

Management framework

The starting point for corporate governance is the mission of the department – namely, to provide support to the Prime Minister and to achieve a coordinated approach to the development and implementation of government policies.

The department's goals are to provide:

- quality advice and information on those matters requiring the Prime Minister's attention as the Head of Government and the Chairman of Cabinet
- efficient and coordinated government administration
- effective administration of the programmes for which the Prime Minister has responsibility.

In support of these primary goals, the department promotes a corporate ethos which values the contribution of staff and the cost effective and professional management of our people and resources.

Role of the executive

The Secretary and three Executive Coordinators jointly comprise the Senior Executive. The First Assistant Secretary International, who reports directly to the Secretary, also participates in relevant decisions affecting the whole department. (See figure 2, Organisational structure and figure 3, Senior staffing, on pages 11 and 12 respectively.)

During the year the Secretary, Mr Moore-Wilton, provided close direction on all major policy, governmental and corporate issues, and personally decided all Senior Executive Service (SES) staff placements.

A key mechanism for the department's executive direction is the process of developing, refining and implementing work plans at divisional and group levels. The work plans, which are approved by

the Secretary, set out the key achievement targets for the financial year. They also constitute a framework within which financial and human resources can be allocated to key tasks.

The Secretary chairs meetings of the senior leadership group, generally every fortnight. He also meets from time to time with the entire SES group. These senior meetings oversee corporate governance issues and provide strategic direction to the department and advice and support to the Executive.

The Secretary also chairs the Audit Committee, whose role includes guiding the department in meeting its corporate objectives and ensuring effective accountability of programme managers to stakeholders. The Audit Committee, which meets quarterly, is charged with:

- oversight of the internal audit function, including ensuring appropriate action is taken in respect of recommendations
- review of policies relating to internal controls and the management of risks
- oversight of the development and implementation of the fraud risk assessment and fraud control strategy.

The major reports considered by the Audit Committee are noted later in this chapter.

The Executive Coordinator, Corporate and Government, chairs the Consultative Committee, the department's principal staff consultative body. The committee meets quarterly, and is comprised of four elected staff representatives, two union representatives and three management representatives.

The major topic for the Consultative Committee during 2001–02 was the terms of a new certified agreement. The Committee also discussed salary packaging; arrangements for rewards and recognition; upward appraisal; a review of the Ministerial Correspondence Unit (MCU); car parking; performance management; and information technology support for home based work.

The senior leadership team

As at 30 June 2002 the department's senior leadership team comprised three Executive Coordinators and seven First Assistant Secretaries.

The areas of responsibility of the three Executive Coordinators were as follows:

- David Borthwick – the Economic Division and the Industry, Infrastructure and Environment Division (Output Group 1)
- Jeff Whalan – the Social Policy Division and the Office of the Status of Women (Output Group 2)
- Alan Henderson – the Cabinet Secretariat, the Government Division, the Government Communications Division, the Corporate Support Branch, the Ceremonial and Hospitality Unit and the Commonwealth Heads of Government Meeting (CHOGM) Task Force (Output Group Four). (Mr Henderson transferred to the Department of Defence on 28 June 2002.)²

² Mr Henderson's successor, Andrew Metcalfe, joined the department on 1 August 2002.

The responsibilities of the seven First Assistant Secretaries, and their respective divisions, were as follows.

Michael Potts, as First Assistant Secretary International and head of the International Division (which constitutes Output Group Three), reports directly to the Secretary. The division's role is to support the Prime Minister in his role in international affairs, to provide a whole-of-government perspective in advice on international issues coming before the Cabinet, and to coordinate advice to the Prime Minister on national security, defence, trade and aid policies.

Jenny Goddard, as head of the Economic Division, provides advice to the Prime Minister and his office on domestic and international economic conditions, developments in financial markets and the prospective economic outlook, financial sector policy, workplace relations and wages policy, fiscal policy and budget advice, taxation and superannuation policy, and Commonwealth–State financial relations.

James Horne, as head of the Industry, Infrastructure and Environment Division, provides advice to the Prime Minister and his office on industry policy, sustainable development, agriculture, fisheries and forestry, environment and heritage, regional services, transport policy, communications, information technology, sport, tourism, energy, and Commonwealth–State relations.

Joanna Davidson, as head of the Social Policy Division, provides advice to the Prime Minister and his office on education, employment, family policy and welfare, health and aged care, immigration, indigenous policy, and veterans affairs.

