injury and disability.</p>	<p>Population Health Division Therapeutic Goods Administration Group of Regulators Portfolio Strategies Division Primary Care Division Information and Communications Division Health Services Improvement Division</p>
<p>Outcome 2: Access to Medicare Access through Medicare to cost-effective medical services, medicines and acute health care for all Australians.</p>	<p>Medical and Pharmaceutical Services Division Acute Care Division Information and Communications Division Primary Care Division</p>
<p>Outcome 3: Enhanced Quality of Life for Older Australians Support for healthy ageing for older Australians and quality and cost-effective care for frail older people and support for their carers.</p>	<p>Ageing and Aged Care Division</p>
<p>Outcome 4: Quality Health Care Improved quality, integration and effectiveness of health care.</p>	<p>Acute Care Division Health Services Improvement Division Information and Communications Division Primary Care Division CRS Australia</p>
<p>Outcome 5: Rural Health Improved health outcomes for Australians living in regional, rural and remote locations.</p>	<p>Health Services Improvement Division</p>
<p>Outcome 6: Hearing Services To reduce the consequences of hearing loss for eligible clients and the incidence of hearing loss in the broader community.</p>	<p>Medical and Pharmaceutical Services Division</p>
<p>Outcome 7: Aboriginal and Torres Strait Islander Health Improved health status for Aboriginal and Torres Strait Islander peoples.</p>	<p>Office for Aboriginal and Torres Strait Islander Health</p>
<p>Outcome 8: Choice Through Private Health A viable private health industry to improve the choice of health services for Australians.</p>	<p>Acute Care Division</p>
<p>Outcome 9: Health Investment Knowledge, information and training for developing better strategies to improve the health of Australians.</p>	<p>Health Services Improvement Division Information and Communications Division National Health and Medical Research Council Portfolio Strategies Division</p>

The first three outcomes reflect the core business of the Portfolio. The other six outcomes reflect key priorities for which dedicated resources are provided.

PORTFOLIO AGENCIES

The Department pursues the achievement of the Portfolio outcomes in association with a number of other agencies in the Portfolio. These agencies, which are discussed below, produce their own annual report.

During the year a change to the Portfolio structure was foreshadowed with the announcement that a bi-national agency will be established in 2005 to regulate therapeutic products in New Zealand and Australia. The single agency will replace the Australian Therapeutic Goods Administration and the New Zealand Medicines and Medical Devices Safety Authority.

Aged Care Standards and Accreditation Agency Ltd

The Aged Care Standards and Accreditation Agency Ltd (ACSAA) was established as a wholly owned Australian Government company limited by guarantee, and incorporated in October 1997. It is subject to the *Commonwealth Authorities and Companies Act 1997* and *Corporations Act 2001*. The Australian Bureau of Statistics has classified the ACSAA as a General Government Sector entity.

Functions

Under the *Aged Care Act 1997* all aged care homes must meet an accreditation requirement to be eligible to receive residential care subsidy. While the Department pays the residential care subsidy, it is the ACSAA that decides whether or not to accredit a home.

The main functions of the Agency are to:

- manage the residential aged care accreditation process using the Accreditation Standards;
- promote high quality care and help industry to improve service quality by identifying best practice and providing information, education and training to industry;
- monitor ongoing compliance within the Accreditation Standards; and
- liaise with the Department about homes that do not meet the Standards.

During 2003-04:

- 2,949 homes were accredited. At the end of Round Two 88 per cent of homes achieved

full compliance with the 44 outcomes, and 90 per cent of homes were awarded three year accreditation.

- education and information sharing activities included three of six better practice seminars in all States and Territories, a book which showcases 35 higher award-winning homes, satellite television programs on dementia and a series of seminars on Turning Data into Action.

Telephone: (02) 9633 1711

Internet: <www.accreditation.aust.com>

Australian Institute of Health and Welfare

The Australian Institute of Health and Welfare (AIHW) was established and operates under the provisions of the *Australian Institute of Health and Welfare Act 1987* (AIHW Act). It is a statutory agency subject to the *Public Service Act 1999* and the *Commonwealth Authorities and Companies Act 1997*. The Australian Bureau of Statistics has classified the AIHW as a General Government Sector entity.

Functions

The primary functions of the AIHW relate to the collection and production of health-related and welfare-related information and statistics.

The AIHW:

- identifies and meets the information needs of governments and the community to enable them to make informed decisions to improve the health and welfare of Australians;
- provides authoritative and timely information and analysis to the Australian, State and Territory governments and non-government clients through the collection, analysis and dissemination of national health, community services and housing assistance data; and
- develops, maintains and promotes, in conjunction with stakeholders, information standards for health, community services and housing assistance.

The AIHW puts into the public domain and promotes the results of its work.

During 2003-04:

- consistent with its Mission - Better health and welfare for Australians through better health and welfare statistics and information

- and its responsibilities under Outcome 9
- Health Investment - the AIHW continued to provide statistics and information services to support the work of the Department.

Telephone: (02) 6244 1000

Internet: <www.aihw.gov.au>

Australian Radiation Protection and Nuclear Safety Agency

The Chief Executive Officer (CEO) of the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) is a statutory office created under the *Australian Radiation Protection and Nuclear Safety Act 1998* (the Act). The Act allows for the CEO to engage staff to perform the functions of the office of the CEO set out in the Act (see below). Together, the CEO and engaged staff are a prescribed statutory agency for the purposes of the *Public Service Act 1999* and an executive agency under the *Financial Management and Accountability Act 1999*. The Australian Bureau of Statistics has classified ARPANSA as a General Government Sector entity.

Functions

ARPANSA was established to protect the health and safety of people, and to protect the environment, from the harmful effects of radiation.

ARPANSA is responsible for licensing and regulating all radiation and nuclear activities undertaken by Australian Government entities, including some time critical projects such as the construction and possible operation of the Australian Nuclear Science and Technology Organisation's replacement reactor and the possible establishment and operation of the national radioactive waste repository and an intermediate level radioactive waste store.

ARPANSA is also responsible for providing policy advice to Government, interacting with international regulatory bodies, undertaking research and developing standards, guidelines and codes of practice in the area of radiation health and safety. The agency also provides a commercial personal radiation monitoring service.

In addition, ARPANSA is responsible for directly and significantly reducing the risk and impact of a radiological attack by improving the physical security of all radioactive sources and

by enhancing Australia's capability to undertake comprehensive in-field analysis and provide expert advice in the event of a radiological attack.

During 2003-04:

- ARPANSA participated in and contributed to the development of the international guidance on physical security and on related issues such as import/export regime to apply. In September 2003, the International Atomic Energy Agency adopted a Code of Conduct on the Safety and Security of Radioactive Sources. ARPANSA has been working with the States and Territories to implement the provisions of this Code.
- ARPANSA's work in relation to responding to nuclear and radiological emergencies continued as a significant activity. It also continued to successfully provide a personal radiation monitoring service to over 33,000 radiation workers throughout Australia. The operation of the six radionuclide monitoring stations on behalf of the Comprehensive Test Ban Treaty Organization continued satisfactorily.

Telephone: (02) 9541 8333

Internet: <www.arpansa.gov.au>

Food Standards Australia New Zealand

Food Standards Australia New Zealand (FSANZ) is a bi-national statutory authority created under the *Food Standards Australia New Zealand Act 1991* (the FSANZ Act). It is based on a partnership between the Australian, State and Territory, and New Zealand governments. FSANZ is subject to the *Commonwealth Authorities and Companies Act 1997* and the *Public Service Act 1999*. The Australian Bureau of Statistics has classified FSANZ as a General Government Sector entity.

Functions

FSANZ's core function is to develop, vary or review food standards, whether from application from an outside body or on its own initiative.

In Australia, FSANZ develops food standards to cover the whole of the food supply chain - from paddock to plate - for both the food manufacturing industry and primary producers. Other functions include:

- coordinating the surveillance of food available in Australia in consultation with State and Territory governments;
- conducting research and surveys in consultation with State and Territory governments;
- coordinating the recall of food;
- providing advice on the assessment of imported food;
- developing codes of practice;
- food safety education; and
- providing advice to the Minister on matters related to food.

During 2003-04:

- FSANZ reviewed its strategic directions and its organisational arrangements in order to ensure a better alignment with, and greater responsiveness to, the new food regulatory environment. Considerable progress was made in meeting its new responsibilities for the development of primary production and processing standards.

