

CORPORATE MANAGEMENT AND ACCOUNTABILITY

SECTION 3

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CORPORATE MANAGEMENT AND ACCOUNTABILITY

Overview

The department's flexible work structures, supported by centralised staffing arrangements, underpinned our responses to changing priorities in a demanding international environment.

We effectively deployed staff to manage consular and often emergency situations. The department's well-established crisis management systems, including 24-hour crisis centres in Canberra and special teams deployed overseas at short notice, ensured timely and effective responses to the Indian Ocean tsunami, the Jakarta embassy bombing and the kidnapping of an Australian in Iraq.

The department also ensured adequate numbers of qualified staff were identified and deployed to meet our objectives for high-profile events such as the Athens Olympics and Anzac Day commemorations at Gallipoli. We met an increased demand for resources to pursue the Government's ambitious trade policy agenda, in particular for negotiating free trade agreements (FTAs) with China, ASEAN and New Zealand, Malaysia, and the United Arab Emirates (UAE).

The safety, health and welfare of employees and their families is critical to the department's ability to achieve its goals, including in demanding and unpredictable overseas environments. We expanded our Staff Counsellor's Office to consolidate existing support networks for staff and their families. The Staff Counsellor's Office and our Principal Medical Adviser also provided expert professional assistance that informed the department's response to consular emergencies overseas.

The department worked to improve the efficiency of our management and accountability practices. We began a project to acquire and implement a successor to our human resource management information system that will consolidate existing tools and may position us to implement aspects of the system for locally engaged staff overseas. The department began implementing an audit self-assessment program for posts that will make our internal audit capacity more rigorous and efficient.

Our training programs continued to provide opportunities for staff skilling across a range of policy and corporate areas, as well as in foreign languages. Formal staff responses to our training programs were positive overall.

We concluded a new Service Level Agreement (SLA) for the provision of management services to 26 attached agencies at overseas posts (see sub-output 1.3.2 for more information).

Corporate governance

The department's strong institutional governance framework ensures we fulfil corporate responsibilities that support our performance outcomes (see performance reporting under Outcomes 1–4).

Senior Executive

The Secretary and the four deputy secretaries make up the department's Senior Executive (see also Departmental Overview: Organisational structure on page 12). The Senior Executive provides leadership and strategic direction for the department and ensures we meet our corporate governance requirements.

Dr Ashton Calvert AC, who was Secretary and Chief Executive until 4 January 2005, and Mr Michael L'Estrange, from 17 January 2005, provided close direction on all major foreign and trade policy issues and on the department's corporate management. The Secretary provided direct leadership in shaping and communicating the professional values and culture of the department in Australia and abroad. He decided all Senior Executive Service (SES) staff placements.

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

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

Members of the Senior Executive frequently represented the Government at high-level meetings in Australia and overseas. The deputy secretaries also chaired key corporate governance bodies (see below).

Management mechanisms

Our management mechanisms—listed below—provide effective decision-making and communication of corporate policy and 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. The heads of the Corporate Management Division, 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 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 department's corporate governance, risk management and control framework, including business continuity planning
- 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, staff from our Evaluation and Audit Section and ANAO officers attend each meeting as observers.

Ethics Committee

The Ethics Committee oversees the development and implementation of policy on conduct and ethics issues and the work of the department's Conduct and Ethics Unit. The committee comprises ten members from various levels within the department and is chaired by a deputy secretary. It meets regularly to provide guidance on departmental 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 the department's 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

The Secretary's weekly meeting with division heads is the central means of communicating corporate and policy priorities throughout the department. Division heads are responsible for disseminating key messages from these meetings to their staff. In addition, on an as required basis, the Secretary holds policy planning meetings with senior executive staff to discuss priority or emerging policy issues. These meetings help develop a stronger sense of coherence and corporate unity in our policy work and in determining corporate management strategies.

The Secretary communicates with staff through his weekly meetings with division heads, weekly policy reports, administrative circulars, the department's intranet and the staff newsletter, *DFATNEWS*.

Posts were kept informed of and contributed to policy and corporate initiatives through:

- the Secretary's weekly policy reports
- 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, sometimes in conjunction with ministerial and senior officials' consultations
- post liaison visits led by a deputy secretary, the head of Corporate Management Division or the head of Diplomatic Security, Information Management and Services Division
- regional seminars with senior post management attended by senior representatives of Corporate Management Division and Diplomatic Security, Information Management and Services Division to convey and seek feedback on corporate policy and resource issues

- regional public diplomacy workshops led by staff from Canberra
- policy and administrative guidance through administrative circulars.

Planning and review

The corporate plan provides guidance on the department's goals in implementing foreign and trade policy and informs activity planning. Performance expectations and planned use of resources are set out in our portfolio budget statements.