Rosemary Calder, as head of the Office of the Status of Women (OSW), provides advice to the Prime Minister and his office, and the Minister Assisting the Prime Minister for the Status of Women and her office, on women's issues, including economic security for women, women's health and wellbeing, and measures to eliminate violence. OSW also administers the funding of specific programmes, notably the \$50 million Partnerships Against Domestic Violence. (See the performance chapter for Output 2.2, earlier in this report, for more information.)

Barbara Belcher, as head of the Government Division, provides policy advice on public administration; parliamentary and electoral matters; legal policy issues; the establishment of royal commissions and the implications of court decisions for the Commonwealth; matters relating to the arts, national collecting institutions, the film industry and cultural heritage; and policy issues relating to Australian and foreign honours and the use of Australia's national symbols.

Greg Williams, as head of the Government Communications Division, provides advice and support to the Ministerial Committee on Government Communications and management of the Central Advertising System. Mr Williams also oversees the work of the department's internal information systems and support services, including the Library, the records management unit and the MCU.

The remuneration of senior executives is discussed later in this chapter.

Internal policy framework for corporate governance

As noted earlier, annual work plans were prepared at divisional and group levels. In that context, the day-to-day management of human and financial resources rested mainly with divisional managers.

To ensure that divisional managers had a good understanding of what was expected of them by way of corporate governance, the department maintained a range of high level and detailed internal policy documents covering financial management, human resource management and other topics.

The department's intranet was used to disseminate a wide range of human resource management and other information to line managers and staff. The intranet site contained guidance on the Australian Public Service (APS) Values and Code of Conduct, workplace diversity, staff selection and workplace relations. The documents were regularly reviewed to reflect changes to operational requirements and to accommodate new policy initiatives. Outcomes of those reviews, and any developments in best practice, were promoted to staff.

In relation to financial management, the key corporate documents were: the Chief Executive Instructions (CEIs), the Risk Management Plan and the Fraud Control Plan. Those documents were made available to staff via the department's intranet.

The Audit Committee oversaw the department's risk management strategies. In 2001–02 an overarching risk management plan was introduced, providing a formal framework for managing and monitoring identified risks. In addition, the department's Fraud Control Plan was updated to reflect the recently revised Commonwealth Fraud Control Guidelines.

Under the Commonwealth's financial framework chief executive officers are responsible for developing an overall fraud control strategy. The strategy is required to be consistent with the Commonwealth Fraud Control Guidelines, recently revised and issued by the Minister for Justice and Customs.

In line with those guidelines, the department completed a further fraud risk assessment and updated its Fraud Control Plan. The new plan was formally approved at the meeting of the Audit Committee on 26 June 2002. The plan outlines the procedures and processes in place for fraud prevention, detection, investigation and reporting. Responsibility for the overall management of fraud risk is devolved to divisions. The controls and strategies to minimise risk are monitored through a programme of self-certification and reported six-monthly to the Audit Committee.

Information on fraud is recorded progressively throughout the year. The annual fraud questionnaire, covering incidence of fraud and fraud control measures in the department, was submitted to the Attorney-General's Department in November 2001. We noted that administrative action had been taken as a result of a case, reported in last year's annual report, of an employee dismissed from the department's employ following a conviction on charges of theft. There were no incidents of fraudulent behaviour in 2001–02.

A further annual fraud report will be submitted to the Attorney-General's Department in September 2002.

An updated departmental Security Plan was developed to reflect the mandatory minimum standards and requirements for protective security contained in the Commonwealth *Protective Security Manual 2000*.

Client service charter and staff survey

The department has an internal client service charter covering corporate support and information services. It sets standards of performance and offers staff across the department a guide to what they can expect by way of support from the central support branches (the Corporate Support Branch and the Information Services Branch).

A survey of clients' satisfaction with the delivery of corporate services was conducted in October 2001. The survey focused on performance against standards detailed in the client service charter. The results of the client satisfaction survey were generally positive. Issues raised by clients will be addressed in the context of a review of the charter to be undertaken in 2002–03. Performance in 2001–02 against the quantitative service levels, in many cases, exceeded service targets.