Telephone: (02) 6271 2222

Internet: <www.foodstandards.gov.au>
<www.foodstandards.govt.nz>

General Practice Education and Training Limited

General Practice Education and Training Limited (GPET) was established as an Australian Government company limited by guarantee, and incorporated in March 2001 under the *Corporations Act 2001*. It is subject to the *Commonwealth Authorities and Companies Act 1997*. The Australian Bureau of Statistics has classified GPET as a General Government Sector entity.

Functions

The main functions of GPET are to:

- ensure high quality general practice (GP) education and vocational training across Australia that is responsive to the existing and changing needs of the community and individual sections of the community;
- implement a quality framework for Australian general practice training and monitor, review and accredit training providers;

- promote Australia as a world leader in establishing innovative and effective mechanisms for general practice education and training;
- work closely with the medical profession to ensure that all GP education and vocational training continues to meet the standards which are set by the profession's relevant colleges;
- establish a national framework for regionalisation and contestability of vocational training for general practitioners, including the funding and allocation of places, and monitor progress with implementation;
- ensure value for money in the provision of vocational training;
- ensure that vocational training is well structured and produces doctors that are capable of meeting community needs, in particular those of rural and remote Australia;
- promote vertical and horizontal integration of education and training at a regional level;
- establish a national framework for the evaluation of general practice education and training outcomes; and
- provide advice to the Minister for Health and Ageing regarding undergraduate and postgraduate training issues.

During 2003-04:

- following an increase to the annual quota of training places to 600, the number of GPs entering training in January 2004 was the highest since 1998 (approximately 550). In response to the increase, a major focus of GPET has been on marketing of general practice to students and postgraduate doctors to promote general practice as an attractive career option.
- GPET also finalised a number of frameworks to provide policy guidance to Regional Training Providers (RTPs), including a Framework for General Practice Training in Aboriginal and Torres Strait Islander Health, a Vertical Integration Framework and an Enhanced Rural Training Framework.
- the GPET Quality Framework was endorsed by the GPET Board and review and accreditation of all RTPs is under way.

Telephone: (02) 6263 6777

Internet: <www.gpet.com.au>

Health Insurance Commission

The Health Insurance Commission (HIC) is a statutory authority created by the *Health Insurance Commission Act 1973* (the HIC Act). It is subject to the *Commonwealth Authorities and Companies Act 1997*. The Australian Bureau of Statistics has classified the HIC as a General Government Sector entity.

As a decentralised organisation, the HIC operates from 226 Medicare offices and from State offices, processing centres, and a national office in Canberra, and employs around 4,700 staff.

Functions

The HIC administers:

- Medicare;
- Pharmaceutical Benefits Scheme/Repatriation Pharmaceutical Benefits Scheme;
- Medical Indemnity Initiatives;
- Australian Childhood Immunisation Register;
- Australian Organ Donor Register;
- Federal Government 30% Rebate on Private Health Insurance;
- Practice Incentives Scheme;
- Rural Retention Program;
- HECS Reimbursement Scheme;
- General Practice Registrars' Rural Incentive Payments Scheme;
- General Practice Immunisation Incentives Scheme;
- Compensation Recovery Program for Medicare and nursing home benefits;
- claims processing and payments for the Department of Veterans' Affairs (the veterans treatment accounts), the Office of Hearing Services, the Health Department of Western Australia, Vietnam Veterans' Children's Support Program; and
- Balimed.

The HIC processes and pays claims and benefits, and records and maintains data. The HIC also participates in the operation of the Family Assistance Office in conjunction with Centrelink, the Australian Taxation Office and the Department of Family and Community Services.

The HIC is increasingly making information available to help indicate Australian health

patterns and trends, and enable health professionals and consumers to base their decisions on better information and evidence.

The HIC is also responsible for preventing and detecting the occurrence of fraud and inappropriate servicing within Medicare and the Pharmaceutical Benefits Scheme. The HIC and the Department work together through a Strategic Partnership Agreement to achieve the Australian Government's health policy objectives.

During 2003-04:

- as part of a strategy to make new and existing services more accessible for health consumers, Saturday morning trading in some Medicare offices was trialled. In addition, an increasing number of consumers were also able to lodge online Medicare claims from their doctor's surgery.

Telephone: (02) 6124 6307

Internet: <www.hic.gov.au>

National Blood Authority

The National Blood Authority (NBA) is a statutory agency established under the *National Blood Authority Act 2003*. It is subject to the *Financial Management and Accountability Act 1997* and the *Public Service Act 1999*.

Functions

The NBA aims to improve and enhance the management of the Australian blood banking and plasma product sector at a national level and enters and manages contracts to this end.

Its functions include liaising with and gathering information from governments, suppliers and others to ensure that all States and Territories have a sufficient supply of blood and blood products and services.

The key activities in the NBA's first year of establishment have been to:

- coordinate national demand and supply planning of blood and blood products and purchase those products on behalf of all Australian governments;
- negotiate and manage contracts on behalf of all States and Territories and the Australian Government with suppliers of blood and blood products to enable the development of an agreed single national pricing schedule; and

- work in a collaborative manner with all governments and other responsible parties to ensure that Australia's blood supply is adequate, safe, secure and affordable.

The NBA also provides information to the Minister for Health and Ageing and the Ministerial Council about matters relating to blood products and services.

During 2003-04:

- the NBA successfully met its goal of managing and coordinating Australia's blood supply on behalf of all governments in accordance with the National Blood Agreement, thereby ensuring supply of blood and blood products for all Australians.
- As well as managing jurisdictional supply requirements in 2003-04, the NBA also started to lay the foundations for a new national platform to ensure the ongoing adequacy of supply into the future.

Telephone: 1800 351 000

(02) 6211 8301

Internet: <www.nba.gov.au>

National Institute of Clinical Studies Limited

The National Institute of Clinical Studies Limited (NICS) is a public company limited by guarantee, incorporated under the *Corporations Act 2001* in December 2000. It is subject to the *Commonwealth Authorities and Companies Act 1997*. The Australian Bureau of Statistics has classified NICS as a General Government Sector entity.

Functions

The main function of NICS is to improve healthcare in Australia by helping close important gaps between best available evidence and current clinical practice.

NICS does this by:

- raising awareness of the important gaps between what is known, from the best available research, and what is actually done in day-to-day practice; and
- supporting health professionals to understand and overcome the barriers to applying evidence within Australian health care settings.

During 2003-04:

- the NICS Heart Failure program was developed, culminating with the national Heart Failure Forum. This had important implications for improving chronic care through the adoption of best evidence and the completion of the successful Emergency Care Collaborative initiative.

Telephone: (03) 8866 0400

Internet: <www.nicsl.com.au>

Private Health Insurance Administration Council

The Private Health Insurance Administration Council (PHIAC) is a statutory authority, established under the *National Health Act 1953*. It is subject to the *Commonwealth Authorities and Companies Act 1997*. The Australian Bureau of Statistics has classified the PHIAC as a General Government Sector entity.

Functions

The main functions and powers of the PHIAC are to:

- develop, implement, and monitor compliance with the solvency and capital adequacy standards, to ensure that private health insurers, known as registered health benefits organisations (RHBOs), remain prudentially sound;
- administer the Health Benefits Reinsurance Trust Fund;
- undertake the supervisory functions in relation to RHBOs, including the appointment of inspectors and administrators;
- approve registration, de-registration and merger of RHBOs;
- approve voluntary winding up of an RHBO;
- collect and disseminate financial and statistical data, including tabling of an annual report to Parliament on the operations of RHBO; and
- levy RHBOs for the general administrative costs of the PHIAC and the Acute Care Advisory Committee.

The PHIAC produces membership and coverage statistics quarterly. These statistics detail the proportion of the population with private health insurance. The gap statistics provide information

about the out-of-pocket costs and availability of no-gap cover to consumers with private health insurance. The PHIAC reports on the 30% rebate annually.

The PHIAC collects and disseminates information about private health insurance to allow consumers to make informed choices about the product.

During 2003-04:

- the corporate governance and risk management of health benefits organisations was reviewed to better understand how the funds operate. The program was successful in helping both the regulator and the funds to improve their operation in the best interests of contributors to private health insurance; and
- a requirement that all health funds have an appointed actuary was introduced. PHIAC has worked closely with the industry to implement this requirement, which brings private health insurance into line with other insurance industries.

