

Mission

The department and the six agencies comprising the Prime Minister's portfolio share the following mission:

to achieve well coordinated, efficient and accountable public administration, supported by a values based Australian Public Service.

Portfolio agencies

Figure 1 lists the agencies which comprise the portfolio, showing their planned outcomes and identifying their executive officers.

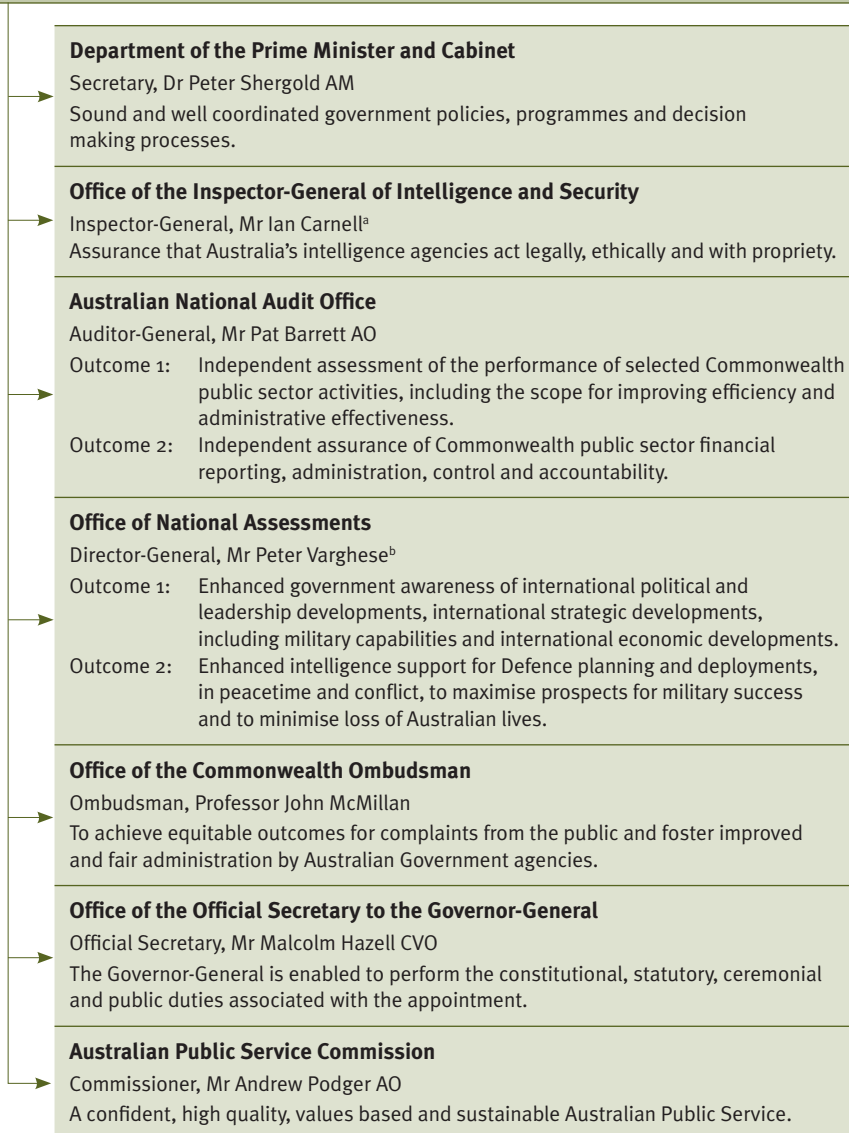
An overview of the role and functions of the Department of the Prime Minister and Cabinet is presented in the Departmental Overview below. More detailed information about the activities and responsibilities of the other portfolio agencies, which are administered under the *Financial Management and Accountability Act 1997*, may be obtained from each agency's annual report or website.

The websites for the department and its six agencies are:

- Department of the Prime Minister and Cabinet, www.pmc.gov.au
- Office of the Inspector-General of Intelligence and Security, www.igis.gov.au
- Australian National Audit Office, www.anao.gov.au
- Office of National Assessments, www.ona.gov.au
- Office of the Commonwealth Ombudsman, www.ombudsman.gov.au
- Office of the Official Secretary to the Governor-General, www.gg.gov.au
- Australian Public Service Commission, www.apsc.gov.au.

Figure 1 Structure of Prime Minister and Cabinet portfolio, 2003–04

Prime Minister	The Hon John Howard MP
Minister Assisting the Prime Minister	The Hon Gary Hardgrave MP
Parliamentary Secretary to the Prime Minister	The Hon Jackie Kelly MP
Minister Assisting the Prime Minister for Reconciliation	Senator the Hon Amanda Vanstone
Minister Assisting the Prime Minister for the Status of Women	Senator the Hon Kay Patterson
Minister Assisting the Prime Minister for the Public Service	The Hon Kevin Andrews MP



a Succeeded Mr Bill Blick PSM on 22 March 2004.

b Succeeded Mr Kim Jones AM on 17 January 2004.

