

SECTION 03

MANAGEMENT AND ACCOUNTABILITY





MANAGEMENT AND ACCOUNTABILITY

| | |
|--------------------------------------|-----|
| Overview | 189 |
| Corporate governance | 190 |
| External scrutiny and accountability | 195 |
| Management of human resources | 197 |
| Management of financial resources | 200 |

OVERVIEW

The department's management agenda focused on strengthening our core capabilities to deliver efficiently on the Government's priorities. The Secretary launched the Women in Leadership Strategy to enhance the diversity and capability of our senior executive service through inclusive leadership, flexible work arrangements and gender targets. The decision to establish a Diplomatic Academy and the department's first Workforce Planning Framework advanced our objective of building future workforce capability.

Overseas, the department implemented the largest expansion of Australia's diplomatic network in 40 years. We opened new posts in Ulaanbaatar, Makassar and Phuket and made substantial progress towards a new post in Doha. These new posts trialled innovative operating models to streamline service delivery and reduce overhead costs. We completed a global review of locally engaged staff conditions and salaries to ensure equity and sustainability for our overseas staffing.



Chair, Secretary Peter Varghese AO (3rd right, front), External Member, Sex Discrimination Commissioner Elizabeth Broderick AO (centre) and Deputy Secretary Gary Quinlan AO (left) with members of the Women in Leadership Steering Group, Canberra, 21 March 2016. [DFAT/Linda Roche]



CORPORATE GOVERNANCE

The department's corporate governance agenda focused on building a more resilient, flexible and accountable organisation to better deliver the Government's foreign, trade and investment, and development policy priorities. Our corporate governance agenda is guided by the *Corporate Plan 2015–2019*, *Strategic Framework 2015–2019* and *Values Statement*.

The *Corporate Plan* articulates how the department will deliver on, and measure its performance in delivering, the Government's policy priorities. The *Strategic Framework* is a high-level statement of the department's purpose and what we do to achieve the outcomes expected of us. It identifies the main assets the department brings to bear in carrying out our work. The *Values Statement* sets out the way the department aims to achieve its purpose and is the foundation for staff actions and behaviour.

In 2015–16, the department strengthened its business planning processes and performance oversight of divisions, posts and state and territory offices. We also continued to implement changes required by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), including the enhanced Commonwealth performance framework.

THE EXECUTIVE

The Secretary and deputy secretaries oversaw all significant foreign, trade and investment, and development policy, as well as the department's corporate management. The executive was also responsible for placements of senior executive staff. The deputy secretaries supported the Secretary through management of the department's work units (see *Figure 1*, p. 7). Members of the executive represented the Government at meetings in Australia and overseas and chaired key corporate governance bodies.

SENIOR MANAGEMENT COMMITTEES AND THEIR ROLES

PORTFOLIO AND WHOLE-OF-GOVERNMENT COORDINATION

The department worked closely with portfolio agencies—the Australian Secret Intelligence Service, the Australian Trade and Investment Commission, Tourism Australia, the Export Finance and Insurance Corporation and the Australian Centre for International Agricultural Research—to ensure a seamless and cohesive approach to implementing the Government's agenda. The Secretary met regularly with portfolio counterparts at agency heads' meetings to enhance high-level coordination on policy and corporate issues, including the Government's economic diplomacy agenda.

The department's leading coordination role across Australia's overseas network is set out in the *Prime Minister's Directive: Guidelines for the Management of the Australian Government Presence Overseas*. Working closely with other government agencies, the department helped achieve whole-of-government objectives, including hosting and participating in major international meetings, delivering a quality aid program and responding to consular crises.

The Secretary and members of the executive met counterparts from other government departments and agencies regularly to support cohesive responses to current and emerging foreign, trade and investment, and development policy matters, as well as shared management challenges.

GOVERNANCE MECHANISMS

The department maintained a structure of management bodies and meetings designed to share information, provide robust corporate governance, convey priorities, and propagate strong and ethical organisational values.

