

CORPORATE MANAGEMENT AND ACCOUNTABILITY

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Overseas locally engaged staff participated in a leadership and development training course in Canberra in November 2003. From left: Shekhar Nambiar (New Delhi), Susan McCarten (Wellington), Kay Dunn (Canberra) and Tareq Qaqish (Abu Dhabi).

CORPORATE MANAGEMENT AND ACCOUNTABILITY

Overview

The department's innovative and flexible work structures, supported by centralised staffing, enabled the department to respond to new and emerging priorities in a demanding international environment. We identified and deployed staff at short notice for the Regional Assistance Mission to Solomon Islands (RAMSI) and the Australian Representative Office in Baghdad. We met an increased demand for resources to pursue the Government's ambitious trade policy agenda, in particular for negotiating the Australia–United States Free Trade Agreement while maintaining a strong level of engagement in other international trade negotiations.

The safety and welfare of staff and their families was an ongoing concern for the department. Contributing factors included: terrorism or the threat of terrorism, especially for staff serving at our posts in the Middle East and South-East Asia; the breakdown of law and order in the Pacific region, particularly Papua New Guinea; and the impact of a challenging workload on individual wellbeing. Our provision of accessible, high-quality clinical and other support services underpinned strong organisational morale—demonstrated in high staff retention rates and low levels of absenteeism.

As part of our continuing efforts to improve conditions of service for staff, we reviewed overseas conditions of service. The outcome of the review is expected to be announced in the second half of 2004. We improved conditions applying to service in Baghdad in recognition of the difficult security environment.

We made substantial progress towards the completion of a new Service Level Agreement (SLA) for the provision of management services to attached agencies at overseas posts.

Unqualified financial statements for 2003–04 were presented on time with no audit observations.

We awarded a new contract for provision of travel management services to the Foreign Affairs and Trade portfolio to Carlson Wagonlit Travel. We implemented a new removals and storage contract, which is expected to improve service levels to staff moving to and from posts.

Corporate governance

The department has a strong framework in place to ensure it is fulfilling its corporate governance responsibilities. The structures, decision-making processes and internal controls and behaviours outlined in this section support the effective achievement of our performance outcomes.

Senior Executive

The Secretary and the four deputy secretaries comprise the department's Senior Executive (see also Departmental Overview: Organisational structure on page 15). The Senior Executive is responsible for providing leadership and strategic direction for the department and for ensuring we are meeting our corporate governance requirements.

Dr Ashton Calvert AC, as Secretary and Chief Executive, provided direction on major foreign and trade policy issues, as well as in the corporate management of the department. He provided direct leadership in shaping and communicating the professional values and culture of the department in Australia and abroad. He decided personally all Senior Executive Service (SES) staff placements.

The four deputy secretaries supported the Secretary in overseeing the department's divisions as follows:

- Ms Joanna Hewitt—Office of Trade Negotiations; Americas and Europe Division; International Organisations and Legal Division
- Dr Geoff Raby—APEC Ambassador; North Asia Division; Trade Development Division; Economic Analytical Unit
- Mr Doug Chester—Corporate Management Division; Public Diplomacy, Consular and Passports Division; South and South-East Asia Division
- Mr Murray McLean, OAM—International Security Division; South Pacific, Africa and Middle East Division; Diplomatic Security, Information Management and Services Division; Overseas Property Office; Australian Safeguards and Non-Proliferation Office.

In addition to these responsibilities, the Senior Executive frequently represented the Government at high-level meetings, both in Australia and overseas. The deputy secretaries also chaired key corporate governance bodies (see below).

Management mechanisms

Our management mechanisms—listed below—ensure effective decision-making on, and communication of, corporate governance issues and policy and corporate priorities.

Senior Executive meetings

The Senior Executive held regular meetings on current policy issues with Mr Downer and Mr Vaile.

Weekly meetings of the Senior Executive, chaired by the Secretary, considered a range of issues requiring liaison with portfolio ministers, and monitored and guided corporate policy issues. The heads of the Corporate Management Division, and the Diplomatic Security, Information Management and Services Division, and, as appropriate, the

Director General of AusAID, also attended these meetings. These meetings considered regular reports on the department's budgetary and staffing situation, IT budget and performance, property issues, passport developments, and divisional performance on ministerial correspondence and security breaches.

Senior management committees

Audit Committee

The Audit Committee, which meets quarterly, helps the Secretary ensure that the assurance and control framework operating in the department is effective and supports departmental objectives. Chaired by a Deputy Secretary not directly responsible for overseeing the Corporate Management Division, the Audit Committee is charged with:

- enhancing the corporate governance, risk management and control framework
- improving the objectivity and reliability of externally published financial and other management information
- assisting the Secretary comply with all legislative and other obligations
- providing strategic guidance for evaluation and performance audit activities
- advising the Secretary of issues that require management attention
- ensuring the role and scope of the department's internal audit function meets the definition of internal auditing approved by the Institute of Internal Auditors and endorsed by the Australian National Audit Office (ANAO).

In addition to senior departmental officers, the committee includes an independent member. Our Chief Finance Officer and staff from our Evaluation and Audit Section and the ANAO attend each meeting as observers.

Ethics Committee

The Ethics Committee oversees the development and implementation of policy on ethics and conduct issues and the work of the Conduct and Ethics Unit. The committee comprises ten members from various levels within the department and is chaired by a Deputy Secretary. It meets quarterly to provide guidance and management of DFAT practice and process in handling ethics-related issues. In doing so, it draws on the expertise of its ex-officio members, including the First Assistant Secretary, Corporate Management Division; the Director, Administrative and Domestic Law Group; and the Director, Management Strategy, Conduct and Coordination Section.

Workplace Relations Committee

The Workplace Relations Committee is the primary consultative body for human resource management and conditions of service issues affecting Australia-based employees. It provides a forum for discussions between management and staff representatives about the working environment, conditions of service and matters of concern to staff.