Role and outcome

The primary role of the Department of the Prime Minister and Cabinet is to provide support to the Prime Minister and to achieve a coordinated approach to the development and implementation of government policies. The planned outcome for the department is:

sound and well coordinated government policies, programmes and decision making processes.

Figure 2 shows the relationship between the department's key drivers, outcomes and outputs.

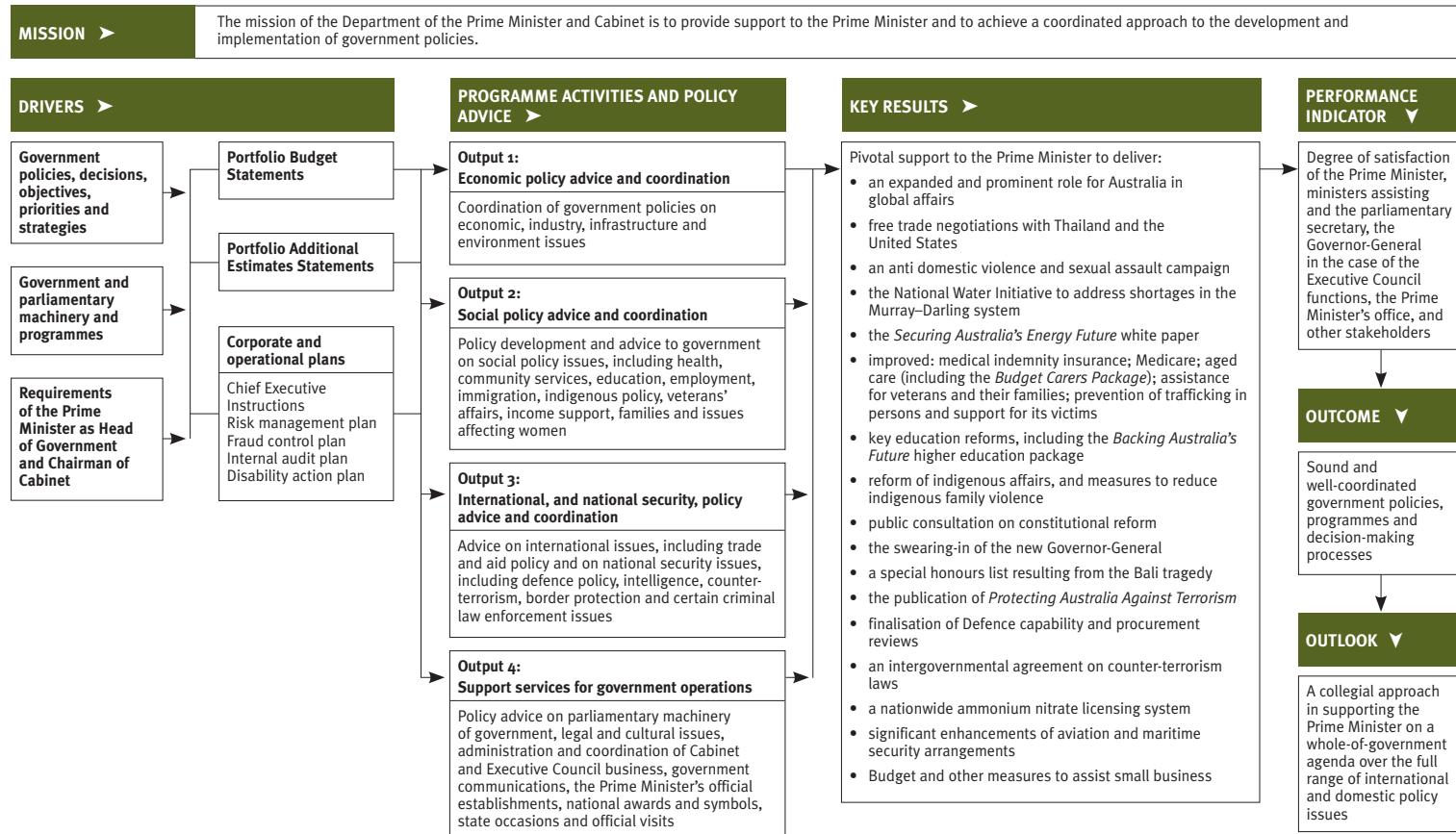
Structure and outputs

At 30 June 2004, the department comprised the Executive, nine divisions and the Energy Taskforce Secretariat. The revised organisational structure announced by the Secretary on 23 May 2003 and reported in last year's annual report was in place and operating effectively to ensure the department was providing the highest level of support to the Prime Minister.