Telephone: (02) 6215 7900

Internet: <www.phiac.gov.au>

Private Health Insurance Ombudsman

The Private Health Insurance Ombudsman (PHIO) is a statutory authority established under Part VIC of the *National Health Act 1953*. It is subject to the *Commonwealth Authorities and Companies Act 1997*. The Australian Bureau of Statistics has classified the PHIO as a General Government Sector entity.

Function

The functions of the PHIO are:

- to handle complaints regarding private health insurance arrangements;
- to make recommendations to the Minister for Health and Ageing and the Department about private health insurance regulatory and industry practices;
- to produce and publish the *State of the Health Funds Report* providing comparative information on the performance and service delivery of all registered organizations; and
- to distribute the Private Patients' Hospital Charter.

During 2003-04:

PHIO's functions and powers were expanded to:

- include a new requirement for the Ombudsman to report annually on the performance of health funds through the publication of a *State of the Health Funds Report*;
- strengthen requirements for funds to provide information and documentation to assist with the Ombudsman's inquiries and investigations; and
- require funds, hospitals and medical practitioners to respond to the Ombudsman's recommendations.

Telephone: (02) 8235 8777 (Administration)

1800 640 695 (Inquiries and Complaints)

Internet: <www.phio.org.au>

Professional Services Review

The Professional Services Review (PSR) scheme was established under the *Health Insurance Act 1973*. The Director of PSR is an independent statutory officer appointed by the Minister for Health and Ageing with the agreement of the Australian Medical Association. The scheme was established as a prescribed authority to assist the Director to carry out those functions specified below. It is subject to the *Financial Management and Accountability Act 1997* and the *Public Service Act 1999*.

Functions

The scheme permits the examination of health practitioners' conduct to ascertain whether or not they have practised inappropriately in relation to services that attract Medicare (or Pharmaceutical) benefits. It covers services provided and/or initiated by medical and dental practitioners, optometrists, and medical services initiated by chiropractors, physiotherapists, and podiatrists.

The Health Insurance Commission (HIC) refers cases of suspected inappropriate practice to PSR for review and further action. The Director conducts the review and may inquire into services and conduct not specifically included in the HIC's request. After the review, the Director may dismiss a request, negotiate an agreement, or establish a committee of professional peers to further review the practitioner's conduct.

If a committee finds inappropriate practice the Determining Authority, comprising three independent persons, decides the sanctions to be imposed. For a negotiated agreement to become effective it must be ratified by the Determining Authority.

During 2003-04:

- validating legislation enabled the finalisation of a number of PSR committee reports delayed because of court action in *Pradban v Holmes*. Court action remains PSR's major challenge which, along with legislative change, continues to bolster and strengthen the scheme. Recent court decisions have been favourable.

Telephone: (02) 6210 9100

Internet: <www.psr.gov.au>

CORPORATE PLANNING

The 2003-05 Corporate Plan

The *2003-05 Corporate Plan* is a term-of-government document that provides a concise, informative guide to the main objectives, role and business of the Department. The plan was released in 2002 and focuses on the important role that staff play in meeting the Department's goals, vision and mission. The plan purposely excludes commentary on strategies and implementation issues, to make the document user-friendly and relevant to all departmental officers.

The *2003-05 Corporate Plan* is available on the Department's web site at <www.health.gov.au/pubs/hfscorpl/home/corplan2003.htm>.

Other Departmental Plans

Other plans and policy documents which complement the Corporate Plan include the:

- Portfolio Budget Statements (PBS) which set out the Portfolio's Outcome and Output targets. In effect the PBS focuses on 'what' is to be achieved, including a detailed reporting framework, while the Corporate Plan focuses on 'why' and 'how';
- Risk Management Framework which helps managers identify, assess and manage the high level risks faced by the Department. The main strategies for improvement or prevention are incorporated into business and project plans;

- Financial Management Framework which includes the Chief Executive Instructions and Procedural Rules (which ensure adherence to the provisions of the *Financial Management and Accountability Act 1997*), financial delegations and financial management governance arrangements;
- IT Strategic Plan which outlines the key strategic goals for information management and the road map for their achievement;
- People Strategy 2003-2005 which addresses the strategic action to be taken in each of the nine key areas of recruitment and selection, occupational health and safety, learning and development, workforce planning, performance management, employee relations, rewards and recognition, workplace diversity, and organisational development; and
- 10 Year Master Accommodation Plan which has been implemented in order to strengthen the Department's viability, improve operational efficiency and address risk management issues.

Business Units in the Department prepare business plans annually which are linked to the Corporate Plan and the PBS, with regular reports on achievement against the plans. Performance agreements for individuals are also linked to these business plans.

PEOPLE MANAGEMENT

Overview

People Branch focuses on the nine key functional areas of recruitment and selection, occupational health and safety, learning and development, workforce planning, performance management, employee relations, rewards and recognition, workplace diversity, and organisational development.

Key achievements made against the People Strategy 2003-2005 include:

- a significant improvement in turnover rates from 20.49 per cent in 2003 to 17.57 per cent at June 2004;
- the design and delivery of an improved selection and recruitment process pilot, due for evaluation in August 2004;
- improved access to learning and development opportunities;

- a new orientation program;
- further reduction in the Department's compensation premium to 89 per cent of the Australian Government average; and
- recognition that, of those assessed by Comcare, the Department's return to work framework is regarded as the best in the APS.

The Department conducted a second comprehensive staff survey in May 2004 (the first was undertaken in April 2003). The results of the latest survey will be compared with the results and performance from last year in addition to benchmarking against other public and private sector organisations. As well as identifying organisation wide issues, it is planned that each senior manager will discuss their unit and branch results with members of staff and work with them to identify priority areas for action at the local level.

Certified Agreement

The Department's third Certified Agreement (CA) continued to operate for 2003-04. This comprehensive Agreement covered non-Senior Executive Staff (SES) in the Department and expired in July 2004.

The Agreement provided for pay increases of 7.5 per cent over 20 months, or an annualised increase of 4.5 per cent. It provided a range of employment flexibilities around leave, part-time work, home based work and a Department-specific initiative called Health and Life.

Negotiations for a fourth CA commenced in early 2004. The negotiation model was based on Section 170LJ of the *Workplace Relations Act 1996* following full consultation with all staff. In June 2004, management offered a CA package to staff which included the following features:

- a pay increase of 11.2 per cent over 34 months (or an annualised increase of 3.95 per cent);
- modifications to the Performance Development Scheme;
- a provision to review and address both individual and team workload issues; and
- a provision for extended purchased leave to assist staff with balancing work and life commitments.

Australian Workplace Agreements

The Department routinely offers Australian Workplace Agreements (AWAs) to all SES staff, Medical Officers Class 3-6, Executive Level 2 staff, and to staff in other classifications whose performance and/or skills are highly regarded by the organisation. Through the use of AWAs, the Department has the flexibility to retain and attract highly talented staff, particularly where specialist skills and knowledge are in demand in both the wider APS and private sector. The Certified Agreement states that the Secretary may enter into an AWA with any staff covered by the Certified Agreement. Further details about AWAs and performance-based payments are set out in Appendix 3.

Workplace Participation

The Department continues its commitment to the National Staff Participation Forum (NSPF). This is the peak consultation body in the Department on organisation-wide matters such as implementation of the certified agreement and related policies. The NSPF consists of staff, union and management representatives and is complemented by other staff forums at the divisional and State and Territory level. Through these forums, consultation can take place promptly on issues such as business planning, workplace change, employment, accommodation and relocation issues. Furthermore, branch, section and team meetings provide additional opportunities for staff to raise and discuss issues of interest or concern.

The Health and Life Strategy

The Health and Life Strategy aims to encourage optimal health and wellbeing for staff (consistent with the organisation's leadership role in the health and ageing sector) and a Departmental culture that supports an appropriate balance between work and life. Associated initiatives include discounted gym and sporting club memberships, funding of teams in fitness/health challenges, advice and assistance to staff and their families on work and personal issues via the Employee Assistance Program and the 10k a Day initiative.

10k a Day

The 10k a Day initiative encourages staff members who participate to take, on average, at least 10,000 steps per day.

10k a Day celebrated its first anniversary in April 2004. The Department marked the occasion with a range of events including a walk led by the Secretary and representatives of the National Obesity Taskforce.

Performance Development Scheme

The Department manages individual performance and development through the Performance Development Scheme (PDS). All staff members are expected to participate in the PDS which includes formal assessments and informal feedback. The Department is developing a capability framework to clarify for individuals the behaviours they need to demonstrate to be considered effective at a given level. The capability framework will be introduced in 2004-05.