The **Departmental Executive (DE)**—comprising the Secretary and deputy secretaries, and other senior officers—is the department's primary formal governance body.

The DE met weekly, with a focus on strategic resource management and priorities, including the budget and other cross-cutting policy matters. A subset of the DE also reviewed the performance and priorities of overseas posts and departmental divisions under the Post/Division Business Review process.

The following committees, chaired at deputy secretary-level, support the DE:

The **Audit and Risk Committee** provides independent assurance and advice on the department's risk management and fraud control, internal control and compliance framework, and its external accountability responsibilities. It assists the department to comply with its obligations under legislation by recommending improvements to management systems, key business processes, corporate governance and financial and performance reporting.

The committee has three departmental members and four independent external members. Other designated departmental officers and representatives from the Australian National Audit Office (ANAO) attend meetings as observers. The committee met six times during 2015–16.

Comprising members drawn from across functional areas, the **Ethics Committee** met four times during 2015–16 to promote high standards of ethical behaviour and oversee the department's conduct and ethics policies and procedures, including investigations. The committee considered departmental policies on child protection, anti-bullying and harassment, outside employment and post separation employment.

The **Workplace Relations Committee**, with its elected staff representatives and union and management representatives, is the department's principal forum for consulting and informing staff and exchanging views on the workplace. The committee met six times, including to consider the new enterprise agreement, the Functional and Efficiency Review,

postings and promotions, flexible work arrangements and the new performance management framework.

The **Indigenous Taskforce** is a standing forum which sets the department's strategic vision and provides high-level oversight for Indigenous issues. It met three times and oversaw the delivery of the department's Reconciliation Action Plan and the Indigenous Peoples Strategy. It also reviewed issues relevant to the recruitment, career development and retention of Aboriginal and/or Torres Strait Islander employees and provided a forum for the Indigenous Employees Network to canvass issues with members of the DE.

The **Aid Investment Committee** met seven times in the reporting period, providing oversight of Australia's aid investment portfolio and giving strategic guidance on Aid Investment Plans for major country and regional programs. The committee assessed high-risk and/or high-value investment proposals for alignment with government policy, development impact and value for money.

The **Development Policy Committee** met seven times in the reporting period, providing strategic vision, policy consistency and guidance on development policy issues across the aid program, and promoting alignment with Australian foreign, trade and investment policies. The committee considered new and emerging international development policy issues (including the 2030 Agenda for Sustainable Development) and sector strategies (such as the Gender Equality and Women's Empowerment Strategy).

The **ICT Steering Committee** is the department's governance body for information and communications technology matters. In partnership with the department's business areas, the committee sets the strategic direction for ICT and oversees its effective management and operation. The committee met four times to consider business requests for ICT resources, determine ICT investment priorities, review the business technology strategy and monitor the performance of high-risk projects.



The **Departmental Security Committee** was established in October 2015 following a review of diplomatic security. The committee, which includes representation from a range of divisions with security interests, is the department's governance body for security matters. It sets the strategic direction for the department's security responsibilities for staff, property and information, and oversees their effective management and operation. The committee met three times in the reporting period.

The **Trade and Investment Policy Committee** was established in May to provide consistent strategic-level oversight of the trade and investment policy and negotiations agenda, and to promote policy consistency and coherence. An important focus of the committee's work is promoting an integrated approach to bilateral trade and investment relationships, spanning negotiations, compliance, implementation, facilitation and promotion. Its agenda also includes domestic economic and related policies with trade, investment and/or competitiveness dimensions.

EVALUATION AND PLANNING

Regular planning and evaluation took place across the department to ensure efficient and effective allocation of resources to support the Government's foreign, trade and investment, and development policy objectives.