During 2003–04, the department contributed to the achievement of its outcome through four output groups:

- the group 1 output included policy advice on economic, industry, infrastructure and environment and resource issues, and effective Council of Australian Governments (COAG) operations
- the group 2 outputs included policy advice on social policy issues, including income support, indigenous policy, health and aged care, veterans' affairs, housing, disabilities, employment, education and training, immigration and multicultural affairs, families, youth and community services, and women's issues; and the administration of a number of government programmes and initiatives for women, including Partnerships Against Domestic Violence, the National Initiative to Combat Sexual Assault and grants to women's non-government organisations
- the group 3 outputs included policy advice on international issues, including trade and aid, and on national security issues, including defence, intelligence, counter-terrorism and border protection
- the group 4 outputs included policy advice on parliamentary, machinery of government, legal and cultural issues; and a range of support services including coordination of Cabinet and Executive Council business, coordination of government communications, coordination and promotion of national awards and symbols, administration of the Prime Minister's official establishments, and administration of the visits and hospitality programme.

Figure 2 Performance framework, 2003–04



The costs of corporate services were apportioned across the four output groups, and are reflected in each group's price of outputs.

Figure 3 sets out the organisational structure and the senior staff responsible for each output. Some of the outputs involved administered items; these are described in detail in the relevant reports on performance. The outputs are set out in Figure 4.

Responsibilities

The principal matters with which the department deals are:

- coordination of government administration—ensuring a whole-of-government approach on issues ranging from national security and border protection to programmes supporting individuals, families and communities
- assistance to the Cabinet and its committees—managing processes and procedures to facilitate the decision-making role of Cabinet
- policy advice and administrative support to the Prime Minister—covering the full spectrum of the Australian Government's responsibilities, including major domestic and international matters
- intergovernmental relations and communications with state and territory governments—including coordinating arrangements for meetings of the Council of Australian Governments (COAG), developing strategies and providing advice on a diverse range of matters from sport and tourism to natural resources policy
- Australian honours and symbols policy—including support for related public education and communications campaigns, nominations for awards and applications for medals
- government ceremonial and hospitality activities—including organising major events such as visits by heads of state, making logistic arrangements for the Prime Minister's overseas visits, and organising memorial services and welcome home parades to honour personnel who have contributed to overseas military operations
- status of women—ensuring awareness of gender issues is reflected in government policy and programme development
- coordination of government communications and advertising—ensuring the development and implementation of government information campaigns and ensuring a reliable and cost-effective media placement service for departments and agencies through the Central Advertising System.

The activities of the Prime Minister's Energy Taskforce Secretariat under the chairmanship of Associate Secretary Russell Higgins culminated in the release on 15 June 2004 of the white paper, *Securing Australia's Energy Future*. The taskforce was established in January 2003 reporting under Output Group 1.