Social justice, equity and ecological sustainability

Social justice and equity

The department's role in achieving a coordinated approach to the development and implementation of government policies means that much of our work impacts on social justice, but usually indirectly. The government programmes with a direct and immediate impact on social justice are ordinarily managed by departments and agencies with programme-related responsibilities.

There were, however, a number of policy initiatives in 2001–02 directly linked to social justice and equity in which we were closely involved – policy initiatives affecting families and older Australians and policy advice on indigenous affairs and reconciliation. For example, we were involved in the following initiatives.

- We provided advice on the design aspects of the bonus available to eligible carers in respect of their first child born on or after 1 July 2001. It is aimed at providing financial assistance to families who experience a reduction in income as a result of one parent leaving, or reducing, paid employment following the birth of their first child.
- The department was closely involved in advising ministers on the 2002–03 Budget measures that extended Gold Card health eligibility to a further group of veterans. The Gold Card now extends to all Australian veterans aged 70 years and over who have qualifying service. We also promoted the twice-yearly adjustment of the ceiling rate for the war widows' income support supplement by the same percentage as the Service Pension, to reflect movements in the Consumer Price Index and Male Total Average Weekly Earnings.
- The department was closely involved in the 2002–03 Budget measures to provide \$8.3 million over three years to improve telecommunications for remote indigenous communities.
- We coordinated the Commonwealth's input to the further development of the Council of Australian Governments (COAG) reconciliation framework, leading to agreement to trial a cooperative Territory–State–Commonwealth approach to delivering more effective

responses to the needs of indigenous Australians in up to 10 indigenous communities or regions. COAG also agreed to commission a regular report against key indicators of indigenous disadvantage to measure the effect of policy settings and service delivery.

Ecologically sustainable development

The department's Industry, Infrastructure and Environment Division had a direct involvement in ecologically sustainable development issues through its participation in the development of environmental policy. The division assisted other departments, including those mentioned elsewhere in this report (see, for example, the Output Group 1 performance chapter), in the development of environmental and natural resources management policies and advised the Prime Minister on such issues.

The department purchased 'green' power (power generated using renewable resources) via an agreement with electricity supplier ACTEWAGL for its Barton, ACT, offices. This energy form constituted 10 per cent of the department's total usage, which was estimated by the Australian Greenhouse Office to reduce the quantity of carbon dioxide produced by the department's energy consumption by 1,800 tonnes annually.

Internally the department introduced energy saving programmes including the installation of energy efficient water boiling and chilling units and light sensors in kitchens and meeting rooms; and the reduction of office lighting levels to those required under the Australian Standard. Noting that computers and monitors are a major consumer of electricity, we installed software that creates an on-screen message to prompt people to switch off at the end of the workday. In 2002–03 we will examine whether this has had a significant effect on the department's total electricity consumption.

Those measures produced an initial decrease in the department's energy consumption, but the age of the building occupied by the department, and of its plant and equipment, severely limited any further cost effective reductions. The department remains proactive in investigating possible energy saving programmes that might be both environmentally and economically viable.

Ethical standards and accountability

Ethical standards

The department continued to raise awareness of appropriate ethical standards and the legal requirements of the APS Values and Code of Conduct in its induction process, and via the intranet and the distribution of circulars and promotional material. The Australian Public Service Commission's bookmark on the APS Values and Code of Conduct was distributed to all employees, as it is every year. All new employees were briefed on document security and handling by the Agency Security Adviser and relevant guides and handbooks were available on the intranet.

Freedom of Information

In 2001–02, the department received 27 requests – three more than in 2000–01 – for access to documents under the *Freedom of Information Act 1982* (the FOI Act). The documents covered a range of administrative activities undertaken by the department. The department received three applications for internal review of an FOI decision. There were two applications for review made to the Administrative Appeals Tribunal in relation to departmental FOI decisions.

Information about the department's FOI procedures and about access to departmental and archival records in various categories appears in appendix 2. More information on FOI activity is to be found in the *Annual Report on the Operation of the FOI Act* produced by the Attorney-General's Department.

External scrutiny

There were a number of legal actions in 2001–02 affecting the Prime Minister and the department. They are discussed earlier in this report under Output 4.2, Machinery of Government.

There were no reports or inquiries by the Commonwealth Ombudsman's Office in 2001–02 dealing directly with any of the department's responsibilities.

The department participated in five major Australian National Audit Office (ANAO) cross-agency audits that were reported on during 2001–02; more information is provided below. Where relevant, we accepted and implemented the recommendations of the ANAO audit reports.