Recruitment

Following the review of its recruitment and selection practices, the Department embarked on a six month trial of the Selection Model Improvement Pilot. This pilot involved significant re-engineering of our selection methodology including the introduction of more valid and reliable predictors of on-the-job performance. The aim of the project is to test whether this selection model could significantly improve the Department's capability by:

- improving the quality of staff employed or promoted;
- reducing staff turnover; and
- achieving savings through greater centralisation of the recruitment function.

The pilot is currently in the evaluation phase. A report of the evaluation will be submitted to the Business Management Committee for its consideration.

This year the Department recruited 58 staff through the graduate program.

The Department continues to participate in the National Indigenous Cadetship Program (NICP), which is run by the Department of Employment

and Workplace Relations. During 2003-04 four new cadets were recruited to Departmental offices across the country. At the end of the reporting period there were ten cadets employed under the NICP. The NICP staff were well supported by the national Aboriginal and Torres Strait Islander staff network.

Learning and Development

The long-term learning and development (L&D) strategy was implemented in 2003-04 reinforcing the important link between the internal training program and the PDS core skills. A comprehensive suite of internal courses and IT training is available to all staff members irrespective of their location.

During the year, 207 staff enrolled in the *Health and Ageing Postgraduate Studies Program (HAPS)*. Participants can select from a range of qualifications to work towards including the Certificate of Achievement, Graduate Certificate, Postgraduate Diploma, or Master of Public Health. Since the Program commenced in 1997-98, 116 staff from the Department and Portfolio Agencies have completed a HAPS award.

A key area of focus for L&D this year was improving the Department's financial management capability. A Diploma of Government (Financial Management), tailored to the needs of the Department, was offered this year to people in finance roles. Thirty three people from Central and State and Territory Offices are enrolled in the course.

The first stage of an e-learning program was implemented in May 2004. On-line modules to help people better use Microsoft products are now available to all staff. Further on-line modules will be implemented during 2004-05.

Workplace Diversity

Overview of Department's Workplace Diversity Performance

The following table outlines the percentage of ongoing staff from diverse backgrounds in the Department over the last four years:

Category	2001	2002	2003	30 June 2004
Women	65.6	66.7	66.9	67.7
People from a Culturally and Linguistically Diverse Background	7.2	10.9	9.6	7.9
People with a Disability	4.2	3.7	2.9	2.3
Aboriginal and Torres Strait Islander Peoples	2.0	1.9	1.9	2.2

While the percentage of women in ongoing positions has grown, the percentage of ongoing employees with a disability and people from culturally and linguistically diverse backgrounds has declined. This is consistent with trends across the Australian Public Service (APS), with representation falling from 5.5 per cent and 4.2

per cent (respectively) in 1994 to 3.6 per cent and 3.3 per cent in 2003. The percentage of Aboriginal and Torres Strait Islander employees has increased. This is in contrast to the trend across the APS, with representation falling from 2.7 per cent in 1999 to 2.4 per cent in 2003.

Category	2001	2002	2003	30 June 2004
Percentage of ongoing staff working part-time (percentage of ongoing male staff working part-time)	8.8 (8.9)	9.3 (8.2)	10.3 (8.6)	10.5 (8.5)
Percentage of non-ongoing staff working part-time (percentage of non-ongoing male staff working part-time)	12.8 (16)	10.5 (16.2)	11.1 (26.6)	14.1 (18.9)

The data show a steady increase in the uptake of the Department's flexible working conditions by female employees. The percentage of non-ongoing men working part-time has declined.

However, this data is drawn from a small pool (13 men in 2003 to 10 men in 2004), therefore volatility in reporting of the data is expected.

Category	2001	2002	2003	30 June 2004
Informal workplace harassment contacts with Workplace Harassment Officers	46	53	30	37
Formal complaints	11	7	1	3

The data indicate a marginal increase in the number of informal contacts with Workplace Harassment Officers over the previous twelve months.

Occupational Health and Safety

The Department has a demonstrated commitment to providing a safe and healthy work environment for staff, contractors and visitors at our workplaces. This commitment is reflected in the Occupational Health and Safety (OH&S) Policy and Agreement, which was developed in consultation with staff and their representatives as required under the *Occupational Health and Safety (Commonwealth Employment) Act 1991* (OH&S Act).

The continued focus on OH&S is a priority in the Department's People Strategy 2003-2005. The Certified Agreement 2002-2004 articulates

the organisation's commitment to legislative compliance and implementation of the Workplace Injury Prevention and Management (WIPM) Strategy. The WIPM strategy complements the Department's Health and Life Strategy and includes a series of projects and initiatives undertaken in partnership with Comcare over a five-year period from 2002. The Strategy aims to establish a workplace culture committed to OH&S and reduce the Department's workers' compensation premium to 80 per cent of the Australian Government average by 2007. In terms of injury/illness prevention and management performance the

Department has achieved significant gains in year two of the five-year WIPM Strategy.

The Department has reduced its workers' compensation premium rate from 141 per cent of the Australian Government average in 2001-02 to 89 per cent of the average for 2004-05. In the last 12 months, the Department's premium rate for 2004-05 reduced by 12 per cent to 1.49 per cent of salary, whilst the Australian Government average increased by 17 per cent to 1.67 per cent of salary.

The workers' compensation premium reduction by the Department is an outstanding outcome against the APS-wide trend of increased premiums. Comcare advised that our premium reduction performance over this time is the best of any large APS agency.

Our commitment to workplace safety was further evidenced in July 2003 when the Secretary signed a joint 'Employer Statement of Commitment' with the Chief Executive Officer of Comcare, making the Department a signatory to the National Occupational Health and Safety Strategy 2002-2012. The strategy commits the Department to achieving a range of safety and rehabilitation targets over this time and reporting to the Executive on a six-monthly basis.

Over 2003-04 the Department continued to provide the following OH&S programs:

- eyesight testing for screen based work;
- employee assistance/counselling services;
- expert assistance to staff with workstation ergonomics;
- reasonable adjustment initiatives for staff with special needs or injury;
- first aid and fire warden services;
- staff induction training in OH&S; and
- staff and manager awareness training in their OH&S roles and responsibilities.

Workplace incidents and injuries (including those in the Therapeutic Goods Administration) that occurred during the year and that are required by Comcare to be reported were as follows:

- nil deaths;
- seven dangerous occurrences; and
- three serious personal injuries.

The above information meets the Department's reporting requirements under Section 74 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991*.

OH&S information for CRS Australia is discussed later in Part 1.

FINANCIAL, PURCHASING AND RESOURCE MANAGEMENT

Financial Management

The Department has focused on improving financial management performance in three key areas: financial viability and accountability, continually improving business systems and processes and investing in our people.

The Department's financial accountability responsibilities are set out in Section 44 of the *Financial Management and Accountability Act 1997* and are based around efficient, effective and ethical use of allocated resources. In practice, the Department meets its accountability responsibilities by applying governance arrangements, systems, controls and processes that:

- enable the Department to pursue the Government's goals in the areas of health and ageing; and
- provide a financial control framework that supports efficient processing, accuracy and balancing of financial transactions (including the production of audited financial statements).

A number of improvements have been made to the Department's financial management systems and processes over the year. These improvements have led to better utilisation of the Department's considerable investment in its financial and human resource enterprise management system. Key initiatives include:

- improvements to financial reporting including standard monthly reporting to Executives;
- the ongoing support of electronic business initiatives (including electronic purchase requisitions, purchase orders, contract register and vendor requests), distributed through electronic workflow;
- improving processing efficiency by increasing the number of electronic invoice up-loads from major suppliers; and

- improvements to domestic travel administration including electronic trip requests, electronic workflow, the appointment of an accommodation reservations service provider, and changes to staff travel allowance entitlements.

The Department has made a significant investment in 2003-04 in developing the financial management skills of its staff. A range of in-house and externally provided training has been developed and delivered. A key achievement has been the development of the Diploma in Government (Financial Management).

Competitive Tendering and Contracting

The Department manages contracts for the provision of information technology infrastructure, property management and office services. During 2003-04 the Department exercised its option to extend the contract with its information technology provider for a further five years.

The contracts with the property management and office services providers delivered the following outcomes:

- improved energy usage, trending down as a result of energy saving initiatives overseen by the property services contractor; and
- consolidation of the procurement of stationery, small office supplies and office furniture which has led to improved value for money.