Figure 3: Organisational structure and senior staffing as at 30 June 2004

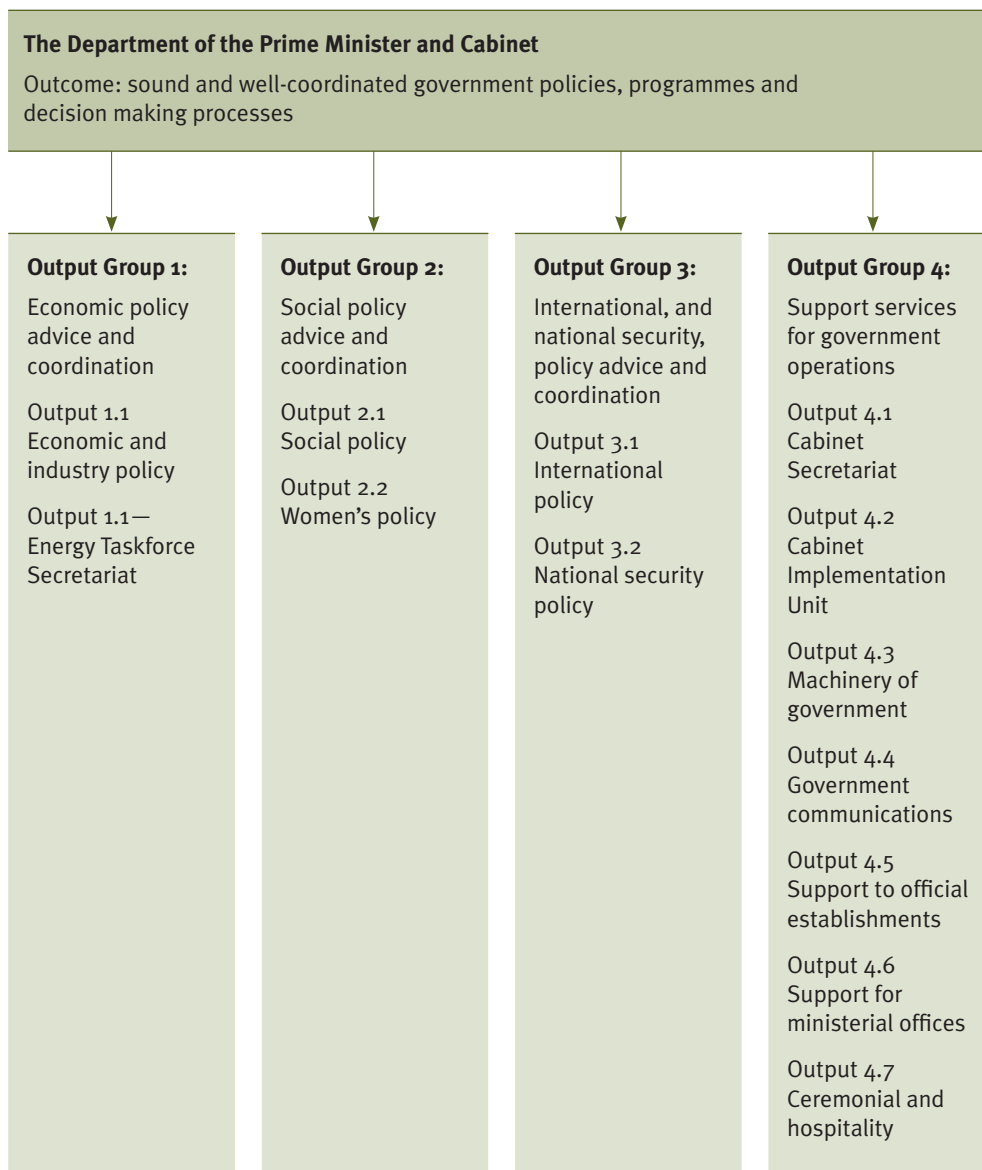


a Held by David Borthwick until 6 February 2004.

b Succeeded Jeff Whalan on 22 September 2003.

* Acting.

Figure 4 Departmental outcome and output groups



This section provides an overview of staff performance, and departmental performance assessed in terms of price, quality and other department-wide measures. Each output reports on its individual performance, in terms of the indicators identified in the Portfolio Budget Statements, in the Report on Performance chapter.

Staff performance

The performance of individual staff members is monitored and measured through the department's Performance Appraisal and Development scheme (introduced in August 2001), which involves the negotiation of individual performance agreements, incorporating common performance standards at each level, and a process to review and assess performance against those agreements. More information about the scheme is provided in the Management and Accountability chapter.

Departmental performance

Price

The total price of the department's outputs in 2003–04 was \$60 million. This comprised \$56.7 million in revenue from government and \$3.3 million from other sources (sale of goods and services, special accounts and miscellaneous revenue).

Details of the price of outputs and the administered and departmental expenses incurred in delivering the department's outputs are detailed in Table 1 below. The table also shows the budget allocation for the 2004–05 financial year for these items.

Table 1 Total resources for Outcome 1 (\$'000), 2003–04

	(1) Budget 2003–04 ^a	(2) Actual expenses 2003–04	Variation (1) – (2)	Budget 2004–05 ^b
ADMINISTERED EXPENSES				
Allowance to former Governors-General ^c	735	1,434	-699	784
Support to former Governors-General ^d	1,082	1,098	-16	1,102
Superannuation surcharge for former Governors-General	0	0	0	0
State occasions and official visits	2,868	1,684	1,184	2,886
Women's programmes	25,011	24,900	111	11,589
Prime Minister's official residences	1,683	1,460	223	1,747
Compensation and legal expenses	478	45	433	476
National Australia Day Council	1,127	1,147	-20	1,126
National Counter-Terrorism Committee ^e	62	42	20	63
Total Administered Expenses^f	33,046	31,810	1,236	19,773
DEPARTMENTAL PRICE OF OUTPUTS				
Output Group 1: Economic policy advice and coordination				
Output 1.1—Economic and industry policy	13,071	13,010	61	11,852
Subtotal Output Group 1	13,071	13,010	61	11,852
Output Group 2: Social policy advice and coordination				
Output 2.1—Social policy	5,659	6,101	-442	6,030
Output 2.2—Women's policy	8,170	7,850	320	7,577
Subtotal Output Group 2	13,829	13,951	-122	13,607
Output Group 3: International, and national security, policy advice and coordination^g				
Output 3.1—International policy	4,569	3,874	695	3,907
Output 3.2—National security policy	3,951	5,421	-1,470	6,024
Subtotal Output Group 3	8,520	9,295	-775	9,931
Output Group 4: Support services for government operations				
Output 4.1—Cabinet Secretariat	3,168	3,222	-54	3,392
Output 4.2—Cabinet Implementation Unit	1,089	1,289	-200	1,379
Output 4.3—Machinery of government	7,716	7,695	21	7,793
Output 4.4—Government communications ^h	1,556	5,169	-3,613	3,470
Output 4.5—Support to official establishments	464	614	-150	722
Output 4.6—Support for ministerial offices	2,416	2,625	-209	2,655
Output 4.7—Ceremonial and hospitality	2,804	2,886	-82	2,817
Subtotal Output Group 4	19,213	23,500	4,287	22,228
Revenue from government (appropriation) for Departmental Outputs	54,994	54,994	0	54,614
Revenue from other sources	2,996	4,988	-1,992	3,004
Total Price of Outputs	57,990	59,982	-1,992	57,618
TOTAL FOR OUTCOME 1 (total of price of outputs and administered expenses)	91,036	91,792	-756	77,391
STAFFING	392	389ⁱ	-3	392