A series of departmental planning and review processes—covering all divisions, overseas posts and state and territory offices—takes place throughout the year, ensuring resources are directed effectively 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 to 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 2004 and the mid-term review in February 2005, the department's 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 higher priority projects.

Post evaluation reports

The department undertakes an annual evaluation of the performance of our overseas posts over the previous 12 months. The process is a central mechanism for ensuring posts' work is focused on the Government's priorities. We assess posts' contributions to policy outcomes, examine the quality of post management and set priorities for the forthcoming year. Post evaluation helps inform the Senior Executive's appraisal of the performance of individual heads of mission and post.

Incorporating the views of other departments and agencies is a key element of our post evaluation. For 2004–05, we invited comment from 79 departments and agencies, compared to 33 in the previous year. The increase followed a suggestion from the ANAO in its 2004–05 audit on the Management of Bilateral Relations with Selected Countries. We seek strategic-level assessments of posts' performance in meeting the Government's policy objectives, although feedback on operational issues is also welcome. Agency comments were very positive overall, demonstrating 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. The 2004–05 evaluation found that state and territory offices were meeting their expectations in these areas.

Post liaison visits

In 2004–05, deputy secretaries, the head of Corporate Management Division or the head of Diplomatic Security, Information Management and Services Division led small teams that conducted post liaison visits to 10 posts. The annual program of post liaison visits allows us to assess first-hand post performance against agreed objectives and provides an opportunity for post staff and their families to raise any concerns direct with senior staff from Canberra. As a result of the visits, the department assessed whether posts were appropriately staffed and resourced and, as appropriate, considered adjustments. Each PLV produces a list of recommendations on post operations that are subsequently considered for implementation.

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 the department maintains an effective internal control framework and complies with legislative and other obligations.

We completed and presented to the Audit Committee general assurance and compliance audits covering:

- eleven posts on site
- four posts as desk audits in Canberra
- one state and territory office on site
- six divisions in Canberra
- superannuation delegations (annual requirement)
- handling and storage of highly sensitive national security material by the department (annual requirement)
- internal controls in the procurement preparation system in Canberra
- internal controls in the transfer of salary data to the payments system.

The Audit Committee noted that all recommendations arising from these audits were satisfactorily addressed during the year.

The Audit Committee approved the department's move to full risk-based audit selection, the trialling of a self-assessment tool that will complete our control self-assessment framework for posts, and the move to internal control targeted audits that will better assess the extent to which our internal controls mitigate risks. The Audit Committee also approved the start of scoping for the first fully independent performance audit—parts of which will be conducted in 2005–06. These modifications will align the audit program with contemporary best practice in auditing.

Risk management and business continuity planning

The Audit Committee has governance responsibility for risk management and business continuity planning. In 2004–05 the department: updated our risk register; developed and began implementing a risk management communications plan to promote the application of effective risk mitigation procedures; ran quarterly risk management and business continuity training sessions for departmental staff; and incorporated the identification of risks into the department's business planning through the divisional and post evaluation report processes. We updated our business continuity plan based on a test conducted in April 2005 and monitored posts' and divisions' individual plans.

Conduct and ethics

The department has instituted a workplace culture that promotes high ethical standards. We continued to develop the existing strong staff awareness of the APS Values and Code of Conduct. In October 2004 we revised and re-issued our Code of Conduct for Overseas Service for Australia-based staff. The code takes account of the significance of the department's representational role outside Australia.

We conducted investigations into both Australian-based and locally engaged staff on an as required basis, again recording low levels of reported fraud and misconduct. We continued extensive outreach activities, including mandatory conduct and ethics training for all staff on pre-posting training and for new staff and graduate and other trainees. Conduct and ethics awareness was an important component of a range of other staff development and management courses, such as management workshops, the locally engaged staff Leadership and Development Program, and Regional Management Conferences. We provided briefings on post-specific conduct and ethics issues to heads of mission and post, deputy heads of mission and senior administrative officers before their departure on posting.

The department's human resources manual includes a chapter with departmental-specific guidance on: procedures for dealing with gifts, benefits and hospitality; SES returns of private interests; offers of sponsored travel; and diplomatic and consular privileges.

Fraud measures

In accordance with the requirements of the Commonwealth Fraud Control Guidelines, the department has in place fraud risk assessments and a fraud control plan. The department has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet the specific needs of the department and comply with the Commonwealth guidelines.

Management of corporate records

Following the report of a departmental Risk Management Taskforce, issued in 2003, we developed a Strategic Plan for Records Management 2004–07. The plan, available to all staff on the department’s intranet, is designed to improve our record keeping capacity and performance for paper and electronic records. Phase 1 of the plan—setting the foundation for better records management—has been implemented. Phase 2—conducting a scoping study to evaluate options for resolving management software issues—is under way. Phases 3 and 4 are scheduled for completion during the life of the plan.

