

# THE DEPARTMENT OF HUMAN SERVICES



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# Outcome and output structure

This section describes the role and functions of the Department of Human Services (DHS). It describes the department's outcome and output structure, and the corporate governance and financial arrangements that are common to the core department, the Child Support Agency (CSA) and CRS Australia.

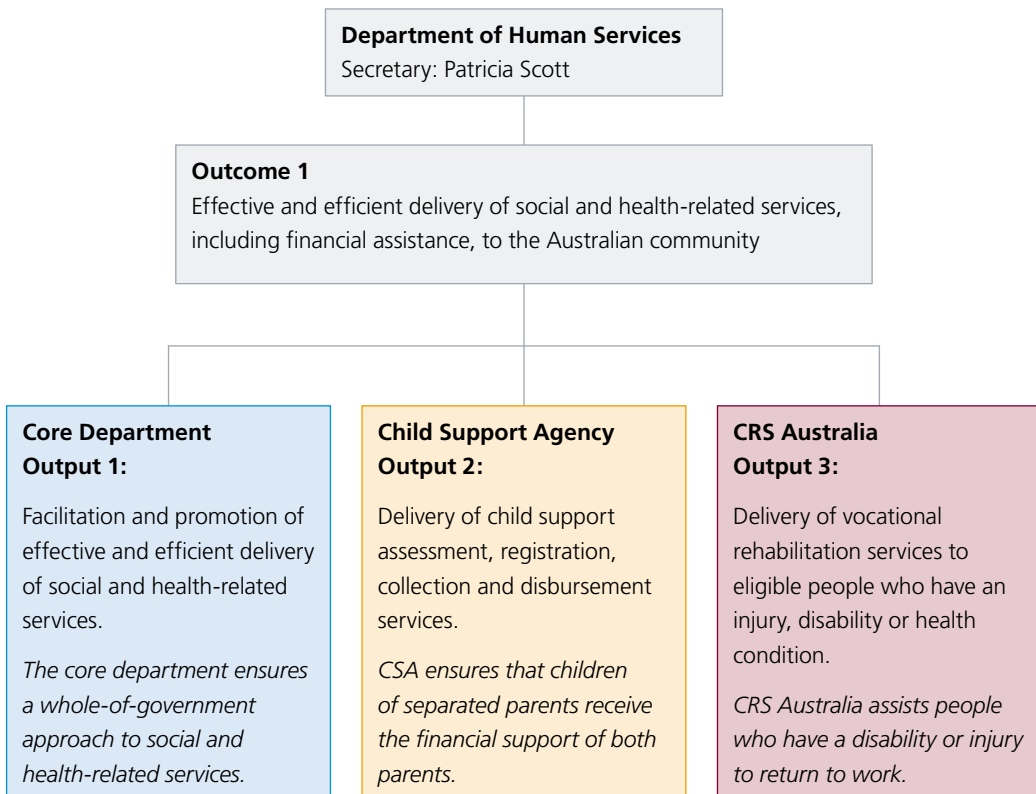
Unless indicated otherwise, references in this document to the department mean the core department, CSA and CRS Australia.

The outcome of DHS is:

*Effective and efficient delivery of social and health-related services, including financial assistance, to the Australian community.*

At 30 June 2006, each of the organisations that constitute DHS produced one output to deliver DHS' planned outcome. These are set out in Figure 3.

**Figure 3 Department of Human Services outcome and output groups**



# Corporate governance

This section reports on corporate governance matters that are common to the core department, CSA and CRS Australia.

## CORPORATE GOALS AND VALUES

The governance model supports the Secretary in the management of the department and in assisting the Minister for Human Services to fulfil his accountability obligations.

This in turn helps the department meet its obligations, including legislative requirements placed on the department as a part of the Australian Public Service (APS).