The committee is chaired by the Secretary or his nominee, normally a Deputy Secretary. Members include representatives from management areas and nine elected staff representatives (two from each of the four employee broadbands and one SES employee). The Association of Foreign Affairs and Trade Employees (AFTE), the Community and Public Sector Union (CPSU), the Australian Manufacturing Workers' Union (AMWU) and the Media, Entertainment and Arts Alliance (MEAA) are also represented on the committee. The committee meets at least four times a year.

Other senior management meetings and mechanisms

Weekly meetings with division heads, chaired by the Secretary, are the central means of communicating corporate and policy priorities more broadly throughout the department. In addition, the Secretary's regular strategic planning meetings with division heads provide senior executive staff with an opportunity to develop collectively a stronger sense of coherence and corporate unity in our policy work and in determining corporate management strategies. In a similar vein, the Secretary's seminars for branch heads offer a forum for forward-looking discussion on foreign and trade policy developments and major corporate management and leadership issues.


The Secretary communicates with staff in a variety of ways, including through his weekly reports, administrative circulars, our intranet and a staff newsletter, *DFATNEWS*.

Overseas posts participated in, and were kept informed of, policy and corporate developments through a variety of mechanisms:

- weekly policy information reports from the Secretary
- a new initiative of weekly 'key messages' briefs distributed by cable to all posts
- regular formal and informal communication with 'parent' divisions in Canberra
- periodic regional heads of mission/post meetings and consultations
- periodic visits by Canberra-based officials, often in conjunction with ministerial and senior officials-level consultations
- post liaison visits led by deputy secretaries
- regional seminars with senior post management attended by the head of the Corporate Management Division and the Chief Finance Officer to convey and seek feedback on corporate policy and resource issues
- dissemination of policy and procedural guidance through administrative circulars and discussion and information papers.

Planning and review

At a broad level, the department's corporate plan, which was updated during the year, provides guidance on our future directions in implementing foreign and trade policy,



and informs the planning for our activities. Each year, our performance expectations and planned use of resources are set out in our portfolio budget statements.

A series of departmental planning and review processes takes place throughout the year, ensuring we maintain a sharp focus on government priorities. They ensure that our resources are best directed to support the Government's foreign and trade policy objectives.

Divisional evaluation reviews

Divisional evaluation reviews take place in August each year, with a mid-term review in February. They serve two main purposes:

- to enable the Senior Executive to evaluate the performance of each division over the review period and determine divisional priorities for the period ahead
- to provide the Senior Executive with an opportunity to review the department's resources and to adjust allocations to match evolving priorities.

At the review in August 2003 and the mid-term review in February 2004, the Senior Executive evaluated the performance of all divisions and fine-tuned their work programs to take account of key government priorities. They also reviewed the resource allocations for all divisions, posts and state and territory offices, reallocating resources to meet new requirements and to facilitate projects that had acquired a higher priority.

Post evaluation reports

The department undertakes an annual evaluation of the performance of its overseas posts over the previous twelve months. The process acts as a central mechanism for ensuring that the work of the posts is focused on the Government's priorities. The evaluation assesses contributions by posts to policy outcomes, examines the quality of post management and sets priorities for the coming year. Post evaluation also provides valuable input into the Senior Executive's appraisal of the performance of individual heads of mission and post.

A key element of post evaluation is to incorporate the views of other departments and agencies with which posts work closely. Strategic-level assessments of posts' performance in pursuing the Government's policy objectives are sought; feedback on operational issues is also welcome. Written feedback from 29 departments and agencies was received for the 2003–04 post assessment period. Comments provided by agencies were very positive overall, indicating that posts were meeting whole-of-government objectives.

Evaluation of performance of state offices

As with posts, state and territory offices are subject to a performance review at the end of each financial year. Office evaluation reporting focuses on key areas including support to ministers, liaison with the local consular corps, business liaison programs and trade advocacy and outreach activities, as well as areas such as assistance with major meetings, notarial services and office administration.

Post liaison visits

In 2003–04, deputy secretaries led small teams to conduct post liaison visits at eleven posts. The annual program of post liaison visits allows us to assess at first hand post performance against agreed objectives and enables staff and their families to raise any concerns they may have. The visits also provide an opportunity to assess whether posts are appropriately staffed and resourced.

Internal audit

The Audit Committee has governance responsibility in the department for internal and external audit. It guides and reviews our audit program to ensure that an effective assurance and control framework is maintained, and the department complies with its legislative and other obligations.

We completed business-assurance focused audits covering:

- management of the training panel contracts
- tender process for the engagement of the panel of training providers
- procurement of personal computers and laptop computers
- superannuation delegations
- handling and storage of highly sensitive national security material by the department.

We completed audits at six overseas posts covering a range of compliance and performance elements. In addition, nine desk audits of overseas posts were carried out from Canberra. These audits revealed a generally improving trend in the standard of financial management and administration, which may be attributable to the department's evolving control self-assessment approach to management. All findings and recommendations were dealt with promptly by the audited posts.

Risk management and business continuity planning

The Audit Committee also has governance responsibility for risk management and business continuity planning. In 2003–04 the department undertook a comprehensive update of its risk management plan, developing improved outreach, training and review mechanisms with assistance from Comcover. We also finalised a business continuity plan for the department to ensure critical functionality in the event of a major emergency affecting our core operations.

Conduct and ethics

An Australian Public Service (APS)-wide survey in 2003, conducted by the Australian Public Service Commission (APSC), found that departmental staff were among the best informed on APS values and code of conduct. The department continued to work hard to build on strong staff awareness of ethics and conduct issues.