Whole of government issues

The department worked with other agencies on issues requiring a whole of government response. In particular, our consular emergency and crisis management systems, including the prompt establishment of Inter-Departmental Emergency Taskforces (chaired by the department), provided coordination points for implementing whole of government policy and operational approaches (see sub-output 2.1.1—with reference to our responses to the Indian Ocean tsunami and Douglas Wood’s kidnapping—for more information). To further cement the department’s whole of government culture—in keeping with the Department of the Prime Minister and Cabinet’s guidelines on *Working Together: Principles and Practices to guide the Australian Public Service*—we are integrating whole of government issues into departmental training programs and performance management templates for managers. The Secretary issued an Administrative Circular outlining the expectation that staff implement whole of government approaches to issues that cross traditional agency boundaries.

External scrutiny

Reports by the Australian National Audit Office

The Auditor-General tabled in Parliament a number of audit reports relevant to departmental operations. Two audits were specific to our operations and six cross-agency audits required our response.

The two ANAO reports relating directly to the department were:

Report No. 8: Management of Bilateral Relations with Selected Countries

The objective of the audit was to assess the department's management of bilateral relations and to identify any scope for improvement. We have implemented both recommendations arising from the report: to improve the integration of risk management in our strategic planning and review processes; and to strengthen reporting against outcome indicators in the department's Performance Information Framework.

Report No. 28: Protecting Australian Missions and Staff Overseas

The audit's overall objective was to assess the management of the physical protection of Australian missions and staff overseas. The department was the main focus of the audit, given its responsibility for security at some 80 overseas missions. The audit also included limited coverage of Austrade, which has responsibility for security of the 17 consulates it operates. Because of the sensitive security nature of this document, details of this audit report are not available for public dissemination.

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

Report No. 3: Management of Internal Audit in Commonwealth Organisations

The audit examined whether selected Commonwealth organisations had used better practice principles when establishing the role, and managing the use, of their internal audit groups. In evaluating internal audit processes, the audit considered the status and accountabilities of internal audit within the overall governance framework of the organisations audited, in particular its accountabilities to the audit committee. The department has implemented all eight recommendations resulting from the report.

Report No. 13: Superannuation Payments for Independent Contractors working for the Australian Government

This audit examined whether Commonwealth organisations were identifying contracts that were wholly or principally for the labour of the contractor and meeting statutory superannuation obligations under the *Superannuation (Productivity Benefit) Act 1988*. The ANAO recommended that agencies ensure their administrative processes adequately controlled the risks of contracting with individuals; and that agencies address the risk that statutory obligations in past and current contracts have not been met. The department is confident that its current arrangements adequately control the risks concerned, and that the risk of superannuation liabilities in past cases has been adequately addressed.

Report No. 15: Financial Management of Special Appropriations

The audit sought to: identify all Special Appropriations and ascertain which entities are responsible for their financial management and reporting; and assess entities' financial management and reporting of Special Appropriations against the Commonwealth's financial management and reporting frameworks. The audit examined the financial management of all Special Appropriations in the period 1998–99 to 2002–03, with the exception of those related to Special Accounts and those administered by Government Business Enterprises. The department has implemented the three recommendations relevant to our operation.

Report No. 26: Measuring the Efficiency and Effectiveness of E-Government

This audit was designed to identify the methods used by selected agencies to: measure the efficiency and effectiveness of their delivery of services through the Internet; evaluate the adequacy of these methods; and identify better practices and opportunities for improvement. The department has implemented all seven recommendations.

Report No. 37: Management of Business Support Service Contracts

The audit examined the management of business support service contracts in selected agencies to: assess the effectiveness of business support service contract management in the transition, ongoing management and monitoring and succession planning stages of the contract management lifecycle; and identify examples of better practice and opportunities for improvement for individual agencies and Australian Government agencies more broadly. The department has implemented the report's two recommendations.

Report No. 41: Administration of Security Incidents, including the Conduct of Security Investigations

The audit evaluated the policies and practices of selected organisations to determine whether they had established sound arrangements for, and maintained effective control over, the administration of security incidents and investigations. The department has implemented all seven recommendations.

The department is currently examining the recommendations contained in the following five cross-agency reports tabled in May–June 2005:

- Audit Report No 46: Management of Trust Monies in CAC Act Entities
- Audit Report No 49: Administration of Fringe Benefits Tax
- Audit Report No 52: Legal Services Arrangements in the Australian Public Service
- Audit Report No 55: Workforce Planning
- Audit Report No 57: Purchasing Procedures and Practices

Courts and administrative tribunals

Thirteen legal matters were resolved during the reporting period. Of these, eight were resolved in favour of the department and five were withdrawn by the applicants. Four other decisions in favour of the department are subject to appeal or other legal process. 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 19 parliamentary committee inquiries. In addition, departmental staff appeared before the Joint Standing Committee on Treaties on seven occasions in relation to proposed treaty actions (see Appendix 6 for further details).