### APS Values and Code of Conduct

The core department, CSA and CRS Australia all explicitly embrace the APS Values and Code of Conduct. Commitment to the Values and Code of Conduct is highlighted in the corporate plans, certified agreements, Australian Workplace Agreements (AWAs), client and service charters, Chief Executive Instructions and the core department's own values and behaviour statements. Each entity provides training for staff in the APS Values and Code of Conduct.

## THE EXECUTIVE

### Executive responsibilities

The Secretary is directly responsible to the Minister for Human Services for the leadership, management and sound governance of DHS, and for shaping its future. She is responsible for delivering strong organisational performance by determining priorities and resource allocations.

Six committees operate to assist the Secretary to fulfil her responsibilities. The committees make recommendations but ultimate authority remains with the Secretary (for further information, see Table 2 on page 46).

The General Manager of CSA is responsible for the leadership, sound management and performance of CSA within the delegations established by the Secretary. This position also holds the statutory office of the Child Support Registrar, which has legal responsibility for the administration of child support legislation.

The General Manager of CRS Australia is responsible for the leadership, sound management and performance of CRS Australia within the delegations established by the Secretary.

### Executive remuneration

Salary ranges for executive employees are provided at Appendix 1.

Information on executive staff members who received, or were due to receive, total remuneration of \$130,000 or more is set out in Note 14 to the financial statements in this report.

## GOVERNANCE FRAMEWORK

### Agency Heads Meeting

The Agency Heads Meeting provides a forum to discuss and resolve matters relating to the six agencies and the core department. This is a monthly meeting chaired by the Secretary and attended by all heads of agencies. Table 1 shows the composition of the Agency Heads Meeting.

### Audit Committee

The DHS Audit Committee has audit oversight for the core department, CSA and CRS Australia. The other agencies within Human Services—Centrelink, Medicare Australia, Australian Hearing and Health Services Australia—have their own audit committees.

The DHS Audit Committee reviews, monitors and recommends improvements in the corporate governance framework of the core department, CSA and CRS Australia. The Committee's focus is on internal controls, risk management, compliance and financial reporting. This role includes oversight of internal and external audit processes within the department. Internal audit services to the core department, CSA and CRS Australia are provided through a contract.

The Committee has overseen the integration of the corporate governance frameworks of the core department, CSA and CRS Australia into a wider departmental governance framework consistent with the Australian National Audit Office (ANAO) better practice guide, *Public Sector Audit Committees*.

Mr Geoff Leeper, Deputy Secretary of the core department, chairs the Audit Committee and is supported by two independent members, Ms Jenny Morison and Mr Len Early, who have specialist skills in financial reporting, risk management and corporate governance, and the General Managers of CSA and CRS Australia. The DHS Chief Financial Officer is an attendee, as is a representative from the ANAO. Committee secretariat services are provided by the Chief Internal Auditor. Table 1 shows the composition of the Committee.

Membership of the Audit Committee is determined by the Secretary in consultation with the Executive Management Group and is for a fixed term, as determined by the Secretary. The Audit Committee meets every two months, and as required.

**Table 1 Human Services—senior management committees**

Agency Heads Meeting	DHS Audit Committee
Secretary, core department ( <i>Chair</i> ) Deputy Secretary, core department	Deputy Secretary, core department ( <i>Chair</i> )
Chief Executive Officer Centrelink Chief Executive Officer Medicare Australia	Two independent members
General Manager, CRS Australia	General Manager, CRS Australia
General Manager, CSA	General Manager, CSA
Managing Director Health Services Australia	Chief Financial Officer, Core department ( <i>attendee</i> )
Managing Director Australian Hearing	ANAO representative ( <i>attendee</i> )
<i>Secretariat</i> : Executive Officer	<i>Secretariat</i> : Chief Internal Auditor, core department

## RISK MANAGEMENT, INTERNAL AUDIT AND FRAUD CONTROL

The core department actively promotes risk management as an integral part of the DHS business planning process. In the year to 30 June 2006, the core department identified operational and strategic risks and is implementing action plans and strategies to manage these risks.