The Conduct and Ethics Unit conducted investigations as required. The department again recorded low levels of reported fraud and misconduct. The Unit continued its extensive outreach activities, including mandatory ethics training for all staff on pre-posting training and for lateral recruits and graduate and administrative trainees. Conduct and ethics awareness was a component of other staff development and management courses, such as the Overseas Financial Management Course and Regional Management Conferences. Training was delivered to staff in the Brisbane and Darwin state offices.

The department made available to all staff the publications *APS values and code of conduct in practice* and *Embedding the APS values*, which were issued by the Australian Public Service Commission.

A new chapter, 'Conduct and ethical behaviour', was added to the department's human resources manual. The new chapter brings together information regarding the APS values and code of conduct with departmental-specific policy guidance on issues such as procedures for dealing with gifts, benefits and hospitality, SES Returns of Private Interests, offers of sponsored travel and diplomatic and consular privileges.

The department was the first of six agencies to participate in the APSC's evaluation of the management of suspected breaches of the APS code of conduct, foreshadowed in the 2002–03 *State of the service report*. The evaluation will help the APSC produce a good practice guide in 2005.

Fraud measures

The department complies with the Government's fraud control guidelines and has in place a fraud control plan developed in 2003. Departmental investigators with primary responsibility for fraud control have mandatory qualifications.

Management of corporate records

The department recognises that good record keeping is an essential enabler in its corporate governance and critical to its accountability. In 2002–03, the department convened a Records Management Task Force to review the state of paper and electronic record keeping in the department. Acting on the recommendations of that task force, the department strengthened its management of corporate records during the year by bringing responsibility for record keeping issues into a new Information Resources Branch, established to give greater focus to a range of information functions. In February 2004, we established a new specialist position (at Executive Level 2) to advise on all aspects of record keeping policies and practices. We conducted a request for tender to select a panel of service providers to help us over the next three years to improve our record keeping capacity and performance across both paper and electronic records.

External scrutiny

Reports by the Australian National Audit Office

The Auditor-General tabled in Parliament a number of audit reports of relevance to departmental operations: one audit examining the department's administration of consular services and ten cross-agency audits requiring departmental response. The department provided six-monthly reports to the Joint Committee on Public Accounts and Audit (JCPAA) on follow-up action taken in response to these ANAO reports.

Report No. 16: Administration of Consular Services Follow-Up Audit

This was a follow-up audit to assess the department's implementation of the six recommendations made by the ANAO in its audit of consular services in 2001. It focused on management processes and supporting systems for the delivery of consular services, and reviewed the department's implementation of recommendations of the Senate Foreign Affairs, Defence and Trade References Committee that were outstanding from the previous audit. The department accepted both recommendations of the audit. We have made significant progress in implementing the first recommendation about the development of the Consular Management Information System, and have fully implemented the second recommendation about contingency planning.

The relevant cross-agency ANAO reports requiring responses from the department were:

Report No. 3: Management of Risk and Insurance

The audit evaluated the adequacy and effectiveness of: the development and application of risk management and insurance frameworks and plans within Commonwealth organisations; organisations' records for the determination of risk treatments, including insurance cover; and procedures, and their application, for actively managing risk exposures and insurance experience. The department has processes in place that respond to the audit recommendations, and is continuing to monitor the progress of its management of risk and insurance.

Report No. 7: Record keeping in Large Commonwealth Organisations

The audit reviewed the record keeping frameworks of four large Commonwealth organisations. It assessed whether record keeping policies, systems and procedures were in accordance with relevant Government policies, legislation, accepted standards and record keeping principles, and applicable organisational controls. We anticipate being able to implement fully the first nine recommendations by December 2004.

Report No. 11: Annual Performance Reporting

The audit reviewed the 2001–02 annual reports of the departments of: Communications, Technology and the Arts; Education, Science and Training; Employment and Workplace Relations; Immigration and Multicultural and Indigenous Affairs and the Australian Customs Service. The audit assessed whether agencies had: established a sound annual reporting performance information framework;

developed arrangements to ensure performance information was accurate and coherent; and appropriately analysed performance information in their annual reports. The department is currently in the process of implementing the audit's two recommendations.

Report No. 14: Survey of Fraud Control Arrangements in APS Agencies

The survey of fraud control arrangements in APS agencies was conducted to identify improvements made by agencies since the 1999 survey, and in response to the revised Commonwealth fraud control guidelines released in May 2002. Its objective was to assess the key aspects of fraud control arrangements in place across the APS against the *Commonwealth Fraud Control Guidelines 2002*. This information is assisting the department in the continuing development of its fraud control processes.

Report No. 19: Property Management

The audit assessed whether the property management function, including the management of leases, was being performed efficiently and was providing an effective level of support for the delivery of the organisation's services (outputs). The audit evaluated property management policies and practices across the following dimensions: planning and control; business processes and practices; and information and performance management. The department has existing processes in place that address the audit's four recommendations and is currently assessing all elements of the report before providing a detailed response to its recommendations.

Report No. 24: Agency Management of Special Accounts

The audit examined the establishment, management and abolition of Special Accounts by Commonwealth agencies, as well as compliance with legal requirements. The department has implemented four of the audit's recommendations and is currently reviewing its processes before finalising its response to the remaining five recommendations relevant to the department.

Report No. 25: Intellectual Property Policies and Practices in Commonwealth Agencies

The audit examined agency approaches to the management of intellectual property, and identified themes common to the management of all types of intellectual property. The audit objectives were: to form an opinion on whether Commonwealth agencies have systems in place to efficiently, effectively and ethically manage their intellectual property assets; and identify areas for better practice in intellectual property management by those agencies. The department agreed with the report's recommendation and has begun action to formulate a department-wide approach to policy on intellectual property.

Report No. 30: Quality Internet Services for Government Clients—Monitoring and Evaluation by Government Agencies

The objective of the audit was to form an opinion on the adequacy of selected agencies' approaches to monitoring and evaluation of government programs and services delivered on the Internet, and to identify better practices and opportunities for improvement. In order to achieve this objective, the audit examined the websites

and Internet-delivered services of five agencies. The department has existing processes in place that fully address four of the report's recommendations, and we have substantially implemented the fifth recommendation.