Report No. 5: Parliamentarians' Entitlements, 1999–2000

This report dealt with whether expenditures and entitlements accruing to parliamentarians, including Ministers, in 1999–2000 were administered and controlled appropriately.

Report No. 11: Administration of the Federation Fund Programme

This report reviewed the extent to which the administration of the Federation Fund programme met identified better practice in relation to policy development and programme planning; the process of calling for, assessing, approving and announcing proposals; and ongoing programme and project management.

Report No. 12: Selection, Implementation and Management of Financial Management Information Systems in Commonwealth Agencies

This report considered the effectiveness of Financial Management Information Systems implementations, by evaluating the effectiveness of selection and implementation management and evaluating whether the systems implemented met the needs of agencies.

Report No. 19: Payroll Management

This report made an assessment of the payroll arrangements in Commonwealth agencies to determine whether effective internal control frameworks had been established and assess whether payment of salaries had been made in accordance with the relevant terms and conditions of employment.

Report No. 33: Senate Order of 20 June 2001

As required by the Senate Order of 20 June 2001, the Auditor-General, through a sample of a number of agencies, reviewed compliance with the order. The review examined the processes agencies used to ensure that their published lists of contracts were complete, and whether confidentiality was appropriately classified.

The ANAO expressed concern that, in general, claims of confidentiality in Commonwealth contracts were often inappropriate and unnecessary. In light of this finding, and to address any public perceptions of misplaced confidentiality in contracts, we reviewed our internal policy on confidentiality classification.

Internal audit and fraud control

In 2001–02, the department's Audit Committee considered internal audit reports that ranged from simple compliance reviews to more complex comprehensive reviews (including both compliance and performance assessment). Significant audits conducted during the year were:

- Procedures relating to Cabinet Documents – the Audit Committee agreed with the recommendations, including implementation of tighter internal controls and regular reconciliation of the locations of Cabinet documents
- Fringe Benefits Tax (FBT) Arrangements – the report found that the department's 2001 FBT return was substantially compliant with the *Fringe Benefits Assessment Act 1986*; the minor anomalies noted were taken into consideration for the 2002 FBT calculations
- Procedures relating to Records Management – as a result of the findings, the Audit Committee agreed that the department would continue with the process of compliance with relevant legislation and National Archives of Australia requirements
- End User Development Framework – the internal audit recommended, and the Audit Committee agreed, that the department should develop a formal policy and standards for developing software applications unique to specific divisions.

Most of the recommendations to improve the procedures and policies that govern these areas were accepted and, where the Audit Committee agreed, the department implemented the changes.

The internal audit programme also involved a number of reviews of the department's information systems, including the CABNET system (used for the electronic delivery of Cabinet papers), the Congratulatory Message Service and the Government Communications Unit database. The systems were all considered effective and, where relevant, recommended improvements were implemented.

People and resource management

Our workforce

Awards

The performance of particular staff members during 2001–02 was recognised by external and internal awards.

Public Service Medals (PSMs) were awarded as follows.

- On Australia Day 2002, Jane Halton received a PSM for outstanding public service in the development of the Government's social reform agenda – the citation noted that, under her stewardship of the department's social policy group, there had been a sustained focus on welfare reform, measures aimed at combating illicit drug use and illegal immigration, and measures aimed at strengthening families and communities.
- On The Queen's Birthday 2002, David Borthwick received a PSM for outstanding public service in the development and progression of the Government's economic policies – the citation mentioned his contribution to microeconomic reform, competition and budgetary policies and health financing policy. The award recognised his work in earlier years as well as his work with this department.

The Australia Day Achievement Awards are part of the department's internal recognition system. The medallions are provided by the National Australia Day Council to promote the celebration of Australia Day. They recognise the person's or the team's distinctive contributions, as made either during the course of the preceding year or over a longer timeframe. Four awards were made in 2001–02, namely to:

- Pam Ward – for her contribution to the smooth running of International Division, playing a key role in its overall performance
- Terry Crane of Corporate Support Branch – for his contribution to the effective operation of the department during 2001, particularly in relation to the refurbishment of 4 Treasury Place, Melbourne, and transition arrangements for the arrival of the new Governor-General, Dr Peter Hollingworth, and the departure of Sir William Deane
- The Welfare Reform Task Force Secretariat (Katrina Edwards, Simon Cotterell, Peter Southwell, Caitlin MacLeod, Kathryn James and Erin Rule) – for producing an innovative package of measures which set the scene for a complete overhaul of Australia's welfare system
- The Unauthorised Arrivals Group (Jenny Bryant, Mike Gottaas, Mathew Healey, Chris Ingham, Michael Potts, Harinder Sidhu, Rachel Stephen-Smith, Rick Wells and Catherine Wildermuth) – for their contribution to the development and implementation of policies to handle unauthorised boat arrivals.