- a This column shows the full-year budget including additional and supplementary additional estimates.
- b This column shows the budget estimates prior to additional estimates
- c The actual expense for the allowance to former Governors-General includes \$0.7 million representing a one-off annual adjustment to the superannuation liability in respect of former Governors-General, following an independent actuarial assessment.
- d Expenditure includes the first full year's support for Dr Hollingworth including the one-off costs of fitting out his new office.
- e There were no expenses for 2002–03 for the National Counter-Terrorism Committee item as the department assumed responsibility for this item for the first time in 2003–04.
- f The total Administered Expenses in this table do not agree with the total Administered Expenses in the financial statements as this table is limited to appropriated expenses and therefore does not include expenses from the Media Commissions special account.
- g Resourcing amounting to \$1 million was transferred from Output 3.1 to Output 3.2 for the new National Security Division (shortly after its establishment). Further resources of approximately \$1.7 million were allocated to Output 3.2 to support the Flood inquiry and greater than anticipated complexity and workload in relation to security issues. These allocations were not reflected in the 2003–04 Budget estimates for these outputs.
- h Output 4.4 includes expenditure relating to the Campaign Special Account.
- i This figure represents the Average Staffing Level (ASL) as at 30 June 2004.

Note: Figures have been rounded to the nearest \$1,000 dollars.

Performance criteria

All the department's activities are expected to achieve satisfactory results in terms of:

- the degree of satisfaction with the quality and timeliness of advice and the achievement of key tasks as expressed through formal and informal feedback by the Prime Minister, other portfolio ministers and the Parliamentary Secretary, their offices and the departmental Executive
- an assessment of outputs against the annual divisional work plans and individual performance agreements.

During 2003–04, the department's overall performance was satisfactory in terms of the above criteria.

Other department-wide measures

There are certain issues in relation to which the department's performance is measured across all output groups, rather than separately by output. They are: Cabinet minutes, ministerial correspondence, parliamentary questions on notice, ministerial briefings, and requests made under the *Freedom of Information Act 1982* (FOI Act). Each of these is discussed in more detail below.

Cabinet minutes

<i>Timeliness</i>	The department aimed to meet the following deadline in relation to Cabinet minutes: <ul style="list-style-type: none">■ the release of Cabinet minutes within 24 hours of a Cabinet or Cabinet committee meeting.
-------------------	---

During the period 1 July 2003 to 30 June 2004, 98 per cent of minutes from meetings of Cabinet and its committees, including the National Security Committee (NSC), were settled and circulated within 24 hours of the conclusion of the meetings (92 per cent were settled and circulated within that timeframe in 2002–03).

Ministerial correspondence

<i>Quantity</i>	On the basis of past experience, in 2003–04 the department expected to: <ul style="list-style-type: none">■ process in excess of 120,000 items of Ministerial correspondence.■ provide over 4,700 briefings to the Prime Minister, other portfolio Ministers and their Offices.
<i>Timeliness</i>	The department aimed to meet specific deadlines as follows: <ul style="list-style-type: none">■ for correspondence on substantive issues from Australian Government Ministers, Heads of State, Premiers, Chief Ministers etc, a response is to be prepared within 10 working days■ for other correspondence, a response is to be prepared or appropriate action is to be carried out within 20 working days■ the preparation of briefings reasonably in advance of when they are required or within such other time periods as may be specified by the Prime Minister, the other portfolio Ministers, the Parliamentary Secretary or their offices.

During the period 1 July 2003 to 30 June 2004, the department processed approximately 207,000 items of correspondence—an average of 828 per day—addressed to the Prime Minister or to a minister assisting the Prime Minister.