In a cooperative arrangement with Comcover, the core department has developed a phased approach to preparing its Fraud Control Plan, involving preparation of an Overarching Fraud Control Plan covering the significant fraud risks faced by the core department, CSA and CRS Australia.

The core department has taken a comprehensive approach to risk—business continuity, fraud, security, operational and audit—by integrating its management of these risks under its Strategic Internal Audit Plan for 2006–09. The core department has developed a suite of business continuity plans in preparation for any non-Information Technology disasters.

CSA and CRS Australia report on aspects of risk management, internal audit and fraud control specific to them in their respective 'Management and accountability' sections. All significant governance documents, including risk management, internal audit reports and fraud control plans, are reviewed by the DHS Audit Committee.

## ETHICAL STANDARDS

All members of the core department, CSA and CRS Australia are required to uphold the ethical values embodied in the *Public Service Act 1999* and the APS Values and Code of Conduct. This is clearly articulated in a number of the core department's documents. Those documents include the core department's people management policies and security plans; the Chief Executive Instructions; and the Declaration of Confidentiality, Security and Privacy.

The requirement to uphold the highest standards is reinforced on a regular basis at staff meetings and underpins the charters of the management committees.

## SOCIAL JUSTICE AND EQUITY

The core department recognises the importance of ensuring that Australians have equitable access to the full range of social and health-related services, and that people are not disadvantaged by service delivery arrangements. This has been a key consideration in developing improved service delivery strategies.

The core department in developing communication strategies takes account of culture, language, disability and remote location requirements of Human Services' customers and the wider community. The core department's website, updated in June 2006, is compatible with browsers used by people with impaired vision.

# Financial overview

This section provides a summary of the department's financial performance for 2005–06 which covers the core department, CSA and CRS Australia. Results for the department and administered results are shown in the audited financial statements; this summary should be read in conjunction with those statements.

## FINANCIAL OVERVIEW

The departmental total resources are shown in some detail in Table 1(a). Details of the price of outputs and the administered and departmental expenses incurred in delivering the department's outputs are also detailed in Table 1(a), as is the budget allocation for the 2006–07 financial year for these items.

**Table 1(a) Total Resources for Outcome 1**

	Budget 2005–06 <sup>a</sup> (1) \$'000	Actual Expenses 2005–06 (2) \$'000	Variation (2) - (1) \$'000	Budget 2006–07 <sup>b</sup> \$'000
<b>Administered Expenses</b>				
Child Support	1,027,566	1,050,670	23,104	969,206
Welfare to Work	-	-	-	131,382
<b>Total administered expenses</b>	<b>1,027,566</b>	<b>1,050,670</b>	<b>23,104</b>	<b>1,100,588</b>
<b>Price of Departmental Outputs</b>				
Output 1: Core department	22,694	23,447	753	26,398
Output 2: Child Support Agency	295,770	288,895	-6,875	378,318
Output 3: CRS Australia				
<b>Subtotal departmental outputs</b>	<b>318,464</b>	<b>312,342</b>	<b>-6,122</b>	<b>404,716</b>
Revenue from government (appropriation)				
for departmental outputs	318,464	312,342	-6,122	404,716
Revenue from other sources	172,258	169,232	-3,026	234,588
<b>Total price of outputs</b>	<b>490,722</b>	<b>481,574</b>	<b>-9,148</b>	<b>639,304</b>
<b>Total for Outcome 1 (total price of outputs and administered expenses)</b>	<b>1,518,288</b>	<b>1,532,244</b>	<b>13,956</b>	<b>1,608,510</b>
		2005–06	2006–07	
<b>Average staffing level</b>		4,692	5,817	

<sup>a</sup> This column shows the full year budget, including additional estimates and supplementary additional estimates

<sup>b</sup> This column shows the budget prior to additional estimates

## DEPARTMENTAL FINANCIAL PERFORMANCE

The department's *Statement of financial performance* reports an operating surplus of \$10.8 million which is 2.2% of the revenue available to the department. The result was more than the operating result of \$6.6 million forecast in the latest Budget Statements for the 2005–06 year.