Staffing, graduate recruitment and workforce planning

As at 30 June 2002, a total of 345 staff were employed by the department. Details of the department's staffing profile are set out in appendix 1. Sixty-four per cent of staff employed by the

department were women, 4 per cent were in the SES and 25 per cent were at Executive Levels 1 or 2. Some 2.3 per cent of staff had identified themselves as being of Aboriginal or Torres Strait Islander background.

The department recruited a total of nine graduates in 2001–02. As in previous years, our graduates completed an extensive training and development programme in their first year of service, including sessions on policy formulation and advice, legislation and government processes and communication skills.

Detailed information on the categories of staff employed by the department is available in appendix 1.

A series of workforce planning reports were introduced during the year, including an employee commencement and cessation profile, a quarterly leave report, an age profile analysis and a graduate movement report. The department continued to maintain a highly skilled and relatively youthful workforce, with approximately 32 per cent of staff employed being in the 25–35 years age group and 29 per cent in the 35–45 years age group.

The department's Occupational Health and Safety (OH&S) policy was reviewed during the year. Some of the key changes included formal recognition of the department's OH&S outsourcing arrangement, a focus on the importance of OH&S training for all staff and a new requirement to draw attention to and address OH&S during periods of high activity.

Comcare was notified of six cases under section 68 of the *Occupational Health and Safety (Commonwealth Employees) Act 1991*.

Free health and fitness checks were provided for staff as part of the Health Expo (with 249 people participating in one or more of the activities). One hundred and thirty staff elected to participate in the department's influenza vaccination programme and every new staff member received a workstation assessment.

The department maintained a strong focus on employee relations during the year with a number of initiatives aimed at enhancing the work environment. Regular lunchtime briefing sessions were conducted for staff on a range of topics including the Budget, CHOGM, Salary Packaging and Harmony Day. The sessions featured a mixture of internal and external speakers and were well patronised by staff.

Workplace diversity

Workplace diversity in the department was supported by the Workplace Diversity Programme and a suite of personnel management guides that could be accessed by staff through the intranet. The department commenced a review of its Workplace Diversity Programme during the year, inviting comment from staff on the existing programme. A revised programme will be completed in 2002–03.

During the year the department introduced an online facility for staff to update or provide initial workplace diversity data. The arrangement was designed to complement the data collection arrangements which already take effect when staff commence employment with the department. The initial response to the new facility was encouraging, with a total of 20 staff providing data.

Disability strategy

The department's responsibilities in 2001–02 embraced the roles of 'Policy Adviser' and 'Employer' as detailed in the Commonwealth Disability Strategy.

Development of policy advice by the Social Policy Division took account of the needs of a range of target groups. A key area of activity for the division in 2001–02 included the development of policy advice on the next Commonwealth–State–Territory Disability Agreement.

As an employer, the department remained committed to ensuring that all people seeking employment with us were treated fairly and had equal access to employment opportunities.

People with disabilities considering employment with the department were encouraged to identify that they had a disability, to ensure that the staff selection process accommodated any special needs they might have. The recruitment page on the department's internet site outlined the support available for prospective applicants with disabilities, including the availability of a TTY facility for hearing or speech-impaired applicants, and provided a direct link to the Workplace Diversity Programme web page. The department continued to support the needs of staff with disabilities through the Disability Action Plan, the Workplace Diversity Programme and merit based staff selection.

Remuneration

Remuneration for employees is being examined in the context of negotiations for a new certified agreement and Australian Workplace Agreements (AWAs). The existing SES remuneration policy is being revised to cover all SES and Executive Level employees employed under AWAs.