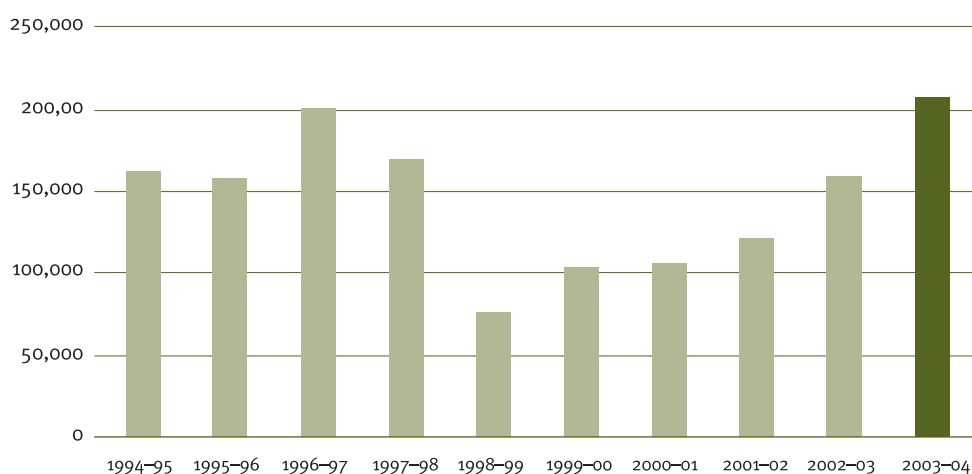
The largest volumes of correspondence related to the engagement of the Australian Defence Force in Iraq, live animal exports and forestry in Tasmania.

Approximately 93 per cent of correspondence was processed on time. This was similar to the percentage of correspondence processed on time during the previous year, although the volume of correspondence had increased by more than 30 per cent.

Some 2,972 briefings (in the form of minutes) were provided to the Prime Minister, parliamentary secretary and ministers assisting the Prime Minister, on a range of topics covering all four output groups and the various corporate support and information services functions of the department.

The volume of ministerial correspondence received in the past 10 years is shown in Figure 5. The figure shows that the volume of correspondence has increased significantly over the past six years.

Figure 5 Items of correspondence processed



Parliamentary questions on notice

Quantity	On the basis of past experience, in 2003-04 the department expected to: <ul style="list-style-type: none"> ■ prepare draft answers to 145 Parliamentary Questions on Notice.
Timeliness	The department aimed to meet specific deadlines as follows: <ul style="list-style-type: none"> ■ the preparation of responses to Parliamentary Questions on Notice within 60 days for the House of Representatives and 30 days for the Senate.

The department received 93 parliamentary questions on notice during 2003-04: 48 from the House of Representatives and 45 from the Senate. The department had 29 questions on hand at 1 July 2003.

Responses to 45 questions were lodged during the year: 27 from the House of Representatives and 18 from the Senate. In 2003-04, the average time taken to lodge responses to questions asked in 2003-04 was 104.33 days for the House of Representatives and 82.88 days for the Senate.

Twenty-three questions asked in 2003–04—two from the House of Representatives and 21 from the Senate—were transferred to other ministers. There were 51 questions on hand at 30 June 2004.

The target of 30 days for responding to Senate questions on notice and 60 days for responding to House of Representatives questions on notice was not met this year.

Freedom of information requests

<i>Quantity</i>	On the basis of past experience, in 2003–04 the department expected to: <ul style="list-style-type: none"> ■ respond to 35 Freedom of Information requests.
<i>Timeliness</i>	The department aimed to meet specific deadlines as follows: <ul style="list-style-type: none"> ■ the various timing requirements for Freedom of Information requests as specified in the <i>Freedom of Information Act 1982</i>.

The department was responsible for managing 66 new requests for information under the *Freedom of Information Act 1982* (FOI Act) received during 2003–04 (26 requests were received during 2002–03) plus 12 existing FOI requests on hand at 1 July 2003. During the year, 54 FOI requests were finalised (showing a 170 per cent increase, compared with 20 requests finalised during 2002–03), leaving 24 FOI requests on hand at 30 June 2004.

The department received two applications for internal review during the reporting period, and one was finalised. Further 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.

This section provides a summary of the department's financial performance for 2003–04. Departmental and administered results are shown in the audited financial statements, and this summary should be read in conjunction with those statements. The departmental total resources are shown in some detail in Table 1.

Audit report

The department received an unqualified audit report for 2003–04.

Operating result

The department's Statement of Financial Performance reports an operating surplus for 2003–04 of \$0.2 million (in 2002–03 a \$0.7 million operating surplus was reported). The result was less than the operating result of \$0.5 million forecast in the 2003–04 Portfolio Budget Statements.

The reduction in the operating surplus was due to expenditure associated with the Inquiry into Australian Intelligence Agencies and expenditure associated with building and security enhancements, at the department's premises at 3–5 National Circuit, Canberra.

Table 2 demonstrates the department's key results for the financial years 2002–03 and 2003–04.

Table 2 Key results in financial performance

Indicator	2002–03 (\$'000)	2003–04 (\$'000)	Movement (per cent)
Revenues from government	45,253	56,695	25
Other revenues	2,100	3,299	57
Total revenue	47,353	59,994	27
Employee expenses	29,314	35,983	23
Supplier expenses	14,623	20,158	38
Other expenses	2,683	3,616	35
Total expenses	46,620	59,757	28
Operating result	733	237	–68

Special account

The department manages the Campaign Special Account. This account derives revenue through the imposition of a levy on campaign advertising undertaken by government agencies. The revenue generated is used to fund the operating expenses of the Central Advertising System of the department's Government Communications Unit. These expenses are included in tables 1 and 2 above. The account achieved a small surplus for the 2003–04 financial year.