Report No. 35: Compensation Payment and Debt Relief in Special Circumstances

This audit covered a number of the discretionary compensation and debt relief mechanisms available to Commonwealth agencies, where individuals or entities have been disadvantaged by legislation, or actions by agencies or staff, or some other negative circumstances. The audit assessed whether the management of claims for compensation and debt relief in special circumstances was in accordance with relevant legislative requirements and Commonwealth guidelines, and whether the current administrative policies and procedures were adequate. Of the six audit recommendations relevant to the department, we have implemented three; noted two and one is in the process of being implemented.

Report No. 42: Financial Delegations for the Expenditure of Public Monies in FMA Agencies

The audit evaluated whether financial delegations associated with the expenditure of public monies were determined, applied and managed in accordance with applicable legislation, Government policy and applicable internal controls; identified better practices and recommended improvements to current practices. The report included eleven recommendations that the department is reviewing.

The department is examining the recommendations contained in the following three cross-agency reports tabled in May–June 2004:

- Report No. 49: The Use and Management of HRIS in the Australian Public Service
- Report No. 55: Management of Protective Security
- Report No. 57: Administration of Freedom of Information Requests.

Courts and administrative tribunals

Fifteen legal matters were resolved during the reporting period. Of these, ten were resolved in favour of the department, one was decided against the department, two were settled and two were withdrawn by the applicants. Details of these and other matters currently before the courts and administrative tribunals are at Appendix 7.

Parliamentary committees

The department made submissions or gave evidence to 13 parliamentary committee inquiries. In addition, departmental staff appeared before the Joint Standing Committee on Treaties on 9 occasions in relation to proposed treaty actions. See Appendix 6 for further details.

Ombudsman

The Commonwealth Ombudsman investigated 45 issues with respect to the department's activities in 2003–04 and arrived at four negative findings (one of these findings is under review). No formal reports were issued.

Legislation

The department managed effectively the process for the adoption of all portfolio-related legislation. The US Free Trade Agreement Implementation Bill 2004 and the US Free Trade Agreement Implementation (Customs Tariff) Bill 2004 were introduced into Parliament on 23 June 2004 to implement Australia's obligations under the Australia–United States Free Trade Agreement. The Australian Passports Bill 2004, the Australian Passports (Application Fees) Bill 2004 and the Australian Passports (Transitional and Consequential) Bill 2004 were introduced into Parliament on 24 June 2004. The Australian Passports Bill 2004 will replace the existing *Passports Act 1938*. It contains, among other things, increased penalties for passport fraud, measures to solve the problem of lost and stolen passports. It provides for the introduction of facial biometric technology (see output 2.1 for more information). The *Export Market Development Grants Amendment Bill 2004* was introduced into Parliament on 13 May 2004. The *Intelligence Services Amendment Act 2004* was assented to on 27 April 2004.

We facilitated the enactment and variation of several regulations including changes to the Passports Regulations 1939, the Nuclear Non-Proliferation (Safeguards) Amendment Regulations 2003 (No. 1) and the Inter-American Development Bank (Privileges and Immunities) Regulations 2003.

We contributed to the development of legislation by other portfolios that affected the Foreign Affairs and Trade portfolio.

Compensation for detriment caused by defective administration

Six cases were lodged under the compensation scheme for detriment caused by defective administration. Five cases were satisfactorily resolved and one case remained in progress at the end of the financial year. Of the three cases lodged in the previous financial year two were satisfactorily resolved and the third was not pursued by the claimant. The department made six payments from administered funds.

Management of human resources

The department deployed its human resources flexibly to focus on government priorities and respond to crises. Australia's involvement in Iraq's reconstruction and negotiation of the Australia–United States Free Trade Agreement were major priorities for the department. The Solomon Islands Task Force and Asia Trade Task Force were

wound down respectively once the Regional Assistance Mission to Solomon Islands (RAMSI) had consolidated its work and the Thailand–Australia Free Trade Agreement was concluded. To meet an emerging priority we established a China FTA Study Task Force in early 2004.

We moved quickly to deploy staff as required in response to emergency situations, including 24-hour staffing of crisis management centres following the Jakarta JW Marriott Hotel bombing and during the Manila hostage crisis.

Posts and divisions were supported with timely and appropriate staffing resources for the Bali Ministerial Conference on Counter Terrorism and the Terrorism White Paper.

The pool of staff available to work in the crisis centre and emergency call centre increased as a result of additional training programs held throughout the year. We developed and further refined our contingency plans to deal with adverse regional and global developments.

We undertook a highly coordinated approach to achieve the orderly and expeditious closure of our missions in Caracas and Bridgetown and the opening of new missions in Accra and Port of Spain.

Remuneration of senior executives

All SES employees are employed under Australian Workplace Agreements (AWAs). The provisions of the AWAs are consistent with the Certified Agreement 2003–06 and provide for an 11.5 per cent pay rise over the three-year period covered by the agreements. See note 15 to the financial statements on page 296 and Table 24 in Appendix 2 for details of executive remuneration.

Workforce planning, staff retention and staff turnover

The department established a Recruitment and Workforce Planning Unit in Staff Development Branch in order to improve forecasting capability and analyse the long-term implications of our workforce profile. The implications of an ageing workforce and succession planning will be key areas of focus. See the box on page 230 for information on staff retention and turnover.

Recruitment

The department's recruitment and selection processes are based on the merit principle and the APS values set out in the *Public Service Act 1999*. We continue to meet our staffing needs through annual 'promotion-to-level' bulk selection processes at each broadband and SES level. We undertake specialist selection processes as required to fill gaps in specific skills areas such as accounting, law and information technology.