The remuneration of SES employees in the department was determined using the following general principles:

- remuneration is to be clearly linked to performance to provide better rewards for better work
- arrangements for determining remuneration should be sufficiently flexible to reflect the particular skills, experience and work responsibilities of each SES employee
- remuneration determinations should be demonstrably fair and equitable between employees but with market factors considered in individual cases where appropriate
- remuneration levels may take account of efficiency gains, including any reduction in administrative complexity and cost achieved through the simplification of rules.

The salary ranges for SES bands remained unchanged; they are set out in the table below.

Table 5 **SES salary bands**

<i>SES Band</i>	\$
1	80,000 – 110,000
2	100,000 – 130,000
3	120,000 – 160,000

The points in these salary ranges were determined having regard to the annual survey of SES remuneration commissioned by the Department of Employment and Workplace Relations and general economic conditions. The salary of each individual within those ranges is determined

having regard to the employee's performance appraisal assessment, their skills and experience and the market for their particular combination of skills and experience. Where agreed by both parties, individual employees within particular bands may be paid outside those salary ranges.

The remuneration of Executive Level employees who had signed AWAs continued to be based on the prescribed salary rates for Executive Level staff in the department's Certified Agreement 2000–02. As at 30 June 2002 the department had 84 current Executive Level AWAs.

Performance payments were made to SES staff and Executive Levels 1 and 2 staff who have signed AWAs for the appraisal cycle ending 30 September 2001. For SES staff, the amount of performance bonus was a matter for the Secretary's judgement, with 15 per cent of the employee's salary being the maximum payable. The average performance bonus for Executive Level 1 and Executive Level 2 staff was \$3,413 and \$4,384 respectively.

Performance payments made to SES and Executive Level staff are set out in the table below.

Table 6 Performance pay

<i>Level</i>	<i>Staff eligible</i>	<i>Staff paid</i>	<i>Amount paid</i>
SES Band 3	3	3	\$45,604
SES Band 2	10	9	\$78,421
SES Band 1	26	23	\$161,296
Executive Level 2	47	47	\$206,075
Executive Level 1	55	55	\$187,737
Total	141	137	\$679,133

Totals

A total of 228 staff were covered by the department's Certified Agreement 2000–02 as at 30 June 2002. The indicative salary ranges for non-SES staff are set out in the table below.

Table 7 Non-SES salary ranges

<i>PMC Band Level</i>	<i>\$</i>
1 APS 1–3	27,750 – 38,500
2 APS 4–6	39,750 – 56,750
3 Executive Level 1	61,000 – 68,000
4 Executive Level 2	71,000 – 84,500

Information on SES staff who received or were due to receive total remuneration of \$100,000 or more is set out in Note 10 to the Financial Statements in this report.

Performance appraisal, training and development

A revised Performance Appraisal and Development (PAD) Scheme was introduced during the year following a process of extensive consultation with staff. The major changes to the scheme included more manageable and improved documentation and a new set of generic performance indicators designed to complement the distinctive challenges in each division.

Under the PAD Scheme, responsibility for individual training and development requirements rests with employees and their manager. The Performance/Career Development component of the

performance agreement is completed at the start of the performance appraisal cycle and is monitored by the employee and their manager over the life of the agreement.

During the year the department supported the individual training and development needs of staff by promoting relevant training and development programmes and maintaining a database of appropriate courses on the intranet. The department supplemented the individual requirements of staff with a range of training and development programmes including an induction programme, performance appraisal awareness, information technology training, the work experience interchange programme, studies assistance, a full-time study award, lunchtime briefing sessions, and the graduate programme.

A total of 89 staff participated in 260 structured training courses during the year.

One staff member commenced an exchange posting to the United Kingdom with a member of the United Kingdom Civil Service joining the department for a two-year exchange. The department also facilitated the placement of an officer from the Canadian public service in a programme of placements with finance oriented agencies. The department continued its involvement in the Senior Women in Management Programme, with one staff member participating. In a similar manner another employee took advantage of the department's full-time study award to complete tertiary studies. A further 15 staff accessed the department's studies assistance provisions to continue their tertiary studies on a part-time basis.

Four staff participated in the SES Career Development Assessment Centres organised by the Australian Public Service Commission.