Statement of financial performance

Revenue

Total revenue received in 2003–04 was \$60 million, made up of \$55 million from appropriations for outputs, \$1.7 million from resources received free of charge, and \$3.3 million from revenue from other sources. This represented an increase of \$12.6 million over the revenue for 2002–03.

Appropriation revenue increased by \$10.4 million, due to the establishment of the National Security Division, the bushfire inquiry, and the water and energy taskforces.

Revenue from other sources increased by \$2.2 million. This was due to an increase of \$1 million in resources received as a result of the increase in the number of officers seconded from other agencies, particularly to the National Security Division; a \$0.9 million increase in revenue from the sale of goods and services; and an increase of \$0.5 million in independent revenue from the Campaign Special Account, offset by a reduction in departmental interest of \$0.2 million due to the abolition of the Agency Banking Incentive Scheme.

Expenses

The department's expenses for 2003–04 were \$13.1 million higher than in 2002–03. This was due to the increased employee, supplier, building enhancement and security expenses required to deliver the new activities outlined above.

Statement of financial position

Equity

The department's total equity increased from \$6.2 million in 2002–03 to \$12.5 million in 2003–04. The increase in equity was due to the transfer of the 2003–04 \$0.2 million operating surplus to reserves, and the correction of two previous accounting transactions, namely the \$4.0 million dividend to the Official Public Account and the \$2.1 million contributed equity related to the

department's special accounts (see Note 9 to the 2003–04 audited financial statements for further explanation).

The increase of \$6.1 million arising from the accounting corrections referred to above is only temporary, as the cash holdings will be transferred to consolidated revenue during 2004–05 when the purpose clauses of the special accounts have been changed. This will return the department's equity to \$6.5 million.

Assets

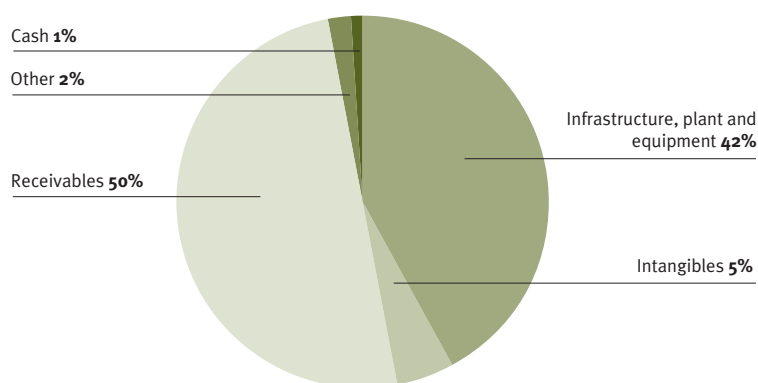
The department's assets may be broken into four main categories:

- cash
- infrastructure, plant and equipment
- intangibles (non-physical assets such as software)
- receivables (amounts due to be paid to the department).

There is also an 'other' category comprising other departmental assets which relate to prepayments, and other administered assets which relate to prepayments and inventories.

The proportions of each category of asset held during 2003–04 are illustrated in Figure 6.

Figure 6 Composition of departmental assets at 30 June 2004



The department has \$12.2 million in cash holdings recorded as a receivable in the Official Public Account. Of this amount \$7.7 million relates to the Campaign Special Account and \$4.5 million relates to departmental funds. The department's total assets increased from \$20 million in 2002–03 to \$26.8 million. This increase was made up of \$3 million in financial assets and \$3.8 million in non-financial assets.

Financial assets

The \$3 million increase in the department's financial assets referred to above resulted from a \$4.7 million increase in receivables offset by a reduction in cash reserves of \$1.7 million. The increase in receivables is due to the reversal of prior year transactions (see Note 9 to the 2003–04 audited financial statements for further explanation).

Non-financial assets

The \$3.8 million increase in non-financial assets referred to above was comprised of a \$3.6 million increase due to information technology purchases and security and building enhancements, increased intangibles of \$0.4 million due to the upgrading of the department's information systems standard operating environment and a decrease in prepayments of \$0.2 million.

Liabilities

The department's total liabilities increased by \$0.5 million to \$14.3 million from \$13.8 million in 2002–03. This resulted from an increase of \$0.9 million in employee entitlements and \$0.2 million in payables offset by a decrease of \$0.6 million in outstanding leasehold payments.

Administered items

Administered items are those assets, liabilities, revenues and expenses that are controlled by the Australian Government but managed or overseen by the department on the government's behalf.