Ombudsman

The Commonwealth Ombudsman investigated 28 issues with respect to the department's activities in 2004–05 and arrived at three negative findings. No formal reports were issued.

Legislation

The department managed effectively the process for adoption of all portfolio-related legislation. The *US Free Trade Agreement Implementation Act 2004* and the *US Free Trade Agreement Implementation (Customs Tariff) Act 2004*, implementing Australia's obligations under the Australia–United States Free Trade Agreement, were assented to on 16 August 2004.

The department drafted and facilitated the adoption of the *Australian Passports Act 2005*, the *Australian Passports (Application Fees) Act 2005* and the *Australian Passports (Transitional and Consequential) Act 2005*, which received assent on 18 February 2005. These acts introduced major improvements to the regulation of passports (see sub-output 2.1.2 for more information).

The Consular Privileges and Immunities (Amendment) Bill 2005 was successfully introduced into the Senate on 16 March 2005.

We facilitated the enactment and variation of several regulations, including changes for the introduction of the new passports regime, implementation of sanctions in accordance with our obligations to implement UN Security Council resolutions, and various changes to privileges and immunities.

We contributed to the development of legislation initiated by other portfolios that affected the foreign affairs and trade portfolio.

Compensation for detriment caused by defective administration

Nine cases were lodged under the compensation scheme for detriment caused by defective administration. Four cases were resolved satisfactorily, three of which were ongoing from previous financial years, resulting in five payments made from administered funds. Three cases were rejected and six cases remained in progress at the end of the financial year, one of which was lodged in the previous financial year. Five cases lodged in previous financial years have not been pursued by the claimants.

Management of human resources

The department deployed staff efficiently and flexibly to meet the Government's busy foreign and trade policy agenda and deliver consular and other services.

We positioned additional staff with appropriate skills to begin negotiating four new free trade agreements (with ASEAN and New Zealand, China, Malaysia, and the United Arab Emirates) and to provide consular and administrative support for high profile events such as the Olympic Games in Athens and Anzac Day commemorations at Gallipoli. We adjusted staffing levels at our consulate-general in Bali in response to increased consular demand.

The department's crisis management planning stood up well to emergency situations. Well-established systems allowed quick activation of our 24-hour crisis management centre in Canberra and, as required, the deployment overseas of special teams at short notice after incidents such as the Jakarta embassy bombing, the Indian Ocean tsunami and the kidnapping of an Australian in Iraq. We provided additional staff training to develop a bigger pool of officers with the required skills to work in our crisis and emergency call centres.

Based on headcount as at 30 June 2005 (see tables 16 and 18), the department had 3389 staff, comprising 1986 A-based staff and 1403 locally engaged staff. Of the department's A-based staff, 1207 were in Canberra, 493 were in our overseas missions, and 286 were located in state and territory offices. There was a net increase of 36 in A-based staff numbers over the previous year. The changes in the A-based staffing profile resulted from a growing demand for passports production and additional resources required to upgrade security at our overseas posts, and a restructuring of communications and information technology services.

As part of the Government's commitment to strengthening Australia's relationship with the Middle East, the department opened and staffed a new embassy in Kuwait City.

Workforce planning, staff retention and staff turnover

The department is working to improve forecasting capability and to analyse and manage the long-term implications of our workforce profile. We are committed to developing our employees' skills and experience to provide for flexible deployment in a variety of roles according to changing priorities and objectives. In a tightening

labour market, especially for graduates, we aim to ensure the department remains an employer of choice, as reflected in high numbers of applications for generalist and specialist positions. The implications of an ageing workforce and succession planning will continue to be important areas of focus.

The department embraces workforce planning as part of its strategic approach to human resources management. The fluid nature of the policy environment we face and the need to regularly post and place a significant portion of our staff demand that we continually anticipate required staffing levels and skills. Despite a highly mobile workforce, we consistently fill essential positions with appropriately skilled staff.

A healthy organisation—a productive organisation

The low incidence of unscheduled leave in the department demonstrates the success of our efforts to maintain a healthy workplace and high productivity. In 2004–05, our staff took 6.34 days of unscheduled leave per full-time equivalent employee (FTE)—much lower than the APS average of 11.9 days per FTE employee and below the private sector median of 6.8 days per FTE employee. We also have a lower number of compensation claims than the APS average.



The new extension of the Currawong Childcare Centre was officially opened in February 2005 by the Secretary, Mr Michael L'Estrange. Departmental staff Margaret Bowen with her daughter Eri (left), and Mardu Wu with her daughter Siena (right), flank the Secretary.

Currawong Childcare Centre

The new extension of the department's childcare centre was officially opened on 25 February 2005 by the Secretary, Mr Michael L'Estrange. The Currawong Childcare Centre now caters for up to 90 children in five age groups from newborns to five years. Opened in 1996, the Currawong was among the first childcare centres in government agencies in the ACT and it remains one of a few such facilities. The provision of work-based childcare is a key element in the department's commitment to help employees balance their professional and personal responsibilities and is consistent with our family-friendly policies.