Other employee relations work

The Employee Relations Section played a major role in all the human resource management initiatives noted above. The section also:

- organised a lunchtime briefing programme with a mix of departmental and external speakers
- delivered statistical and other reporting for the Annual Report, Workplace Diversity Report and State of the Service Report
- revised policy guidelines including those on separation, travel, OH&S, work level standards, 'whistleblowing' and mail handling
- contributed to APS-wide and other surveys, including surveys on salaries, workforce planning and employment of people of diverse backgrounds
- conducted the tender renegotiation for a salary packaging adviser
- provided employee relations support to the Office of Aboriginal and Torres Strait Islander Affairs (OATSIA) (a division of the Department of Immigration and Multicultural and Indigenous Affairs, which shared our Barton premises prior to its move to Belconnen, ACT, in June 2002).

Financial management

Output Pricing Review

The department completed its first Output Pricing Review under the accrual budget framework. Pricing reviews are an important tool in assessing an agency's resourcing level and cost effectiveness. The department was the only agency to complete its review within the 2002–03 budget timetable.

The results of the review were encouraging. They showed that the cost of delivering policy advice and the cost of corporate services were well below the Commonwealth average, indicating that we had been operating in a relatively cost efficient manner. All recommendations of the Output Pricing Review were accepted by the Department of Finance and Administration.

During 2001–02 the Financial Management and Contracts Section also:

- coordinated and produced the department's 2002–03 Portfolio Budget Statements (including through input to the Commonwealth Ombudsman's budget submission) and 2001–02 Additional Estimates
- managed key corporate contracts, including for corporate support services, internal audit, banking and annual report coordination
- implemented the department's first Risk Management Plan
- reviewed and implemented the revised Fraud Control Plan for 2002–04
- developed an Internal Audit Plan 2002–03
- maintained and revised the CEIs
- finalised the financial aspects of the OATSIA transfer
- provided budget management support to CHOGM
- supported the department's representatives at Senate hearings held in February and May 2002
- coordinated the 2001–02 work plan process and mid-year review (and commenced the 2002–03 work plan process)
- prepared the 2000–01 financial statements and whole-of-government accounts
- introduced electronic purchasing or 'e-procurement' to the department through a system called B2Buy.

A comprehensive discussion of the department's performance is in the 'Overview' section of this report.

Purchasing

Purchasing activities were conducted in accordance with the Commonwealth Procurement Guidelines, and the department met the Government's timetable for trading electronically for simple procurement with suppliers who wish to do so with open systems.

Discretionary grants

The discretionary grants administered by the department were grants for women's programmes and a grant to the Australiana Fund. Details of the women's programme grants are set out under

Output 2.2, earlier in this report; and information on the grant made to the Australiana Fund is presented under Output 4.6.

Services, facilities, and the official establishments

The work programme of the Facilities and Services Section in 2001–02 included:

- conducting day-to-day management of the Prime Minister's official residences, The Lodge in Canberra and Kirribilli House in Sydney (as noted earlier in this report under Output 4.4)
- facilitating official functions at the residences
- providing secretariat support to the Official Establishments Trust
- managing the maintenance and conservation programme at the official residences
- implementing revised accommodation arrangements for departmental groups including the OSW and the CHOGM Task Force
- introducing power saving initiatives to reduce the department's energy consumption, as described previously
- conducting lease reviews for the department's premises at Phillip Street, Sydney, New South Wales and National Circuit, Barton
- upgrading departmental security arrangements following the 11 September 2001 terrorist attacks in the United States
- developing an updated departmental security plan.

Management of information services

Information systems

The department made good progress with the implementation of the Government's online strategy. The department reported to the National Office of the Information Economy, in mid-January 2002, that it had met the core intent of the Government's commitment that all appropriate services that could be delivered online be available online.

Recommendations from a review of the operations of the MCU were implemented during the year. Higher levels of integrity for records were achieved by changes to processes for handling and tracking ministerial correspondence. All incoming correspondence is now electronically scanned and stored in the department's Parliamentary Correspondence Management System (PCMS). PCMS was upgraded during the year and staff were trained in its use. The new system delivered enhanced functionality and improved response times.

The department developed a new information technology security policy to manage the security aspects of the organisation's systems. Security was enhanced with the addition of secure dial-up facilities and the extension of secure internet access to all desktops in the department.

The Prime Minister's website was moved to a secure online environment to comply with the requirements of both the *Protective Security Manual 2000* and the Defence Signals Directorate.