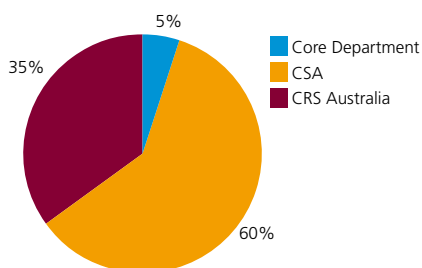
## STATEMENT OF FINANCIAL PERFORMANCE

### Revenue

The department was appropriated \$298.3 million in the 2005–06 Budget. In the Portfolio Additional Estimates Statements (PAES) 2005–06 in February 2006, the department was provided additional funding of \$10.8 million. A further \$9.4 million in the Supplementary Estimates process in May 2006 brings the total appropriation for 2005–06 to \$318.5 million. Of this, \$22.7 million was for the core department and \$295.8 million for CSA.

In addition, the department recognised further revenue of \$169.2 million primarily from the provision of rehabilitation services by CRS Australia (Figure 4). Total revenue received by the department in 2005–06 was, therefore, \$487.7 million.

**Figure 4 Departmental revenue by agency**

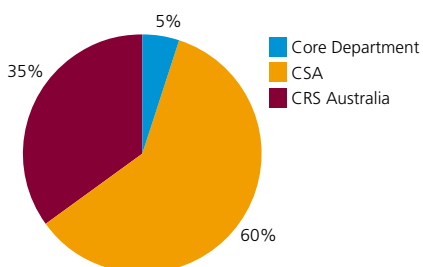


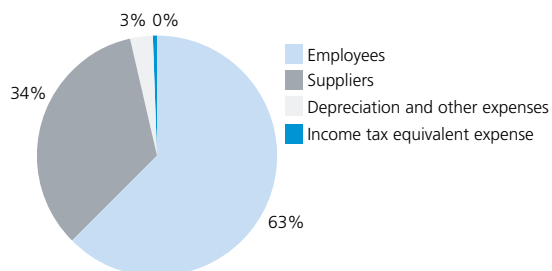
### Expenses

The department's expenses totalled \$476.9 million: \$23.4 million in the core department, \$289.0 million in CSA and \$164.5 million in CRS Australia (Figure 5).

**Figure 5 Departmental expense by agency**

The department incurred employee expenses of \$300.2 million, supplier expenses of \$160.8 million, depreciation and other expenses of \$14.7 million, and CRS Australia incurred income tax equivalent expenses of \$1.2 million (Figure 6).



**Figure 6 Departmental expense by type**

## STATEMENT OF FINANCIAL POSITION

### Equity

The department's total equity is \$62.4 million, representing an increase of \$13.5 million during the 2005–06 financial year. This reflects retention of the 2005–06 surplus of \$10.8 million as well as the impact of the transition to the Australian Equivalents to International Financial Reporting Standards (AEIFRS).

### Assets

The department's assets total \$169.4 million and can be categorised as:

- cash
- fixed assets (infrastructure, plant and equipment, land and buildings)
- intangibles (non-physical assets such as software)
- receivables
- other non-financial assets (prepayments).

The department has \$79.2 million recorded as a receivable in the Official Public Account. Of this amount, \$3.3 million is held on behalf of the core department, \$36.6 million for CSA and \$39.3 million for CRS Australia.

### Liabilities

The department has total liabilities of \$107.0 million. This consists of employee provisions of \$68.3 million, building-related provisions of \$15.1 million, trade creditor provisions of \$22.2 million and other payables of \$1.4 million.

### Administered items

CSA's administered activities include the provision of assessment, registration, collection and disbursement services that facilitate the transfer of child support payments between separated parents for the support of their children.

The core department receives dividend revenue from Australian Hearing and Health Services Australia, and competitive neutrality revenue from Australian Hearing. All administered receipts are transferred directly to the Official Public Account.