Human resource management information system

We analysed the department's work practices relevant to Peoplesoft, our electronic human resource management information system (HRMIS). As a result, we automated a number of administrative processes via Peoplesoft. For example, Peoplesoft's Posting Dates Proposal module has replaced the manual Staff Movement Action Advice, and the Leave Deeming and Leave Audit modules have improved the accuracy and accountability of leave processing.

We initiated the 'HRMIS Succession Project' to provide clearly defined options for the acquisition and implementation of a successor to PeopleSoft (Version 7). The project will consider the department's future strategic requirements in HRMIS to place us favourably to achieve other potential long-term goals, such as a consolidation of HRMIS tools and possible implementation of a global locally engaged staff HRMIS solution.

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.

We attracted more than 2300 applicants for our graduate intake for 2005. 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 2005 graduate trainee intake, which included graduates of international relations, law and economics, as well as engineering, strategic studies, science and education. There was also increased interest in our corporate and financial management trainee program, which aims to attract new staff with high-level skills and qualifications in accounting and management.

The department's Contractor Management Unit (CMU) further tightened procedures for engaging contractors, paying particular attention to the revised Commonwealth Procurement Guidelines introduced in January 2005.

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 the elimination of bullying, harassment and discrimination. There are designated workplace diversity contact officers in all work units in the department in Canberra, in state and territory offices and at overseas posts.

Through our workplace diversity program, the department seeks to provide Indigenous Australians with employment opportunities in Australia and overseas. We recruited five Indigenous employees and promoted awareness of employment opportunities in the department through increased outreach activities with Indigenous communities and networks. We concentrated efforts to promote the career development of Indigenous employees through the Indigenous Task Force, which provided a forum for Indigenous employees to discuss issues of concern with senior management. The department launched in November 2004 a new *Indigenous Recruitment and Career Development Strategy 2004–07* to assist the career development of our Indigenous employees.



Pictured at DFAT's 2004 Roni Ellis Indigenous Study Awards (REISA) presentation ceremony on 3 December 2004 (standing, left to right): Doug Chester, Deputy Secretary; Nicole Rawson-Harris, daughter of Roni Ellis; Andrew Horne, REISA winner 2001; Terry Williams, Manager, Ngunnawal Indigenous Studies Centre, University of Canberra; Daphne Bennell, REISA winner 2003; Patrick Johnson, departmental officer, elite sprinter and 2004 Olympian; Jillian Omosigbo, REISA winner 2002. Seated, left to right: Peter Backhus, who accepted the 2004 award for his daughter Tarran Backhus; and Jessica Wanganeen, REISA winner 2004. Photo: Michael Jensen

During 2004–05 ten cadets participated in the department’s Indigenous Cadetship Program (see section on trainee programs below).

The department supported and hosted workplace diversity activities for NAIDOC Week in July 2004 and International Women’s Week in March 2005. As part of our NAIDOC Week celebrations, acting Secretary Murray McLean launched the specially commissioned ‘Currawong Children’s Indigenous Mural’ in the R G Casey Building Atrium, which is now displayed in the Currawong Children’s Centre. For International Women’s Day, the Minister for Foreign Affairs Mr Downer launched the *Women working for Australia* display. The display was an important record of the department’s history against the backdrop of developments in Australia and internationally to promote gender equality.

We also acknowledged Harmony Day (21 March) and National Reconciliation Week 2005 throughout our network of offices in Australia and overseas.

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

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 offers more than 70 different training programs. During 2004–05 we established a working group to coordinate training at a strategic level across the department, both in Australia and at our overseas missions. The average number of training days per employee in 2004–05 was 8.6, well above the minimum amount of five days a year required under the department’s training and development strategy (see Table 26 in Appendix 2 for details of training days and costs).

Trainee programs

In February 2005, 31 foreign affairs and trade graduate trainees joined the department. We provide them with a two-year in-house training program before they go on their first postings. The program consists of four workplace rotations, two training blocks focused on professional skills development and, as required, short academic courses in international politics, international law and economics.

Five corporate and financial management trainees joined the department in February 2005. The trainees undertake four workplace rotations in our corporate areas over two years and complete their 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. Five staff participated in the program in 2004–05.

In 2004–05, our Indigenous Cadetship Program assisted ten cadets with tertiary studies. Two cadets graduated from the program in November 2004. Three others undertook work assignments in the department between November 2004 and February 2005, and four new cadets joined us in March 2005. On completion of their tertiary studies, cadets graduate from the program and begin permanent employment with the department. We encourage cadets to apply for other traineeships, including the Graduate Trainee Program and the Corporate and Financial Management Trainee Program.