A healthy organisation—A productive organisation

The department has a very high staff retention rate of 96 per cent across all levels of staff. This compares favourably with the APS-wide retention rate of around 93 per cent.

According to an ANAO audit of unplanned absences across the Australian Public Service in 2003, the department is also a healthy workplace. The APS average absence on unplanned leave (including sick leave) is 12 days each year per full-time equivalent (FTE) staff member. The departmental average is 6.95 days absence per FTE. Sick leave is the major component of unscheduled absences in the APS with an average of 8.7 days per FTE employee. Our sick leave absences averaged 3.7 days per employee. The overall direct cost of unscheduled absences in the APS was \$293 million or \$2600 per FTE employee. Costs in the department were \$3.2 million or \$1740 per employee.

We also have a lower number of compensation claims than the APS average and the number of claims is falling each year.

We attracted more than 2500 applicants for our graduate intake for 2004. Through our program of visits to Australian universities and our updated graduate recruitment website, we continued to emphasise the department's need for staff with a broad range of skills and experiences. These needs were amply met in the 2004 Graduate Trainee intake, which included graduates of international relations, law and economics, as well as engineering, geography, science and health. There was also increased interest in our Corporate and Financial Management Trainee program, established in 2002 to attract new staff with high-level skills and qualifications in accounting and management.

The department has a Contractor Management Unit to manage staff employed under contract. A particular focus this year was encouraging greater awareness of appropriate procurement practices in those areas of the department using contract staff arrangements.

Workplace diversity

Our workplace diversity activities promote a high level of awareness among employees of the principles of sustainable teamwork—respect, personal courtesy, inclusion and elimination of harassment and discrimination. There are designated workplace diversity contact officers in all work units in the department in Canberra, in State offices and at overseas posts.

The department's Indigenous cadetship program had nine cadets in 2003–04. The ongoing recruitment and training of cadets and graduates enables Indigenous Australians to develop careers in the foreign service (see also 'Trainee programs' below).

Highlights of the department's workplace diversity annual cycle were NAIDOC Week in July 2003 and International Women's Week in March 2004. As part of the department's commemoration of NAIDOC Week, the Secretary launched the *Kickin' up dust* photographic exhibition in the department's headquarters in Canberra. *Kickin' up dust* depicted scenes from four Indigenous cultural festivals held between August 2002 and February 2003. They were: *Garma*, held in Arnhem Land in the Northern Territory; *The Torres Strait Cultural Festival*, held on Thursday Island off the far north coast of Queensland; *Stompem Ground*, held in Broome in Western Australia; and *Irapuna*, held in Eddystone Point, in north-west Tasmania. The photographs captured the essence of each festival, and gave departmental staff and other visitors to the building a window into the peoples and cultures of four unique and diverse Indigenous communities.

To celebrate International Women's Day, the portfolio Parliamentary Secretaries, Ms Christine Gallus (Foreign Affairs) and Ms De-Anne Kelly (Trade), addressed staff in Canberra about their roles as Members of Parliament and as advocates of Australia's foreign and trade policy interests. The department also acknowledged Harmony Day (21 March) and National Reconciliation Week 2004 through our network of offices in Australia and overseas.

We participated in APS-wide activities to promote workplace diversity, Indigenous employment and enhanced employment opportunities for people with disabilities.

The department's performance in implementing the Commonwealth Disability Strategy is reported in Appendix 4.



The department presented the Roni Ellis Indigenous Study Awards to two students in October 2003. The awards were named in memory of an indigenous departmental staff member. From left to right: award recipient, Ms Daphne Bennell, Deputy Secretary Doug Chester, and Associate Professor Tracey Bunda, Ngunnawal Centre, who accepted on behalf of Mr Mark Halloran.

Training and development

The department provides staff with training and development opportunities to meet their professional needs, including in such areas as management, leadership, finance and administration, conduct and ethics, information technology, foreign languages, consular issues and security. The training program reflects organisational goals and reinforces key corporate messages such as the importance of strong advocacy skills, exemplary standards of conduct and ethics, and a high level of security awareness.

The department currently offers over 70 different training programs. During 2003–04, we introduced several new programs, including a public advocacy, strategies and skills workshop, an expanded overseas passports course and professional skills training for externally recruited policy and specialist staff. The average number of training days per employee in 2003–04 was 8.9, well above the minimum amount of five days a year required under the department's training and development strategy (see Tables 26–27 in Appendix 2 for details of training days and costs).

The department provided a written submission and appeared before the Senate Finances and Public Administration References Committee inquiry into Recruitment and Training in the APS. The committee's report, which was tabled in Parliament in September 2003, reflects many of the best practice principles and strategies that we already have in place.

The department plans to undertake a review of its staff training and development strategy in 2005 to ensure it remains effective in meeting key organisational goals. The review will build on a training and development stocktake completed by Corporate Management Division in December 2003.

Trainee programs

In February 2004, thirty-one graduate trainees joined the department, an increase of six over the previous year's intake. We recruited a larger number to help fill several new junior positions overseas. Before they go on their first postings, the department provides the graduates with a two-year in-house training program. It consists of four workplace rotations, three training blocks focused on professional skills development and, as required, short academic courses in international politics, international law and economics.

Four corporate and financial management trainees also began in February 2004. This trainee program aims to improve the department's corporate, financial and administrative skills base. The trainees undertake five workplace rotations in our corporate areas over two years and complete a Certified Practising Accountant, or equivalent, qualification. They can then expect to be posted overseas in an administrative capacity.

The two-year administrative officer development program aims to provide a pool of skilled staff to fill junior administrative positions at overseas posts and in Canberra. Over the longer term, these staff provide a feeder group for senior administrative officer positions overseas. Eight staff participated in the program in 2003–04.