The department's information technology and telecommunications operations continued to be provided and managed by Telstra Enterprise Services (TES) Proprietary Limited (formerly known as Advantra). While there was a continued improvement in service delivery and overall client satisfaction with the services provided, there were some instances in which the department exercised its contract rights to impose service penalties against TES for failing to meet its service obligations.

The Library

The Library collected, managed and maintained a core library collection of print, CD-ROM, online and web based resources to support the information needs of the department. It also provided a comprehensive reference and research service, utilising the most appropriate library and information technology resources.

In 2001–02 the Library's major achievements included:

- the development of a user-friendly Library internet portal for the intranet, to facilitate easy and effective use of the internet for clients
- the provision of professional advice and assistance to the OSW in the development of its resource centre
- the completion of a stocktake of the Library's collection and identification of appropriate subject areas for 'weeding' and for development
- the rationalisation of the serials collection to better meet the information needs of the department.

Records management

The department completed a review of its corporate record keeping requirements and undertook related research and analysis. Following this, a draft functions based Records Disposal Authority was issued to the department by the National Archives of Australia to allow for the disposal and archival of records that support core functional responsibilities of the department.

Other important achievements during 2001–02 included:

- a file census of 'Top Secret' departmental files;
- a pilot of file inquiry access for divisional support unit staff to the Records Management System (TRIM)
- provision of updated access to TRIM for appropriate Rel Corp and Government Division staff, to enable them to create and maintain staff personnel files and FOI files respectively.

Ministerial correspondence

The Ministerial Correspondence Unit registered, coordinated, quality-checked and despatched VIP, organisation, general and electorate ministerial correspondence and briefings. It also provided advice, assistance and training to others in the processing of ministerial correspondence and the use of the ministerial correspondence management system.

As noted in the opening chapters of this report, the MCU processed approximately 121,000 pieces of correspondence (an average of 483 per day), addressed to the Prime Minister or Ministers

Assisting. Some 1,772 briefings (minutes) were provided to the Prime Minister, Parliamentary Secretary and Ministers Assisting the Prime Minister, covering all four output groups and the department's various corporate support and information services functions.

Use of consultants and service contractors

The policies and procedures for selecting consultants, and approving expenditure for them, are set out in the department's CEIs. The procurement method is determined having regard to the nature of the work involved and the broad cost thresholds set out in the CEIs.

During the year, 101 consultants were engaged to carry out research projects or to provide professional and technical advice that could not be provided by staff of the department.

Table 8 below shows total expenditure on all consultancy services, covering both payments made on new contracts let in 2001–02 and on contracts let in previous years. To produce useful trend information expenditure on CHOGM has been excluded. The larger consultancy contracts – those to the value of \$10,000 or more – are detailed in appendix 4 to this report, along with brief notes on the procurement methods used.

Table 8 Consultancy trends

Distribution of expenditure on consultancy services	2001–02		2000–01		1999–2000	
	Number let	Total expenditure \$	Number let	Total expenditure \$	Number let	Total expenditure \$
Policy advice and government support services	20	353,436	16	446,242	44	7,201,419
Women's policy	76	5,289,037	19	1,743,589	34	1,147,648
Corporate services	5	66,181	3	73,168	16	159,258
Total	101	5,708,654	38	2,262,999	94	8,508,325

Note: Totals for 2000–01 and 2001–02 exclude contracts let for CHOGM. Totals for 1999–2000 exclude contracts let for Indigenous Policy.

In addition, and not included in this table, there were two consultants engaged by the CHOGM Task Force at a total cost of \$30,815. For further details see appendix 4.

The only new large service contract signed in 2001–02 was an interim contract with Synergi Travel (formerly Jetset) for domestic travel (equivalent to \$200,000 per month). Against the background of the collapse of Ansett, and the uncertainties surrounding the future of the domestic air travel industry, the department decided to temporarily extend its contract with Synergi to cover domestic travel in addition to international travel. It is expected that a full market testing exercise for domestic travel will be undertaken in 2002–03.

In addition, a number of service contracts from earlier years continued in 2001–02. There were five that exceeded \$100,000 when originally signed, namely those with Telstra Enterprise Services, for information technology and telecommunications; Rel Corp Management Services, for salary and

leave processing and related tasks; Synergi Travel, for international travel; Rose Cleaning, for office cleaning; and Chubb Security, for building security.

None of those contracts constituted 'competitive tendering and contracting' as defined for reporting purposes in the *Requirements for Annual Reports*.