In accordance with the PGPA Act, the department published its *Corporate Plan 2015–2019* and developed the first Annual Performance Statement for inclusion in this Annual Report (see pp. 13–185). The *Foreign Affairs and Trade Portfolio Budget Statements 2015–16* outlined the department's performance expectations and planned use of resources.

The executive conducted rolling reviews of the performance of divisions, posts and state and territory offices against their individual business plans. These business plans report against the priorities in the department's *Corporate Plan* and *Values Statement*. In 2015–16, the executive conducted 30 Division Business Reviews and 49 Post Business Reviews.

As part of the review process, we sought feedback from more than 30 Commonwealth government agencies and key stakeholders. This feedback helped identify opportunities for further or improved collaboration between the department, government agencies and other stakeholders in support of whole-of-government objectives.

OFFICE OF DEVELOPMENT EFFECTIVENESS

The Office of Development Effectiveness (ODE) is an operationally independent unit of the department which monitors and assesses the effectiveness of the aid program and the quality of the department's performance reporting. The work of ODE is overseen by the Independent Evaluation Committee (IEC) (see p. 195).

In 2015–16, ODE published seven evaluations of the department's development programs:

- *Banking our aid: Australia's non-core funding to the Asian Development Bank and World Bank*
- *Evaluation of the Australian NGO Cooperation Program*
- *Gearing up for trade: Australia's support for trade facilitation programs*
- *Investing in teachers*
- *Evaluation of the contribution of Australia Award Scholarships to women's leadership*
- *Mid-term review of empowering Indonesian women for poverty reduction (MAMPU): Verification of the performance story and forward plan*
- *2015 Quality review of aid program performance reports.*

ODE also quality assured the robustness of the department's development performance reporting, drawing upon its annual spot check of performance ratings assigned by aid managers to individual investments and a quality review of aid program performance reports. The ODE assessment of DFAT's *Performance of Australian Aid* report was endorsed by the IEC and published as an annex to that report.

ODE's work plan for 2016 and 2017 was endorsed by the IEC and approved by the Secretary. Evaluation topics were selected on the basis of policy relevance, materiality, potential for learning, and risks to aid effectiveness.

CONDUCT AND ETHICS

The department's Conduct and Ethics Unit (CEU) provides an ethical advisory service and investigates allegations of fraud and misconduct against staff, including locally engaged staff (LES) overseas. We investigated 39 allegations—nine were substantiated and disciplinary action taken. The department dismissed four officers and, in two of those cases, matters were referred to the Commonwealth Director of Public Prosecutions. We terminated the engagement of three contractors, demoted one officer and formally reprimanded another.

The CEU upholds and promotes the APS Values and Employment Principles through e-learning training modules, face-to-face training, and pre-posting conduct and ethics briefings for heads of mission, deputy heads of mission and senior administrative officers.

The department supports staff to report wrongdoing in the APS, in keeping with the *Public Interest Disclosure Act 2013* (PID). The department's PID policy is available on the department's intranet and external website, and the department provides an e-learning course for staff.

COUNTERING FRAUD

The department is committed to reducing the risk and incidence of fraud and corruption across its operations both within Australia and overseas. Our Fraud Control and Anti-Corruption Plan stresses zero tolerance for dishonest or fraudulent behaviour by employees, clients, contractors and recipients of Australian aid program funds. The zero-tolerance approach represents a set of principles and actions that are applied to prevent, detect, investigate and respond to fraud and which comply with the Commonwealth Fraud Control Framework.

The department safeguards Australian funds against the risk of fraud and corruption, including by training our staff and partners, effective design and monitoring of aid investments, and supporting partner governments and other institutions in their efforts to combat fraud and corruption. In 2015–16, we delivered training to 1,185 department, partner government, multilateral, contractor and NGO staff in Canberra and overseas.

RISK MANAGEMENT

The department continued to promote a culture of positive engagement with risk through the application of the DFAT Guide to Better Risk Management. The guide articulates the principles that govern risk management, explains roles and responsibilities and provides step-by-step instructions on how to assess and manage risk. It encourages officers to engage with risk in a positive and transparent way to facilitate innovation and improve policy development and service delivery.