In 2003–04, our Indigenous cadetship program helped nine cadets with their tertiary studies. During the year, three cadets graduated from the program and two have continued with the department. A further three cadets undertook assignments in Canberra between November and February. Three cadets joined the department in March 2004. On graduation, cadets are offered positions with the department and are eligible to apply for our other traineeship programs, including the Graduate Trainee Program and the Corporate and Financial Management Trainee Program.

Language training

In response to key foreign and trade priorities, particularly a renewed focus on the Middle East, new language-designated positions were created in Baghdad and Kuwait City, and language-designated status was given to existing positions in Ramallah and Manila.

We conducted three one-week in-house immersion courses in Indonesian, Japanese and Mandarin to help staff retain high-level language skills. Lunch-time language discussion classes continued to be well-attended by staff. Our most popular discussion classes were Mandarin, Japanese and French. In keeping with the increasing importance of Arabic, an Arabic discussion class was introduced for staff with some proficiency in Arabic to complement an existing higher-level class. Almost one-third of staff have tested as professionally proficient in a foreign language within the past six years.

Studies assistance

The department maintains its commitment to a Studybank scheme, which offers study leave and financial assistance to staff to complete academic courses in a range of areas that are of benefit to the department. As at June 2004, 59 staff, including locally engaged employees overseas, were receiving assistance. Postgraduate studies accounted for 70 per cent of total enrolments, including in the disciplines of international law, economics and business administration.

The department has a contractual arrangement with Deakin University to provide certificate and diploma courses in foreign and trade policy. The department's commitment to these courses will be phased out at the end of the 2005 academic year, at which time it is estimated 62 employees will have completed successfully courses through Deakin University.

Regional management conferences

The department organises regional management conferences for managers at our overseas posts and key locally engaged staff. Conference participants, including senior staff from Canberra, discuss issues on the department's corporate agenda, including consular and passport matters, finance, security and property. We held meetings in Hong Kong, New Delhi and Kuala Lumpur in September and November 2003 for Asian and Middle East posts and in Brisbane 2004 for South Pacific posts.

Performance management

Annual performance appraisal is a vital component of the department's people management strategy. The performance management system is designed to encourage and reward high achievement, manage individual performance and provide a clear link for staff between their work and broader corporate goals. Appraisal reports feed into promotion, placement and posting decisions. We have worked to ensure that the appraisal system contributes to organisational outcomes by improving our management of performance data and strengthening the link between staff performance and training.

For information on the payment of performance rewards see Table 25 in Appendix 2.

Locally engaged staff management

Our overseas missions maintained the momentum generated over the last three years in implementing the outcomes of the Locally Engaged Staff (LES) Management Review. We made significant advances, especially in the areas of compliance with local labour law and ensuring that conditions of service and salary packages are appropriate for local markets. Heads of mission and post managers were closely engaged on these issues as part of their effort to improve LES management at posts.

The department seeks to provide locally engaged staff with a safe and productive work environment, appropriate training, fair and effective performance management systems which deliver appropriate rewards, and to ensuring that each post has consultative mechanisms in place to facilitate effective dialogue.

Australian Workplace Agreements

All SES staff and a small number of non-SES staff in specialist positions are employed under Australian Workplace Agreements (AWAs). The AWAs reflect the conditions of service, including salary increases, applying to departmental staff covered by the Certified Agreement 2003–06. The AWAs are valid for three years from July 2003 to June 2006.

Certified agreement

A new Certified Agreement was implemented in the department with effect from 1 July 2003. The agreement has a notional expiry date of 30 June 2006. The agreement includes a salary increase of 11.5 per cent over three years. The first increase of four per cent was paid with effect from 1 July 2003.

Non-salary benefits under the certified agreement and Australian Workplace Agreements

Both the certified agreement and AWAs in the department provide non-salary benefits, including access to performance-based bonuses or advancement and a range of flexible and family-friendly work practices, such as flex-time, time off in lieu, half-pay maternity leave and emergency child care costs. The allowances for overseas service are a significant non-salary benefit available to departmental staff posted overseas.

SES staff employed under AWAs also have access to vehicles and mobile phones.

Overseas conditions of service

The department continued to monitor its overseas conditions of service to ensure they remain appropriate, including through close liaison with other government agencies operating overseas.

We began a review of the operation of the overseas conditions of service package introduced in 2002. The review was due to be completed in early 2004–05.

In response to the unique situation faced by staff at the Australian Representative Office in Baghdad and RAMSI, the department devised special service conditions for those locations.

Staff welfare

The Principal Medical Adviser provided a program of medical support services to staff and their dependants. A total of 416 staff and their dependants were medically prepared and cleared before overseas posting, as were more than 320 staff going on short-term missions. We also managed 47 medical evacuations and over 3200 enquiries.

The Principal Medical Adviser provided medical advice to Parliamentarians and other government agencies on issues relating to travel medicine and international health. The consular area was also provided with medical advice in relation to health issues relating to sick or injured Australians overseas.

The department continued to operate six doctor-based clinics attached to posts in the Asia–Pacific region. Major issues dealt with during the year included the severe acute respiratory syndrome (SARS) virus, avian flu and a number of outbreaks of dengue fever and typhoid.

The Staff Counsellor provided clinical services in support of a range of departmental functions. On-site psychological support services were offered to staff selected for duty in the Australian Representative Office in Baghdad and to staff in Manila following terrorist targeting. The Staff Counsellor also helped develop improved personal security awareness training for posts to respond more effectively to adversity while serving in high-risk environments.

We provided specific training to staff in the Emergency Call Centre to manage crisis calls and to help them maintain wellbeing over extended periods of duty.

We provided specialist input to a small number of consular cases that involved high levels of trauma or distress. These cases included consular staff dealing with incarcerated Australian citizens facing death penalties, sexual assault victims and a small number of Australian families who experienced difficulties in the wake of the Bali memorial service.