Language training

The department continued to train staff in priority languages that reflect Australia's foreign and trade policy interests. At any given time around 40 staff were undertaking long-term language training in Australia or overseas. Total expenditure on language training was \$2.19 million.

To encourage staff to maintain existing high-level proficiency in key languages, we conducted four intensive one-week in-house immersion courses in Indonesian, Japanese, Mandarin and Thai. We also conducted well-attended weekly lunchtime language discussion classes.

Studies assistance

The department offers a Studybank scheme providing study leave and financial assistance to staff to complete academic courses in areas relevant to the department's work. At June 2005, 62 staff were studying under the scheme. Postgraduate studies in international law, public policy, accounting and financial management, and business administration accounted for 73 per cent of total enrolments.

Regional management conferences

The department organised regional management conferences for managers at our overseas posts and key locally engaged staff. Conference participants, including senior staff from Canberra, discussed consular and passport, finance, security, property and other administration issues. We held meetings in Miami in August–September 2004 for posts in North and South America and in Paris in March 2005 for posts in Europe.

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 (for information on the payment of performance rewards see Table 25 in Appendix 2).

Locally engaged staff management

Our overseas missions continued to ensure that locally engaged staff were employed in accordance with local labour law requirements and that salaries and conditions packages were appropriate to local markets. Heads of mission and post managers continued to play a vital role in the effective management of LES and their employment arrangements.

The department remains committed to providing locally engaged staff with a safe and productive work environment, appropriate training and fair and effective performance management systems that deliver appropriate rewards. We ensure our posts have consultative mechanisms for effective dialogue between Australia-based and locally engaged staff.

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

The department's current certified agreement came into effect from 1 July 2003. The agreement expires on 30 June 2006. The agreement includes a salary increase of 11.5 per cent over three years. The second increase of 4 per cent was paid with effect from 1 July 2004. On 8 June 2005 the Australian Industrial Relations Commission approved a variation to the certified agreement to increase the final year pay increase under the agreement to 4 per cent, bringing the total salary increase under the agreement to 12 per cent over three years.

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 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 have access to vehicles and mobile phones.

Overseas conditions of service

Conclusion of the department's review of overseas conditions of service has been delayed to allow more detailed consideration of issues. Staff have been consulted throughout the review and it is expected to be finalised in 2005.

Staff welfare

Through specialist services provided by our Staff Counsellor's Office, Principal Medical Adviser and Family Liaison Officer, the department continued to support staff and their families on postings and in Canberra.

The Staff Counsellor's Office and the Principal Medical Adviser played an important role in our response to consular and other emergencies. The Senior Staff Counsellor coordinated trauma support services following the terrorist bombing attack on the Jakarta embassy. The office and the Principal Medical Adviser provided specialist support services for Australian citizens and departmental officers after the Indian Ocean tsunami in Thailand, Indonesia and Sri Lanka. The Principal Medical Adviser visited injured Australians in hospital in Phuket and Bangkok, and provided support to other Australian citizens and government officials deployed in Phuket. The Staff Counsellor's Office coordinated the counselling activities provided in Phuket to Australian families, local expatriate Australians and visitors. Eight families received full case management services, which included counselling on an at-call basis, as well as extensive practical assistance and advice. The office also provided oversight of services by Centrelink social workers.

The office and the adviser contributed to the department's contingency planning for a possible outbreak of avian flu.

The Principal Medical Adviser provided advice to 436 staff and dependants before they undertook overseas postings and more than 360 staff undertaking short-term missions overseas. The department managed 52 medical evacuations. The Principal Medical Adviser provided travel-related medical advice to parliamentarians and staff from other government agencies. The department operated six doctor-based clinics attached to posts in the Asia-Pacific region providing services to Australian Government staff and expatriates.

The department expanded the Staff Counsellor's Office to strengthen the existing support network for staff and their families. The Senior Staff Counsellor provided clinical services in Australia and overseas in support of a range of departmental functions. The office provided on-site psychological support services to staff and families in 19 posts, including Jakarta, Baghdad and Port Moresby. It helped develop improved personal security awareness training for staff posts in difficult environments.

The department's Family Liaison Officer, with the assistance of a network of community liaison officers at many of our overseas posts, briefed more than 130 employees and spouses prior to posting, approved 28 cases of compassionate travel from posts, and provided support to staff and their dependants on issues such as employment and education opportunities while posted overseas.

We continued to consult staff on occupational health and safety (OHS) issues, including through regular OHS forums to discuss OHS policy and procedures (see Appendix 3 for more information on our OHS policy and measures). We delivered training modules on OHS and workers' compensation and rehabilitation through

in-house management courses and mandatory courses for newly appointed senior executive staff. We continued our program of OHS briefings to employees proceeding on overseas postings. We enhanced our OHS policy framework to include guidelines on risk management and on first aid.