All divisions, posts and state and territory offices maintain risk registers and record key risks in their individual business plans. Risk registers were reviewed by the executive as part of the Division/Post Business Review process. We also used the risk registers to generate a Critical Risk List for consideration by the Audit and Risk Committee and the executive.



Embedding innovation in the department

DFAT's portfolio ministers have challenged the department to become one of the Australian Government's most innovative departments—developing fresh policy options, forging new approaches to addressing longstanding challenges, and rethinking its corporate processes.

The Secretary and executive have led this impetus, providing firm support to the delivery of action under the department's inaugural Innovation Strategy.

The commitment to embedding innovation into the department's culture is exemplified through new initiatives emerging across the department. They include open calls for new ideas from our staff to contribute to the direction of the department's work, testing digital platforms and cloud-based solutions to facilitate greater communication

and collaboration, and developing new partnerships across our work with external partners who bring fresh perspectives that challenge long-held assumptions.

Cumulatively, these initiatives are changing how we deliver on our priorities in foreign affairs, trade and investment, development and client services as evidenced by the Passport Redevelopment Program, FTA Portal, Business Partnerships Platform, Red Tape Review, reDESIGN, and the use of global challenges which tap into the internal creative pool or the global innovation community.

The innovationXchange, in collaboration with divisions across the department, is leading the implementation of DFAT's Innovation Strategy and support to the Innovation Strategy Group.

BUSINESS CONTINUITY PLANNING

The department continued to strengthen its business continuity planning to ensure the availability of essential business services during and after a major disruption to key organisational capabilities. In December 2015, the department held a desktop exercise to test and validate its Business Continuity Plan (BCP). The exercise concentrated on the first 24–48 hours of a major business disruption and tested after-hours emergency management, the maintenance of core functions, and the restoration of business-as-usual services. The exercise confirmed that the BCP enables effective management of a major disruption to Canberra-based operations.

In 2016, the department used the lessons learned from the exercise to further strengthen its BCP. The department will hold annual business continuity exercises to re-validate and continually improve business continuity planning.

As part of the department's business continuity framework, all posts and state and territory offices maintain individual business continuity plans, which are exercised and reviewed at least annually to ensure their effectiveness and currency.

INTERNAL AUDIT

The department's Internal Audit Branch, under the direction of the Chief Auditor, focuses on improving the quality, accountability, efficiency and effectiveness of the functions and processes used to develop and implement foreign, trade and investment, and development policy.

The internal audit program is designed to provide assurance that critical policies and procedures are complied with and identify areas for improvement in administrative and program functions and processes. The program is delivered using a combination of internal resources and external providers.

EXTERNAL SCRUTINY AND ACCOUNTABILITY

INDEPENDENT EVALUATION COMMITTEE

The Independent Evaluation Committee (IEC) is an external body that oversees the work of the ODE (*see p. 192*) in quality assuring and evaluating the performance of the Australian aid program. It provides independent strategic and technical advice on all aspects of ODE's work. The committee has three external members (former World Bank Vice President, Jim Adams, is the chair), and one DFAT representative (at deputy secretary level). The Department of Finance also attends IEC meetings in an observer capacity. The committee met three times in 2015–16.

PARLIAMENTARY COMMITTEES OF ENQUIRY

Departmental officers appeared as witnesses before the Joint Standing Committee on Treaties (JSCOT) in relation to eight proposed treaty actions. This figure does not include occasions on which Treaties Secretariat staff attended JSCOT hearings in an observer/advisory capacity. Officers also appeared as witnesses before two Senate, two Joint Standing, two Joint Select, one Parliamentary Standing and one House of Representatives Standing Committees (*see Appendix 5, pp. 224–5*).