A number of reviews took place during the year to determine the suitability of some services for re-engineering or market testing. These included library, call centre, print and publication services. As a result of the review of publication services, the Department's Publications Unit has been re-engineered to provide a print and design procurement service. Decisions on the outcomes of the remaining reviews will not come into effect until 2004-05.

Purchasing

The Department complies with all relevant Australian Government purchasing policies and principles including the Commonwealth Procurement Guidelines. The Department maintains Chief Executive Instructions (CEIs) which outline the mandatory requirements

within which all staff must work and which carry the force of law. There are also Procedural Rules (PRs) that expand upon the CEIs by setting out operational requirements. The CEIs and PRs provide a financial accountability framework which promotes the effective, efficient, and ethical use of the Department's resources.

The majority of the Department's purchases are made by calling for quotations and/or tenders. However, substantial use is also made of panels of qualified suppliers under standing offer arrangements which can save time and improve the efficiency of procurement processes. Examples of services for which panels have been used include financial, accounting and audit services, publication production, warehousing and distribution and program evaluation services.

The Department reports the details of purchasing arrangements in the *Gazette Publishing System (GaPS)* and also has to report on an 'as required' basis, for example, the Senate Order on Departmental and Agency Contracts.

The Department has purchaser provider arrangements with several Australian Government agencies outside the Portfolio. These agencies include the Australian Bureau of Statistics, Centrelink, the Department of Veterans' Affairs and the Office of the Privacy Commissioner. Information on resourcing and performance against outcomes and outputs for these arrangements is included within the Outcome Performance Reports in Part 2.

Asset Management

The Department's asset management strategy emphasises whole-of-life asset management and focuses on the responsibilities of staff in this process. Asset holdings are reviewed annually to ensure cost-effectiveness and whole-of-life asset utilisation. The stocktake of assets in May 2004 confirmed the location and condition of each asset.

Asset management policies and procedures are subject to the CEIs and are detailed in the associated PRs. The PRs include policies for the treatment of inventory, fixed assets, software, fit-out, valuations and depreciation. They also contain the Department's financial statement accounting policy for assets.

Purchasing and Contracting – Achievements

The Accommodation Master Plan identified that a number of operational and administrative efficiencies could be realised for the Department through better use of accommodation. These efficiencies included:

- improved value for money;
- advantage from technological improvement in services;
- infrastructure efficiencies (e.g. improved training facilities and conference and meeting rooms); and
- operational and resource efficiencies (including more efficient energy use and improved environmental systems).

Accordingly, in December 2002 the Department advertised for proposals to provide commercial office space to meet its mid-term accommodation requirements. The Scarborough House proposal was assessed as providing the best solution and value for money. In accordance with the *Public Works Committee Act 1969*, a submission outlining the Scarborough House proposal was lodged with the Joint Standing Committee on Public Works in February 2004. Following a public hearing held in March, the Committee's report was tabled and passed through both houses of Parliament in June 2004.

The Department has liaised with a wide spectrum of stakeholders throughout the development and implementation of this project, including staff, union and occupational health and safety representatives. In addition to the above mentioned efficiency gains, the Scarborough House project aims to provide the Department with A-grade accommodation that not only meets current requirements but also provides flexibility to meet future needs.

Environmental Management System

The Department is committed to improving its environmental management in line with the National Greenhouse Strategy and other Australian Government environmental initiatives. An Environmental Management System (EMS) was developed throughout 2003-04 and is currently being rolled-out for certification in 2004-05 under ISO14001:1996.

Environmental objectives and targets have been established and seven environmental management plans have been developed and are being implemented over the 2003 to 2005 period. The EMS objectives are to:

- reduce energy consumption (three plans address lighting, office appliances and motor vehicles);
- minimise waste (two plans address office products, land fill and chemical discharge); and
- make purchasing decisions with greater consideration for the environment (the final two plans address paper and office stationery consumption).

During 2003-04, the Department's EMS-related trials and activities demonstrated that significant energy and financial savings can be achieved through:

- upgrading lighting and timing systems;
- switching computers off overnight and over weekends; and
- establishing duplex printing as the default standard for general office printing.

Staff interest in the EMS has enabled the establishment of a 'green team' to harness interest in recycling, successfully demonstrated by initiatives to recycle mobile phones, printer/toner cartridges and excess stationery.

Improved environmental systems are to be a corner stone of the Department's new accommodation in Scarborough House in 2005.

Further information about EMS activities are found in the Ecologically Sustainable Development appendix of this report.

INFORMATION TECHNOLOGY

The Department continues to enhance its capability to deliver health policy and services through investment in information technology (IT). Key achievements during 2003-04 include progression of the Department's IT Strategy and Roadmap which has the purpose of enabling the Department to achieve maximum business value from its IT investment. The Roadmap is being implemented to achieve the following objectives:

- to build a robust and agile working environment for on-site and remote users;

- to improve our resource management capabilities;
- to improve the governance of IT;
- to develop a workplace capability and the relationships to implement the strategies (internal and outsourced);
- to take a corporate approach to information management; and
- to position ourselves for the future.

Implementation is taking place through 11 programs which address a range of issues including use of systems that enable the Department to better serve clients and stakeholders through to improved data warehousing to provide an integrated source of information to meet the reporting requirements of the Portfolio.

During the year the Department renewed and extended its IT infrastructure services contract through to 2009. The renewed collaboration has the following features:

- a complete refreshment of the Department's IT infrastructure including mainframe, midrange, network and desktop environments;
- a revised service level regime;
- future pricing certainty;
- a new relationship management schedule; and
- an improved engagement model between the Department and its service provider that has resulted in faster turn around times on new projects.

The revised contract has been assessed by an independent, specialist IT benchmarking company as representing value for money.

The Department has also been developing an improved internet and intranet capability that will provide enhanced access for external clients and staff. The system will enable staff and external clients to filter incoming information, access a single corporate view of the Department's vast information holdings and more easily find relevant information.

SCRUTINY

External Liaison and Scrutiny

The Audit and Fraud Control Branch is responsible for liaison between the Australian National Audit Office (ANAO) and the Department, and providing 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 is also 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, and JCPAA and Ombudsman matters affecting the Department are below.

Australian National Audit Office (ANAO)

During 2003-04 the ANAO tabled in Parliament a number of audits involving the Department. 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

- *Management of the Extension Option Review – Plasma Fractionation Agreement (Audit Report No.4 of 2003-2004)*

The audit was undertaken in response to a recommendation from the Joint Committee of Public Accounts and Audit (JCPAA)¹ that the ANAO undertake a timely performance audit of the Department's handling of the Plasma Fractionation Agreement (PFA) extension review.

The scope of the audit was limited to the planning and conduct of the PFA extension review. The objective of the audit was to review the efficiency and effectiveness of the Department's planning and conduct of the PFA extension review, in accordance with the JCPAA's recommendation.

¹ JCPAA Report No. 378, *Review of Auditor General's Reports 1999-2000 Second Quarter*, October 2000

The ANAO's overall conclusion was that insufficient information was available to the Department's Steering Committee to allow it to form an objective view on the financial merit of the advice it provided to the Minister on the value of the PFA extension option. The ANAO stated that it made no judgement about whether or not the decision not to extend the PFA was a correct decision.

In response, the Department recorded its views in the context of the overall policy and procurement environment in which the PFA extension decision was taken. The Department considered that it:

- adopted a timely and effective approach to the PFA extension review, including consideration of value for money issues;
- fully appreciated the nature of the analysis required to underpin advice to Government;
- provided advice to the Minister based on sound analyses of the information available, in particular the findings of the comprehensive National Blood Review; and
- met its obligations under the PFA in terms of the timing of the decision and advice to CSL.

The Department noted that the audit was conducted at a point that meant it reflected only part of the whole policy and procurement processes relating to future arrangements for the supply of plasma products. The Department also noted that there were still policy matters relating to the future arrangements that had to be decided.

The Department stated that its views and opinions on a number of matters raised in the report differed from those of the ANAO.

- *Governance of the National Health and Medical Research Council (Audit Report No.29 of 2003-2004)*

The Department was directly involved in this audit. In line with arrangements under the *National Health and Medical Research Council Act 1992* (the NHMRC Act), the Department provides staff and facilities to assist the National Health and Medical Research Council (the Council). Funding for medical research and funding for operating the Council are appropriated to the Department, and the Secretary has delegated authority for financial tasks under the *Financial Management and Accountability Act 1997* to the Chief Executive

Officer of the Council and senior staff provided to assist the Council.