Remuneration of senior executives

All SES employees are employed under Australian Workplace Agreements (AWAs). The provisions of the AWAs are consistent with the department's Certified Agreement 2003–06. While the agreements provide for an 11.5 per cent pay rise over the three-year period, consistent with the variation to the Certified Agreement (see page 245), SES employees will also receive the additional half a per cent pay increase in financial year 2005–06, bringing the total pay rise to 12 per cent over the three year period (see note on executive remuneration in the financial statements and Table 24 in Appendix 2 for more information).

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
- further enhancing our financial management information system
- providing comprehensive and timely financial and budgetary performance reports to the department's Senior Executive and the Government
- developing and monitoring financial management, budgeting and contracting policies
- implementing and monitoring a system of effective internal controls, including financial delegations
- managing the internal and external financial audit process
- managing our treasury and tax function.

We continued to improve our financial management framework, including by revising significantly our Finance Management Manual; adopting a project accounting framework; improving our asset management systems and processes; and better tailoring financial management training for staff taking up management positions overseas.

In the ANAO's review of major government agencies' control structures that underpin the 2004–05 financial statements, tabled in Parliament in June 2005, the department ranked equal first, with no significant business or financial risk noted. We were the only agency reported to achieve this result in both the 2003–04 and 2004–05 financial years.

Following the Jakarta embassy bombing, the Government provided the department with further appropriation funding through Additional Estimates to enhance physical security measures at overseas posts. Departmental funding of \$238 million over four years was provided at 2004–05 Additional Estimates, comprising \$73.7 million for 2004–05, \$45.8 million for 2005–06, \$24.6 million for 2006–07 and \$94.8 million for 2007–08 for the installation of bomb blast protection, strengthening of perimeter barriers and security systems and the relocation of some overseas diplomatic missions. This funding forms part of the Government's \$860 million package provided through the 2004–05 Additional Estimates and 2005–06 Budget for agencies represented at Australia's overseas posts.

In the wake of the Indian Ocean tsunami, the department also received Supplementary Additional Estimates funding of \$2.3 million for the provision of emergency consular assistance and for managing the whole of government crisis response, as well as \$15 million in administered funding for financial assistance to affected Australians, disaster victim identification and repatriation of remains, and compensation to the Export Finance Insurance Corporation for the temporary freezing of tsunami-affected countries' debts.

The department, including the operations of our Overseas Property Office (OPO), recorded an operating surplus of \$123.7 million for 2004–05 before the payment of dividends. Dividends of \$25.7 million were paid during the year, consisting of:

- an OPO distribution of \$22 million
- the department's repayment of unspent funding of \$3.7 million received on a 'no win–no loss' basis.

The department received audit clearance of its financial statements on 20 July 2005. The ANAO has again issued an unqualified audit report.

There have been no developments or events since 30 June 2005 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, the department will be required to present financial information in compliance with Australian Equivalents to International Financial Reporting Standards (AEIFRS) as though the new standards had always been applied.

The department has implemented a comprehensive strategy in line with Department of Finance and Administration (DoFA) recommendations to ensure that it is AEIFRS compliant within the required timeframe. All issues relevant to our transition to AEIFRS for 2004–05 have been identified and resolved. We have reached the following milestones:

- Our transitional AEIFRS balance sheet as at 1 July 2004 has been prepared and audited by the ANAO, which issued an unqualified audit report.

- The adjustments to our 2004–05 financial data that would have resulted had AEIFRS been applied for that year have been disclosed as part of our audited 2004–05 financial statements.
- Our 2004–05 financial statements have been restated as if they had been prepared under AEIFRS in preparation for the 2005–06 year and submission to DoFA.
- We have put in place an appropriate governance structure with close monitoring of the project by our Chief Finance Officer 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.

Financial management information system

The department implemented a number of system enhancements to our financial management information system (SAP). We adopted a Project Accounting Framework, which will allow us to adopt a consistent approach to project accounting and project asset policy. The framework is being implemented via the SAP Project Systems module. This will capture, manage and report project costs.

We developed and implemented the Consular Loans Management module in SAP to improve accuracy and accountability for consular loans.

Assets management

The department continued to improve its asset management through close scrutiny of work areas' asset acquisition proposals. We ensured prudent replacement of our assets in accordance with their useful lives. Work areas continued to improve their five-year asset replacement planning cycles.

The department revalued nine asset classes to 'fair value': 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, works of art, office equipment and leasehold improvement. This ensured we complied with new international accounting standards.

Competitive tendering and contracting

The department reviewed and updated its Procurement Manual to comply with the newly released *Commonwealth Procurement Guidelines—January 2005*. We also developed new departmental standard contracts to streamline the contracting process.