COURTS AND ADMINISTRATIVE TRIBUNALS

The department managed a range of legal matters before courts and tribunals during the year. (*See Appendix 6, p. 226*.)

COMMONWEALTH OMBUDSMAN

The Commonwealth Ombudsman commenced 12 investigations with respect to the department's activities in 2015–16. There were no notices provided under subsection 12(4) of the *Ombudsman Act 1976* and no formal reports were issued.

OFFICE OF THE AUSTRALIAN INFORMATION COMMISSIONER, FREEDOM OF INFORMATION AND PRIVACY

The department finalised 273 freedom of information (FOI) applications in 2015–16.

The Information Commissioner affirmed two FOI decisions made by the department and declined to investigate two other applications for review.

No privacy complaints were referred to the Information Commissioner concerning the department.

Detailed information on the department's management of FOI requests can be found on the Office of the Australian Information Commissioner's website at oaic.gov.au/freedom-of-information/foi-resources/freedom-of-information-reports/

To meet requirements of the *Freedom of Information Act 1982* (FOI Act), we continued to publish information under the Information Publication Scheme contained in Part II of the FOI Act. The content is available at: <http://www.dfat.gov.au/foi/ips.html>



STAFF PROFILE

Linda Hein

Campaign Manager, Smartraveller,
Consular and Crisis Management Division



I manage the design, development and implementation of the new Smartraveller advertising campaign—launched by the Foreign Minister in November 2015. The new phase of the campaign draws on extensive research and includes television, digital, online video and social media advertisements, a multi-channel media strategy, and adaptation of advertising to reach multicultural audiences.

Australians are consuming media in more ways than ever before, and travelling in increasing numbers. It is immensely satisfying to put my years of communications experience to valuable use and create a campaign that effectively reaches diverse audiences, impacts on travellers' perceptions, intentions and behaviour and helps Australians safely enjoy their overseas travel.

LEGISLATION

The department facilitated the enactment of the *Passports Legislation Amendment (Integrity) Act 2015* and the *Trade Legislation Amendment Act (No. 1) 2016*.

We also facilitated a number of legislative instruments, including: the *Australian Passports Determination 2015*, *Charter of the United Nations (Sanctions—South Sudan) Regulation 2015*, *Charter of the United Nations (Sanctions—Syria) Regulation 2015*, and the *International Organisations (Privileges and Immunities—Asian Infrastructure Investment Bank) Regulation 2015*.

The department provided input to legislation managed by agencies within the portfolio and contributed to the development of legislation initiated by other agencies that affected the foreign affairs and trade portfolio.

REPORTS BY THE AUDITOR-GENERAL

The Auditor-General tabled in Parliament the following ANAO report related to the department's operations:

- Report No. 15: Audits of the Financial Statements of Australian Government Entities for the period ended 30 June 2015.

Details of this report can be found on the ANAO website.

COMPENSATION FOR DETRIMENT CAUSED BY DEFECTIVE ADMINISTRATION

Thirteen new claims were made under the compensation scheme for detriment caused by defective administration. The department resolved 18 cases, including applications made in previous financial years. Of these, 14 applications for compensation were accepted, three were rejected and one was redirected to the appropriate agency. Four cases remained in progress at the end of the financial year.

MANAGEMENT OF HUMAN RESOURCES

The department strengthened the management of its human resources to ensure effective delivery of the Government's foreign policy, trade, consular, passports and development objectives. We enhanced the mechanisms through which we understand our workforce needs and support the well-being of staff and families. We undertook a number of reform projects to further professionalise and streamline our human resource functions, both in Australia and overseas.

The department focused on professionalising its human resource management including through the launch of the first Workforce Planning Framework in September 2015 and improvements to human resources data. We managed some areas of staff shortage and recruited actively to optimise our human resources over the next 12 months. We used staffing taskforces to meet specific government objectives, such as the Green Climate Fund Taskforce and the International Energy and Resources Taskforce, and ensured we were well placed to meet urgent demands for crisis

response teams. A new short-term mission register facilitated the transfer of staff at short notice to overseas missions to meet evolving operational requirements and deepen the pool of international experience within the department's workforce.