The audit objective was to assess the administrative effectiveness of the Council's governance and administrative systems. The overall opinion of the ANAO was that the legislative framework and resulting administrative arrangements under which the Council operates do not facilitate sound administration.

The audit made six recommendations, one of which was to the Department and related to the separate identification of performance information and departmental budget in the Portfolio Budget Statements and Departmental Annual Report.

The *2004-05 Portfolio Budget Statements* separately identify the Council's and the Department's performance information and funding. The new format will be reported against in the Department's 2004-05 Annual Report.

The remaining five recommendations will be addressed by the Council in its 2004 Annual Report.

- *Department of Health and Ageing's Management of the Multipurpose Services (MPS) Program and the Regional Health Services (RHS) Program (Audit Report No.40 of 2003-2004).*

The objective of the audit was to assess the effectiveness of the Department's management of MPS and RHS programs.

The ANAO's overall conclusion recognised that when managing the MPS and RHS programs, the Department must manage the difficult job of balancing available resources with existing and emerging health service needs in rural and remote Australia. In general, the ANAO concluded that the Department's management of the MPS and RHS programs were effective. The ANAO noted that the Department had developed an effective approach to planning and delivering the programs and managed its relationships with stakeholders of the programs.

The ANAO made seven recommendations to the Department, covering the areas of:

- information collection and management;
- risk management;
- performance data and monitoring;

- currency of funding agreements;
- aspects of financial management;
- identifying, promoting and communicating better practices in establishing and operating MPS or RHS; and
- completion and re-issue of the revised RHS guide.

The Department agreed with all recommendations. Implementation of three of the recommendations is complete, with work on the remainder well advanced with completion anticipated early in 2004-05.

- *Audits of the Financial Statements of Commonwealth Entities for the Period Ended 30 June 2003 (Audit Report No.22 of 2003-2004)*

The report recorded the results of the complete audit of the Department's 2002-03 financial statements. During the audit the ANAO noted a number of internal control issues relating to expenditure delegate authorisation, business resumption planning, IT system user access, grants administration, financial system reconciliations. The audit report noted that the Department had made reasonable progress in resolving these issues.

The ANAO had also written to the Department advising that the audit had been completed with satisfactory results, and that an unqualified audit report was issued.

- *Control Structures as part of the Audit of Financial Statements of Major Commonwealth Entities for the Year Ending 30 June 2004 (Audit Report No.58 of 2003-2004)*

The report summarises the results of the interim audit of the Department's 2003-04 financial statements. The report updates the ANAO's assessment of audit findings relating to internal control structures, including governance arrangements, information systems and control procedures, through to March 2004.

The ANAO identified that some further improvements are required in the areas of IT security framework and business continuity planning.

The report notes that the Department has responded positively to the issues raised by the ANAO, and has already taken action to address aspects of the ANAO findings. The report also

notes that the Department has a good statutory financial reporting framework in place and remains on track for timely completion of its financial statements.

In addition, formal advice from the ANAO notes that the Department has made a slight improvement in its internal control environment, and that the control framework and internal controls within those areas reviewed are considered to be **operating satisfactorily** (ANAO emphasis) within the Department, including the Therapeutic Goods Administration.

Audits of other Individual Agencies that Involved Consultation with the Department

- *National Aboriginal Health Strategy – Delivery of Housing and Infrastructure to Aboriginal and Torres Strait Islander Communities: Follow-up Audit (Audit Report No.44 of 2003-2004).*

Cross-agency Audits where the Department was Involved:

- *The Senate Order for Department and Agency Contracts: Autumn 2003 (Audit Report No.5 of 2003-2004).*
- *Recordkeeping in Large Commonwealth Organisations (Audit Report No.7 of 2003-2004).*
- *Survey of Fraud Control Arrangements in APS Agencies (Audit Report No.14 of 2003-2004).*
- *Agency Management of Special Accounts (Audit Report No.24 of 2003-2004).*
- *Intellectual Property Policies and Practices in Commonwealth Agencies (Audit Report No.25 of 2003-2004).*
- *The Senate Order for Departmental and Agency Contracts: Financial Year 2002-2003 Compliance (Audit Report No.31 of 2003-2004).*

Other Audits where the Department was not Directly Involved but where Recommendations were Targeted at all Agencies

- *Management of Risk and Insurance (Audit Report No.3 of 2003-2004).*
- *Annual Performance Reporting (Audit Report No.11 of 2003-2004).*

- *Property Management (Audit Report No.19 of 2003-2004).*
- *Quality Internet Services for Government Clients – Monitoring and Evaluation by Government Agencies (Audit Report No.30 of 2003-2004).*
- *Compensation Payment and Debt Relief in Special Circumstances (Audit Report No.35 of 2003-2004).*
- *Financial Delegations for the Expenditure of Public Monies in FMA Agencies (Audit Report No.42 of 2003-2004).*
- *The Use and Management of HRIS in the Australian Public Service (Audit Report No.49 of 2003-2004).*
- *Management of Protective Security (Audit Report No.55 of 2003-2004).*
- *Administration of Freedom of Information Requests (Audit Report No.57 of 2003-2004).*

In line with arrangements applying to all Commonwealth 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, the Minister for Health and Ageing provides a summary report to the Chair of 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 website at <www.anao.gov.au>.

Other enquiries regarding the reports should be directed to the Assistant Secretary, Audit & Fraud Control Branch, in the Department.

Joint Committee of Public Accounts and Audit (JCPAA)

- The JCPAA's report on the review of the *Review of Auditor-General's Reports 2002-2003 Fourth Quarter* was tabled in the Parliament on 31 March 2004. One of the Auditor-General's reports reviewed in this context was *Audit Report No.42, 2002-2003, Managing Residential Aged Care Accreditation*. The JCPAA made one recommendation to the Aged Care Standards

and Accreditation Agency Ltd. regarding the broadening of the focus of quality assessment data.

- The JCPAA's report on the inquiry into *The Management and Integrity of Electronic Information in the Commonwealth* was tabled in the Parliament on 1 April 2004. The report's recommendations were directed to Commonwealth agencies other than the Department, and as those agencies act on the recommendations, it is expected that they will be providing advice to the Department.
- On 8 March 2004 the JCPAA conducted a public hearing in relation to its review of the Auditor-General's *Audit Report No.4, 2003-2004, Management of the Extension Option Review – Plasma Fractionation Agreement*. The Department attended the public hearing and gave evidence.

Other Parliamentary Scrutiny

The Department appeared before the Senate Community Affairs Legislation Committee, for consideration of Senate Estimates, on three occasions during the year for a total of four days. It also gave evidence and/or made submissions to a number of Parliamentary Committees including:

- Senate Rural and Regional Affairs and Transport Committee
 - Customs Tariff Amendment (Paraquat Dichloride) Bill
- Senate Community Affairs Reference Committee
 - Inquiry into Hepatitis C and the Blood Supply in Australia
- Senate Select Committee on the Free Trade Agreement between Australia and the United States of America
 - Australian-United States Free Trade Agreement
- Senate Select Committee on Medicare
 - A Fairer Medicare Package
 - MedicarePlus
- Joint Standing Committee on Public Works
 - Proposed Fitout of New Leased Premises for the Department of Health and Ageing and Scarborough House, Woden Town Centre, ACT

- Joint Standing Committee on ASIO, ASIS and DSD
 - Private Review of Agency Security Arrangements
- Joint Standing Committee on Treaties
 - Agreement on medical treatment for temporary visitors between the Government of Australia and the Government of the Kingdom of Norway
 - Agreement between Australia and New Zealand for the establishment of a joint scheme for the regulation of therapeutic products
 - Australian – United States Free Trade Agreement

In addition, the Department responded to a total of 296 questions received on notice from the House of Representatives and the Senate, and a total of 707 questions from the three Senate Estimates Hearings.

Judicial Decisions and Decisions of Administrative Tribunals that have had, or may have, a Significant Impact on the Operations of the Department

In 2003-04, the Department was involved in twenty four matters before the Administrative Appeals Tribunal, eight matters before the Federal Court, nine matters in State and Territory Supreme Courts, one matter before the Federal Magistrates Court, one matter before the ACT Magistrates court, two matters before the Australian Industrial Relations Commission and one matter before the Professional Services Review Tribunal. The majority of cases arose out of the Ageing and Aged Care Division.

None of the matters completed or in progress, had or are expected to have a significant impact on the operations of the Department.

Ombudsman

During 2003-04, the Department received notification that twenty seven complaints relating to the Department that had been lodged with the Commonwealth Ombudsman's Office were taken to the investigation stage. Of these, three resulted in an adverse finding for the Department, these covering only two administrative issues.