The department supported staff and their families on postings and in Canberra. The Family Liaison Officer, with the assistance of the Community Liaison Officer network, briefed more than 100 employees and spouses prior to posting, managed some 40 requests for compassionate travel from posts, and provided general support to staff and their dependants both in Australia and overseas. The Senior Executive decided to expand our on-site childcare facilities by an additional 20 places in response to growing demand for places.

We strengthened our commitment to consultation on occupational health and safety (OHS) through successful negotiation of a new two-year Employer/Employee OHS Agreement with staff and union representatives. The Agreement defines the structural framework within which OHS is managed in the department. It came into effect on 9 September 2003.

We developed and implemented training modules on OHS and workers' compensation and rehabilitation for incorporation into in-house management courses—including mandatory courses for newly appointed senior executive staff. The existing briefings to groups of employees proceeding on overseas postings have been augmented through the provision of individual sessions with senior administrative staff and Heads of Mission/Post. Our incident notification procedures were revised and reissued, while our incident report form was modified to allow online submission using the department's intranet.

Management of financial resources

The department's financial resource management function supports our operations in Australia and overseas by:

- managing our internal and external financial and budgetary processes
- improving the effectiveness of our financial management information system
- providing comprehensive and timely financial and budgetary reports to the Senior Executive
- implementing financial management, budgeting and contracting policies
- implementing a system of effective internal controls, including financial delegations
- managing the internal and external audit process
- managing our treasury function.

The department improved its financial management tools by redeveloping financial management policies and instructions, revamping financial management training for staff going overseas on posting and improving management information system instructions.

In the ANAO's review of major government agencies' control structures that underpin the 2003–04 financial statements, tabled in Parliament in June 2004, the department ranked equal first, with no significant business or financial risk noted. The ANAO said that we had maintained a strong focus on continuously improving the quality of our financial information, reporting systems and processes, covering an extensive overseas network.

In 2003–04 the Government provided the department with further appropriation funding through the Additional Estimates process to improve physical security at overseas posts. This funding, totalling \$11.1 million in 2003–04, \$25.8 million in 2004–05, \$17.4 million in 2005–06, \$13.8 million in 2006–07 and \$6.5 million in 2007–08, allows for the introduction of various security detection systems, the upgrade of chancery and residential security and improved emergency communications at overseas posts. It also provides for the accelerated relocation of six Australian missions in high-risk regions.

The department, including the operations of the Overseas Property Office (OPO), recorded an operating surplus of \$155.7 million for 2003–04 before the payment of dividends. Dividends of \$131.5 million were paid during the year, consisting of:

- an OPO distribution of \$99.1 million
- the repayment by the department of within-year foreign exchange gains of \$30.1 million under its foreign exchange supplementation agreement with the Department of Finance and Administration
- the repayment by the department of unspent funding of \$2.4 million received on a 'no win-no loss' basis.

The department received audit clearance of its financial statements from the ANAO on 30 July 2004. The ANAO has again issued an unqualified audit report with no findings being made in relation to its audit of our financial statements.

Our major focus for 2004–05 will be twofold: to work towards the new advanced audit clearance deadline of 20 July for the 2004–05 financial year, and to implement a transition strategy for reporting under internationally harmonised accounting standards on 1 July 2005.

There have been no developments or events since 30 June 2004 that have affected or will affect the operations or financial results of the department.

Harmonisation with International Accounting Standards

From the financial year ending 30 June 2006, revised Australian Accounting Standards that are consistent with International Accounting Standards (IAS) will apply to the department. Financial information will have to be presented as though the new standards had always applied.

The department has implemented a comprehensive strategy in line with Department of Finance and Administration recommendations to deal with issues associated with the adoption of IAS. Key elements of the strategy are as follows.

- We have developed a formal transition strategy, which identifies and categorises project risks and issues and outlines action plans for tackling these issues.
- We have put in place an appropriate governance structure with close monitoring of the project by the CFO and regular reporting to the Financial Statement Sub-Committee of the departmental Audit Committee.
- We have categorised and addressed project issues on a risk management basis according to their impact on the department.
- We have dedicated appropriate resources and expertise to the transition task.

Human resource management information system

We introduced a single sign-on for the department's human resource management information system, PeopleSoft. This enables all Australian-employed staff, in Australia and at overseas posts, to access the Employee Self Serve (ESS) function of PeopleSoft without having to enter user details and a password a second time. This feature, with its inbuilt security characteristics, has streamlined access to the system for users and significantly reduced the number of password-related calls to the PeopleSoft helpdesk.

The department uses SAP payroll and standard HR for locally engaged staff in London, Washington, New York, Chicago, Los Angeles and Honolulu. The Recruitment, Training, and Qualifications and Competencies module was implemented for Washington, New York, Chicago, Los Angeles and Honolulu during October 2003. ESS was implemented for locally engaged staff in London, Washington, New York, Chicago, Los Angeles and Honolulu in May 2004. This provides significant new functionality to London and US posts. It enables staff to apply electronically for leave and take charge of the maintenance of their own HR data, as is the case for Australian-employed staff with PeopleSoft, with resultant economies in HR management in London and Washington.

The department is assessing the feasibility of implementing a global human resources management information system for locally engaged staff. Posts currently use numerous systems to record and account for critical LES conditions of service data. The evaluation of this data will help determine the complexity of the design, implementation and maintenance of a global system and long-term feasibility.

Financial management information system

During the year we undertook substantial work in SAP to reduce the considerable manual effort and improve the management and reporting of Special Accounts. There was also a requirement to develop more detailed reports to enable the users to report to the boards on expenditure on grants and projects. These changes will come into effect from 1 July 2004.

We completed a review of the provision of SAP training in September 2003, which identified a number of areas where improvements could be made to both the content and delivery of training. The outcome of the review was a more focused delivery of training for finance managers.

Assets management

The department improved its asset management by better scrutinising work areas' asset-acquisition proposals. Work areas continued to improve their five-year asset replacement planning cycle, and pursued leasing options in lieu of asset purchase, for example, for computers and photocopiers.