The department's website provides notification of all tenders, including select 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 July 2004 for the provision of Helpdesk and Desktop Support signed with Exceed Systems Integration Pty Ltd at a cost of approximately \$6 million
- a three-year contract from March 2005 for the provision of Facilities Management—Voice Operations Unit signed with Telstra Business Systems Pty Ltd at a cost of \$3.9 million
- a three-year contract from September 2004 for the provision of Technical Drawing Office—Facilities Management with Infinite Consulting Pty Ltd at a cost of \$1 million
- a three-year contract from September 2004 for the provision of Technical Services Support—Facilities Management with Bridge IT Engineering Pty Ltd at a cost of \$2.7 million
- a three-year panel contract from February 2005 for the provision of Overseas Cabling and Technical services with Allied Technologies Australia Pty Ltd, Bridge IT Engineering Pty Ltd, C & L Veit Family Trust and J & S McCluskey Family Trust, Ecowise Services (Australia) Pty Ltd, Exceed Systems Integration Pty Ltd, Kaz Technology Services Pty Ltd and Rivercorp Pty Ltd. This contract is on a fee-for-service basis at a total cost of approximately \$1.5 million.

Contracts for outsourced services let in previous years but still current exceeding \$100 000 include:

- 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
- a three-year contract from February 2003 for the management of language tuition services signed with CIT Solutions Pty Ltd at a cost of \$5.7 million
- a three-year contract from December 2002 for the provision of recruitment services signed with Spherion Recruitment Solutions Pty Ltd at a cost of \$850 000
- a five-year contract from May 2001 for the provision of the department's mainframe services signed with CITEC at a cost of \$12.7 million over the period of the contract.

All competitive tendering and contracting 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 for the efficient, effective and ethical delivery of the Government's purchasing and procurement programs. All contractual arrangements entered into were conducted in accordance with the *Commonwealth Procurement Guidelines—July 2004* (and subsequently the *Commonwealth Procurement Guidelines—January 2005*), industry development policies and the department's Procurement Manual guidelines. There were no contracts in excess of \$10 000 or standing offers exempted from being published in the Purchasing and Disposal Gazette (AusTender) on the basis that publication would disclose exempt matters under the *Freedom of Information Act 1982*.

Consultancy services

The department engages recognised experts on an ad hoc basis where we lack 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—July 2004* (and subsequently the *Commonwealth Procurement Guidelines—January 2005*).

During the 2004–05 financial year, \$4 333 595 was spent on new and existing consultancies. A total of 38 new consultancy contracts over \$10 000 were entered into during the 2004–05 financial year involving a total contract value of \$2 273 110. In addition, 24 ongoing consultancy contracts were active during the 2004–05 financial year, involving total actual expenditure of \$1 805 017.

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 property estate comprises owned and leased properties. The department's Overseas Property Office (OPO) manages the overseas owned estate, which is funded from a Special Account (see Outcome 4). The overseas leased estate comprises properties leased from private landlords, and is funded from the department's appropriations.

The department leases nearly 500 properties overseas, including chanceries, head of mission residences and staff accommodation and other facilities. Posts are funded by the department to pay for properties. They are responsible also for paying office and residential rent and meeting tenant maintenance obligations.

Properties in the overseas estate must meet functional needs and satisfy security requirements. Occupational health and safety and staff welfare are important aspects of managing the overseas estate.

In relation to the leased estate, OPO provides specialist property advice and oversees project management for refurbishment and relocation of leased chanceries and head of mission residences, as required.

Overseas owned and leased estate projects completed in 2004–05 included the relocation of our chanceries in Ankara, Athens and Rome, the establishment of new premises for the embassy in Baghdad (see Outcome 4), and the establishment of chanceries for new posts in Accra and Port of Spain. We successfully completed the urgent temporary relocation of the consulate-general in Bali, pending completion of new Australian Government owned purpose built premises. Ongoing projects during 2005 included the construction of a new chancery for our high commission in Port Vila and new premises for our embassy in Tehran, to provide improved protection against seismic risks. In 2005 we began the relocation of the chanceries in Brunei and Harare and the consulate-general in Guangzhou and of premises for our new embassy in Kuwait.

Head of mission residence refurbishments and furniture and fittings upgrades are managed from centrally held funds.

Domestic property

Within Australia, the department provides leased office accommodation for staff in the state and territory capitals, Newcastle and Thursday Island.

The department began rent review negotiations with the owners of the R G Casey Building in Canberra, which houses the department's central headquarters, to determine rent for the period 1 March 2005 to 28 February 2007.

To enhance the perimeter security of the R G Casey Building, the department began work to restrict access to the building to pass-holders and create a new visitor security processing facility. As part of this program, a new passport shop front was built in the Sydney Avenue courtyard, outside the controlled area of the building. The enhancement and relocation of the visitor processing facility to the building's main entrance is due for completion in the second half of 2005.

The department continued to develop our Environmental Management System (EMS) and to incorporate environmental considerations in its business systems, including procurement guidelines, and in building and maintenance work. We are working towards obtaining certification of its EMS in the R G Casey Building to International Standard ISO 14001 (see Appendix 8 for more information).