Expenses

Table 3 provides for comparison between the department's 2002–03 and 2003–04 administered expenses.

Significant variations in expenses

The significant variations (10 per cent or more) in administered expenses for 2003–04 are explained below.

Expenses for the 'Allowance to former Governors-General' item decreased by \$2.5 million in 2003–04. This was due to a significant actuarial adjustment from \$3.3 million in 2002–03, when Dr Hollingworth's lifetime entitlements were recognised for the first time, to \$0.7 million in 2003–04 to cover the provision of future entitlements including those of the current Governor-General. Notwithstanding the high-profile visits of presidents George W Bush and Hu Jintao, expenses for 'State occasions and official visits' decreased by \$1.2 million due to overall visit numbers declining during 2003–04.

Table 3 Key results for administered expenses

Administered expense	2002–03 (\$'000)	2003–04 (\$'000)	Movement (per cent)
Allowance to former Governors-General	3,884	1,434	-63
Support to former Governors-General	1,062	1,098	3
Provision of superannuation surcharge for former Governors-General	0	0	N/A
State occasions and official visits	2,876	1,684	-41
Women's programmes	8,751	24,900	185
Prime Minister's official residences	1,521	1,460	-4
Compensation and legal expenses	61	45	-26
National Australia Day Council	1,274	1,147	-10
National Counter-Terrorism Committee ^a	0	42	N/A
National security public information campaign ^b	18,549	0	N/A
Total administered expenses^c	37,978	31,810	-16

a This is a new item for 2003–04; responsibility for the committee was transferred to the department from the Attorney-General's Department in September 2003.

b This item did not carry over into 2003–04 as responsibility was transferred to the Attorney-General's Department.

c Expenses from the Media Commissions Special Account do not form part of administered expenses as these are funded from revenue earned by the account and not from appropriations.

Expenses in 2003–04 for 'Women's programmes' increased by \$16.2 million primarily due to the allocation of \$7.6 million in the 2003–04 Budget to maintain the government's commitment to the Partnerships Against Domestic Violence programme and the National Initiative to Combat Sexual Assault. In addition, funding of \$5.1 million was provided through the 2003–04 supplementary additional estimates process for the National Campaign for the Elimination of Violence Against Women. Expenses for the 'Compensation and legal expenses' item decreased by 26 per cent in comparison to those for 2002–03. This is a demand-driven item and expenditure is unpredictable.

Special account

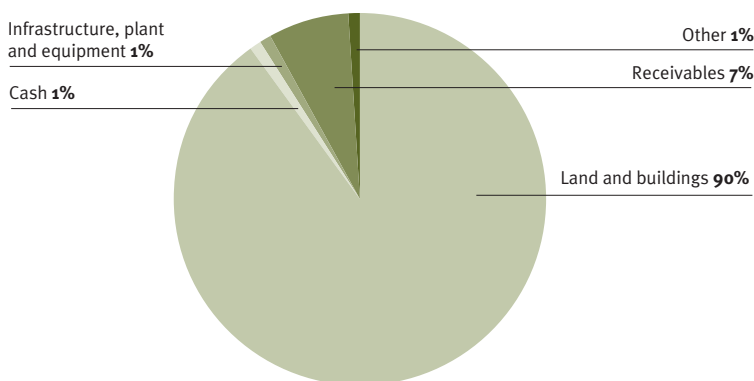
The department manages the Media Commissions Special Account. This account is administered on behalf of the Australian Government. This special account earns revenue from commissions received from government advertising. The revenue is used to remunerate the Australian Government's contracted master media placement agencies and, if required, any creative advertising agencies, for the placement of Australian Government advertising.

The account achieved a balanced outcome for the 2003–04 financial year with expenses equalling revenue (see Note 19 of the financial statements for more details).

Assets

The majority of administered assets are comprised of land and buildings. The main change in the composition of the department’s administered assets during 2003–04 related to a \$1.5 million increase in receivables. This was due to goods and services tax input credits owed to the department by the Australian Taxation Office. Other administered assets remained stable during 2003–04. The composition of the department’s administered assets is set out in Figure 7.

Figure 7 Composition of administered assets at 30 June 2004



Factors affecting future performance

In the 2004–05 Budget, the department received additional funding of \$0.5 million for 2004–05 and 2005–06 for the project management costs associated with the fitting out of the department’s new long-term accommodation. Provision will be made for the cost of the fit-out (the final amount available to be the subject of later determination) and for additional funding for rent from 2006–07 to bring resources provided to the department up to a level comparable to those provided to similarly located agencies. The department also received additional funding of \$1 million for 2004–05 and \$2 million (indexed) ongoing from 2005–06 to coordinate research into counter-terrorism technology.

The department is facing increasing operating expenses, particularly salary expenses, and relatively fixed funding. Careful management will be required to ensure that pressures are met and outcomes continue to be achieved within budget.