In 2003–04 the department revalued eight asset classes: vehicles, information technology equipment with a useful life of five years, information technology equipment with a useful life of ten years, plant and equipment with a useful life of five years, plant and equipment with a useful life of ten years, furniture and fittings, office equipment and leasehold improvements. The revaluation prepared for the transition to comply with new international accounting standards in 2005–06 and to conform with the requirements of current accounting standards. From 2002–03 we adopted 'fair value' as the valuation methodology for property, plant and equipment.

Competitive tendering and contracting (CTC)

The department updated and supplemented documentation for tendering and contracting, available to all staff via the department's intranet. This is an ongoing process that will include a review of standard departmental contracts.

We amended the department's website to include notification of all tenders, including restricted tenders, as well as expressions of interest and pre-tender notices.

New contracts for outsourced services exceeding \$100 000 included:

- a three-year contract from April 2004 for the provision of travel management services to the Foreign Affairs and Trade portfolio signed with Carlson Wagonlit Travel Australia Pty Ltd. This contract is on a fee-for-service basis at a cost of approximately \$550 000 a year to the department
- a five-year contract from March 2004 for the provision of diplomatic mail management and freight services signed with DHL International (Aust) Pty Ltd at a cost of \$8.3 million.

Other major new contracts signed during the year included:

- a contract for the design, development, testing and production of Australian travel documents with Note Printing Australia Limited at a total cost of \$41.7 million over ten years from 11 December 2003
- a contract with 3M Australia Pty Ltd for provision of security laminates for Australian travel documents at a cost of \$9.5 million over three years from October 2003
- a three year contract starting on 21 June 2004 signed with Ryebuck Media Pty Ltd for the development and implementation of a teacher's resource kit for introduction to schools in selected Arab countries at a cost of \$566 000.

All CTC contracts of \$100,000 or more let during the reporting period provide for the Auditor-General to have access to the contractors' premises.

Purchasing performance

The department's procurement policy provides the means for the efficient, effective and ethical delivery of the Government's purchasing and procurement programs. All contractual arrangements entered into were conducted within the *Commonwealth procurement guidelines*, industry development policies and the department's *Procurement manual guidelines*. There were no contracts in excess of \$2000 or standing offers exempted from being published in the Purchasing and Disposal Gazette on the basis that publication would disclose exempt matters under the *Freedom of Information Act 1982*.

Consultancy services

The department engages specialists and recognised experts on an ad hoc basis where it lacks specialist expertise, or where independent assessments or input are considered desirable.

The selection process for consultancy services both in Australia and at overseas posts is consistent with our broader procurement policies and the *Commonwealth procurement guidelines*. The total expenditure on consultancy services during the year was \$6 344 084, including 102 new consultancy contracts. More detailed information, including a summary of the department's policy on the selection and engagement of consultants and a detailed list of all consultancy contracts let during the year to the value of \$10 000 or more, is available in an appendix to the Internet version of the annual report at www.dfat.gov.au/dept/annual_reports.

Overseas property—leased estate

The overseas estate comprises owned and leased properties. Management of the overseas owned estate is the responsibility of the Overseas Property Office (OPO) and is funded from a Special Account (see Outcome 4). Aspects of the department's overseas leased estate are also managed by OPO but are funded from departmental appropriations.

The leased estate comprises properties leased from private landlords. The department leases nearly 500 such properties, including chanceries and head of mission residences, as well as staff accommodation and other facilities. The department provides funding to overseas posts to pay for leased properties. Post responsibilities include payment of office and residential rent, meeting tenant maintenance obligations and maintaining furniture. Funds for any additional commercial leases, substantial rent increases and chancery fit-outs are held and managed centrally.

OPO retains a role in relation to the leased estate in overseeing project management and providing technical support for refurbishments and relocations of leased chanceries and head of mission residences.

Properties in the overseas leased estate must satisfy both functional needs and security requirements arising from the current international environment. Staff welfare and occupational health and safety requirements are also key considerations in managing the estate.

Overseas leased chancery projects completed during 2003–04 included the relocation of our chanceries in Beirut and Dublin, and establishment of the chancery in Abuja following the High Commission's move to the Nigerian capital from its former offices in Lagos. Projects initiated in 2003–04 included chancery projects for new posts in Accra, Kuwait and Port of Spain, and several chancery relocations including more suitable accommodation for the Australian Representative Office in Baghdad. Work is also proceeding to relocate two chanceries—in Port Vila and Tehran—to provide improved protection against local seismic risks.

Head of mission residence refurbishments and furniture and fittings upgrades are also managed from centrally held funds. In 2003–04 we completed furniture upgrades for the official residence in Tokyo and began upgrades for the residences in Apia, Ankara, Athens and Colombo.

Domestic property

Within Australia, the department provides leased office accommodation for staff in Canberra, the state capitals, Darwin, Newcastle and Thursday Island. The Canberra Passport Production Centre was formally opened on 1 December 2003 and the Hobart Office moved to new premises in August 2003. We worked with Sydney Airport to sign a new lease with effect from July 2004 for an enlarged diplomatic mails facility.

The R G Casey Building housing our central headquarters was subject to a rent review in June 2004. The independent valuer appointed to determine a fair market rental value for the building agreed with the department's case that no rent increase was justified. The department further developed its Environmental Management System (EMS) in line with whole-of-government objectives to reduce the impact of government operations on the environment. See Appendix 8 for more information.

We improved physical security within and around the R G Casey Building and at state and territory offices, commensurate with overall threat levels. This included the construction of a discreet barrier, in keeping with surroundings, designed to restrict vehicle access to the rear of the R G Casey Building. Ongoing reviews of the five-year contract with the Australian Protective Service for the provision of guarding services at the R G Casey Building and at three overseas posts confirmed a consistent high level of performance.