Although there was an increase in the number of complaints lodged compared to 2002-03 the number of formal investigations decreased. Two complaints were carried over from 2002-03, both have since been closed, and of those received during 2003-04 two remain open as at 30 June 2004.

Information on the role of the Commonwealth Ombudsman can be obtained from the Ombudsman's website at <www.ombudsman.gov.au>.

INTERNAL SCRUTINY

Primary responsibility for internal scrutiny within the Department rests with the Audit and Fraud Control Branch under the broad direction of the Department's Audit Committee.

Audit Committee

The Department's Audit Committee met five times during 2003-04. Membership includes an independent member appointed from outside the Department and a representative from the Australian National Audit Office who attends each meeting as a 'participating observer'.

In accordance with its charter, approved by the Secretary of the Department, the Audit Committee approves the strategic direction of the Audit and Fraud Control Branch.

The Audit Committee also assesses the performance of the Audit and Fraud Control Branch, considers the outcomes of audits and reviews undertaken by the Audit and Fraud Control 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

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.

Key activities in 2003-04 included:

- undertaking a range of audits and reviews relating to compliance with Departmental control frameworks, grants and contract

management, IT management and Departmental expenditure and procurement activities;

- the development of a control self assessment package to assist managers to survey the operation of their area to ensure that they and their staff understand the compliance framework within which they work, and against which they are required to report; and
- the provision of 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 that comply with the Commonwealth Fraud Control Guidelines;
- appropriate fraud prevention, detection, investigation and reporting procedures and processes are in place; and
- annual fraud data are collected and reported in line with the Commonwealth Fraud Control Guidelines.

Forty one fraud allegations were investigated during the year. 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 employees with powers authorised under the *Public Service Act 1999*.

Risk Management

As part of the Department's continuing improvement cycle, internal risk management underwent a major review in 2003-04. This review has led to a suite of revised guidelines, strategies and plans, including the Strategic Security Plan and the Security Risk Assessment Plan. These documents are the foundation for a new Business Continuity Plan which is designed to outline the operational, administrative and accommodation requirements needed in the event of a disruption to essential services.

CRS AUSTRALIA

Corporate Planning

CRS Australia's governance framework integrates business planning, budgeting, and individual performance achievement on an annual basis. A regular reporting cycle is maintained for all activities. CRS Australia's Strategic Directions document is available online at <www.crsaustrelia.gov.au>.

Service Charter

CRS Australia reviewed its service charter to clients. The charter defines what clients can expect from CRS Australia.

Human Resources Management

During 2003-04, CRS Australia has placed emphasis on OH&S activities and a number of people management strategic activities. A key initiative has been to provide enhanced communication between human resources and all staff throughout the organisation. This includes a regular managers update and OH&S newsletter. This initiative also ensures HR policies and practices are promoted to managers and staff.

Certified Agreement

The 2002-05 CRS Australia certified agreement was certified on 5 August 2002. Key initiatives for the agreement included:

- across-the-board salary increases over the life of the agreement to align CRS Australia salaries with the APS median;
- broadbanding the rehabilitation consultant classifications to allow for staff movement through the salary ranges;
- a project to review and adjust the staff 'performance achievement system'; and
- initiatives to further promote work-life balance, including payment of additional dependent care costs for unplanned overnight absences.

CRS Australia will begin negotiating a new certified agreement to take effect in 2005. The issues of productivity, work and life balance, mature aged workers and good business practices will be important in this agreement.

Australian Workplace Agreements

CRS Australia offers Australian Workplace Agreements (AWAs) to most staff at the Executive Level 1 and 2 levels and some other APS classifications. These agreements provide flexible or specially tailored remuneration and conditions. Further detail on the features and inclusions of AWAs can be found in Appendix 3.

Recruitment and Retention Strategy

Recruitment and retention strategies have remained a focus for CRS Australia. These include:

- collation of exit and entry data to identify retention issues and inform workforce planning;
- implementation of the recruitment employment Expression of Interest database available to interested candidates via our website;
- designing and implementing a recruitment media strategy that includes professional allied health organisations (eg. occupational therapist newsletters), adventure/outdoor and parenting magazines;
- reviewing recruitment processes and policies in line with the APS Recruitment Kit;
- research into retention of mature workers and succession planning around mature age recruitment;
- analysis of absence management;
- analysis of turnover data;
- focus groups into Learning & Development (L&D) to better understand employee needs in order to retain and motivate staff;
- analysis of employee opinion data;
- research into how to attract discipline specific staff;
- implementation of a non-cash recognition and reward policy;
- review and redesign of content and layout of the suite of recruitment advertisements;
- review of the Aged Care and Child Care Advisory service;
- team building and development with various teams across the organisation;

- development and implementation of an Alumni program for employees departing from CRS Australia;
- review of the Senior Rehabilitation Consultant role and resulting implementation strategies; and
- review of Site Allowance policy and commencement of the implementation of approved strategies.

Learning and Development

The focus for learning and development in 2003-04 was:

- delivery of core learning strategies to ensure new staff have the skills and knowledge to deliver core business requirements;
- alignment and quality of core learning strategies;
- quality, accuracy and consistency of our internal training mechanisms; and
- manager/leader development.

Key initiatives during 2003-04 included:

- re-aligning the organisation's L&D framework to the APSC's A Framework for Managing Learning and Development in the APS and the new People Management Framework;
- development and implementation of learning strategies on basic counselling and motivation interviewing;
- major evaluation and redevelopment of our key learning strategy on 'fundamentals of case management';
- major evaluations of the Acquired Brain Injury and Workplace Assessment and Return to Work learning strategies;
- delivery of the leadership development program to the remaining managers across Australia;
- selection and design of a coaching skills program for managers and leaders; and
- implementation of improved induction processes, including implementation of an improved coaching plan and supporting infrastructure.

The organisation draws heavily on three key learning approaches to meet the development needs of our staff. These are: coaching; internal workshops/conferences; and external workshops/conferences. All new staff enter

into coaching relationships over the first three months of their employment. The coaching is supported by a nationally endorsed coaching and orientation plan to ensure that the coaching addresses key organisational and individual needs. In regard to the internal workshop, approximately 305 nationally endorsed and managed workshops were delivered around Australia to 2,509 participants. These workshops included areas such as induction, case management, management development and administrative support.

Workplace Diversity

A Workplace Diversity Plan has been developed along with strategies to further increase awareness of diversity issues across the organisation. CRS Australia has an inclusive work environment that values and uses the contribution of people from different backgrounds, experiences and perspectives. CRS Australia recognises that a diverse workforce is creative, innovative and improves the achievement of outcomes for its client group.

Occupational Health and Safety and Staff Health

CRS Australia cares about its employees and is committed to providing a high quality occupational health and safety environment.

- The Human Resources team are dedicated to implementing and managing the OH&S systems as required under the *Occupational Health and Safety (Commonwealth Employment) Act 1991*. Annual workplace safety audits are conducted. Hazards and injuries/incidences are reported to the OH&S team where they are individually followed up and investigated as appropriate.
- The CRS Australia OH&S Agreement has been updated to reflect changes in the National OH&S Committee, and was developed in consultation with the relevant unions and staff representatives.
- Full-time rehabilitation case managers have been dedicated to the early intervention and management of staff claims and fitness for duty cases.
- The Human Resources team have commenced a risk management strategy on compensation claims for both staff and client claims. The aim of this strategy is to

ascertain the sequence of events leading to claim lodgement and to develop a system for ensuring key organisational learnings are identified and to aid current and future decision making across HR areas. Some of the learnings from this process have led to policy developments in other HR areas. The medium and long-term aim of this strategy is to ensure that the compensation premium liability risk factors and future potential claim numbers can be pro-actively managed.

- CRS Australia continued OH&S programs, including: employee assistance/counselling services; first aid and fire warden services; influenza vaccination availability; staff induction training in OH&S; and annual workplace safety inspections.
- CRS Australia employees reported 206 hazards/incidents to the OH&S team in the 2003-04 financial year. 22 staff and 21 client workers compensation claims were lodged.
- Workplace incidents and injuries requiring notification to Comcare Australia (consistent with their definitions) were: nil dangerous occurrences; nil serious personal injuries; and nil injuries involving 30 days or more off work.

Knowledge Management

CRS Australia is conducting a project to refine the management of electronic and paper based records.

CRS Australia also has underway projects to:

- refresh CRS Australia's IT hardware;
- upgrade the version of SAP;
- update the case management software; and
- review the intranet and CRSNet.

Contracting and Assets Management

Competitive Tendering and Contracting

To ensure compliance with the Australian government's requirements, further market testing of the Corporate Service functions approached finalisation during 2003-04. With a focus on the CRS Australia library, information management and marketing and communications, it is expected that this work will be completed early in 2004-05.

Asset Management

During 2003-04 CRS Australia revalued plant and equipment assets to 'fair value' in accordance with Accounting Standards and Finance Ministers Orders. This is the first step taken in readiness for the full adoption of revised Australian Accounting Standards and adoption of International Accounting Standards.

SCRUTINY

External Scrutiny

Privacy

CRS Australia maintains client and other files that contain a range of personal information, some of which can be of a sensitive nature. The agency has well-developed systems and processes to ensure the maintenance of an appropriate level of privacy with client related information.

CRS Australia did not receive any complaints from the Privacy Commission during 2003-04.

Reviews, Appeals and Complaints

CRS Australia's internal review process is based on a three-tier complaint resolution model whereby attempts to resolve the complaint are initially made at regional, divisional and national levels.

A person affected by a CRS Australia decision - or its failure to make one - can appeal first to the Secretary of the Department of Family and Community Services or their delegate, then to the Administrative Appeals Tribunal (AAT) if the matter is not resolved to their satisfaction.

During 2003-04 there were seven internal reviews. The decisions forming the basis of these internal reviews were:

- decision to close programs (2);
- decision not to provide a specific service element (1);
- decision not to fund a specific training course (1);
- decision not to fund equipment or modifications (1);
- decision not to provide a rehabilitation program (1); and
- decision not to waive program costs (1).

The number of internal reviews during 2003-04 has remained constant in comparison to the 2002-03 period.

None of these matters were referred to the AAT, or for a judicial review. CRS Australia had no outstanding matters before the AAT at the conclusion of the 2003-04 period.

One Freedom of Information matter has been referred to the AAT. This matter is currently outstanding.

The Ombudsman received four complaints about CRS Australia. Of these complaints, none were found to reflect maladministration on the part of CRS Australia.

CRS Australia has responded to two issues raised with the Human Rights and Equal Opportunity Commissioner during 2003-04. The Commissioner terminated one of these issues on the grounds that resolution through conciliation was unlikely to be achieved. CRS Australia is awaiting further information from the Commission in relation to the other matter.

Two cases were heard by the Merit Review Commission. In one case the CRS Australia decision was upheld, whilst the other case is still to be heard.

Internal Scrutiny

Internal Audit

During 2003-04 CRS Australia undertook audits in a number of areas including a governance and management review on the IT Refresh Project, and an audit on internal business processes.

Risk Management

CRS Australia's business planning framework and project management guidelines integrate risk assessment, treatment and monitoring as core business activities. During 2003-04 a strategic and operational risk assessment was conducted to determine the overall risk profile for CRS Australia.

Protective Security

CRS Australia's protective security framework is based on detailed risk assessments, as required by the *Commonwealth Fraud Control Guidelines* and the *Protective Security Manual*. Activities for 2003-04 included protective security risk reviews

of a number of metropolitan and rural service delivery sites.

No major control weaknesses or material risks were identified as part of these reviews, however a number of additional controls which were recommended, have been implemented to further enhance the control environment.

Management of Ethical Standards

CRS Australia's staff are provided with copies of the *Australian Public Service Values and Code of Conduct* on commencement with CRS Australia and are informed of their responsibilities as part of their induction training.

Managers are encouraged to use the Values and Code of Conduct in their decision-making processes with both individuals and teams.

All CRS Australia staff are made aware that breaches of the code of conduct will be taken seriously and may result in the imposition of sanctions under the *Public Service Act 1999*.

Four investigations were completed in the past year, finding that three breaches had occurred. Sanctions of 'deduction of salary, by way of fine' were imposed in two instances. In one instance, no sanction was imposed.

CRS Australia's policy on breaches of the Code of Conduct is published on its intranet and is available to all staff.

FINANCIAL SUMMARIES

All Outcomes: Financial Resources Summary

	Actual 2003-04 \$'000	Budget Estimate 2003-04 \$'000
Administered		
Outcome 1 - Population Health and Safety	474,279	502,155
Outcome 2 - Access to Medicare	22,216,569	22,581,169
Outcome 3 - Enhanced Quality of Life for Older Australians	5,845,557	5,825,541
Outcome 4 - Quality Health Care	850,850	922,492
Outcome 5 - Rural Health	110,334	110,915
Outcome 6 - Hearing Services	205,969	196,105
Outcome 7 - Aboriginal Health and Torres Strait Islander Health	245,089	272,427
Outcome 8 - Choice Through Private Health	2,398,260	2,370,332
Outcome 9 - Health Investment	468,950	573,306
Total Administered Expenses	32,815,857	33,354,442
Departmental		
Revenue from Government	930,322	929,634
Revenue from Other Sources	75,483	73,210
Total Price of Outputs	1,005,805	1,002,844
Total Price of Outputs and Administered Expenses	33,821,662	34,357,286

Reconciliation of Outcomes and Appropriation Elements 2003-04

Outcome	Appropriation Bill No 1, 3 & 5 \$'000	Appropriation Bill No 2, 4 & 6 \$'000	Special Appropriation \$'000	Total Administered Expenses \$'000	Departmental Outputs \$'000	Annotated Appropriation \$'000	Total Outcomes \$'000
1	127,069	173,049	174,161	474,279	70,990	65,939	611,208
2	533,833	7,597	21,675,139	22,216,569	578,412	2,046	22,797,027
3	240,433	780,689	4,824,435	5,845,557	108,177	1,115	5,954,849
4	408,149	4,755	437,946	850,850	63,062	1,259	915,171
5	110,334	-	-	110,334	11,269	677	122,280
6	205,969	-	-	205,969	9,037	85	215,091
7	245,089	-	-	245,089	32,982	433	278,504
8	8,396	-	2,389,864	2,398,260	10,533	1,035	2,409,828
9	468,950	-	-	468,950	45,860	2,894	517,704
Total	2,348,222	966,090	29,501,545	32,815,857	930,322	75,483	33,821,662

WHOLE-OF-DEPARTMENT PERFORMANCE MEASURES

Services to the Minister and Parliamentary Secretary

During the year, the Department provided extensive support services to the Ministers and Parliamentary Secretary. These services included preparation of ministerial correspondence, Question Time Briefs, answers to Parliamentary Questions on Notice and ministerial requests for briefing.

The Department reports on the support services provided to the Minister and Parliamentary Secretary through the following two Performance Measures:

Quantity: 17,000-22,000¹ processed items of ministerial correspondence, 1,500-1,900 Question Time Briefs, 100-200 Parliamentary Questions on Notice and 900-1,100 ministerial requests for briefing.

Quality: Agreed timeframes are met for responses to ministerial correspondence, Question Time Briefs, Parliamentary Questions on Notice and ministerial requests for briefing.

Result: Table A indicates the volume of documents prepared for, or on behalf of, the Ministers and Parliamentary Secretary. Table B shows the timeliness of documents sent to the Ministers' or Parliamentary Secretary's offices - that is, whether they were sent to the Ministerial offices within the agreed timeframe.

Note that the volume of documents prepared is lower than estimated in the *2003-04 Portfolio Budget Statements*. This reflects that the volume of documents processed is dependent on events during the year, consequently projections prepared for the *Portfolio Budget Statements* may vary significantly from the actual volume of material prepared.

Table A: Number of items processed (Quantity)

	General Correspondence	Campaign Information ²	Total
Ministerial Correspondence	18,580	64,608	83,188
Question Time Briefs			3,178
Parliamentary Questions on Notice			296
Ministerial Requests for Briefing			1,790

Note: The differences between the 'Timeliness' and 'Items Processed' figures, are the result of some items being: received/completed in different financial years; marked for no further action; or logged for Information only.

Table B: Timeliness (Quality)

	Number completed	Number completed on time	Percentage completed on time
Ministerial Correspondence	16,486	13,965	85%
Question Time Briefs	3,077	3,053	99%
Parliamentary Questions on Notice	265	240	91%
Ministerial Requests for Briefing	1,588	1,296	82%

¹ Includes Campaign Information items.

² Ministerial correspondence received as part of a letter writing campaign on a portfolio matter (eg using form letters or postcards) that do not require a response.