We launched the reDESIGN (Delivery of Enabling Services in our Global Network) Strategy to explore options for reducing administrative overheads at posts and implementing innovative operating models, such as 'hub and spokes' arrangements.

Under the *Prime Minister's Directive: Guidelines for the Management of the Australian Government Presence Overseas*, the department manages the appointment, termination, salary and terms and conditions of all locally engaged staff (LES), with the exception of those engaged by Austrade. We completed a systematic review of the conditions of service and salaries for approximately 4,000 LES. This brought greater equity and sustainability to our employment framework for LES and helped improve our overseas operations.



Consul-General Craig Ferguson (2nd right) and LES staff of the Consulate-General in Phuket, 8 April 2016. (L. to R.): Consular and Passport Officer Phee Chayakul, Driver Puti Suprungreang, Administrative Assistant Pensri Srikachorn, and Consular and Passport Manager Wootikrai Jitsmark. [DFAT/Phee Chayakul]



DIVERSITY

The department's commitment to capability and productivity enhancement through diversity was underlined by a Women in Leadership Strategy aimed at promoting equality and dismantling barriers to female participation in the senior executive service. We introduced a number of initiatives, including an '*if not, why not*' flexible work trial and targets to lift women's participation to over 40 per cent (up from under 34 per cent) at SES Band 1 and 2 levels by 2020.

We also progressed the department's diversity agenda through the launch of a new Reconciliation Action Plan 2016–19, and an Indigenous Peoples Strategy 2015–19. On 30 June 2016, we had 70 ongoing employees (approximately 1.8 per cent of the total workforce) formally identifying as Aboriginal and/or Torres Strait Islander. Our aim is to have 2.5 per cent Indigenous employees by June 2018. We continued to deliver a number of initiatives, including targeted special measures recruitment processes, to help meet that goal.

The department strives to be a model APS employer for staff with disability. We finalised an ambitious new Disability Action Strategy 2016–19 to promote the participation and contribution of people with disability. As of 30 June 2016, the department employed 59 staff who reported having a disability (representing approximately 1.6 per cent of A-based employees), however the actual figure is much higher in anonymous survey results. Disability reporting details under the National Disability Strategy are available at dss.gov.au.

To underscore the department's commitment to lesbian, gay, bisexual, transgender and intersex (LGBTI) staff, we appointed two senior executives to champion LGBTI inclusion. Data reported from our Agency Multicultural Plan (2013–15) is included in the Multicultural Access and Equity in Government Services Report at dss.gov.au.

Further information on diversity reporting mechanisms is available through the APSC's State of the Service Report and the APS Statistical Bulletin at apsc.gov.au.

STAFF WELFARE

The Staff and Family Support Office provided: more than 300 management and 1,500 counselling consultations, including at overseas posts and state and territory offices; over 270 selection and wellbeing assessments; and 190 training sessions reaching over 3,400 staff. We commenced work on a departmental mental health policy. To mitigate health risks to staff overseas, the Medical Unit delivered a strategic risk assessment and management plan, as well as guidance on pregnancy while on posting. Medical Unit staff visited fourteen posts to assess medical facilities, address environmental concerns and undertake staff consultations.

This year the department issued its first guidance on workplace responses to domestic and family violence, including provisions on the use of leave. In line with the Women in Leadership Strategy, the department published a new breastfeeding in the workplace policy.

LEARNING AND DEVELOPMENT

To strengthen functional capability and expertise of staff, the department launched a Diplomatic Academy in May. This builds on comprehensive reviews of the department's learning and development framework, language, and pre-posting training programs. Given that language capability is essential to the department's advocacy work overseas, a key outcome was to professionalise language training and increase our investment in in-country training.

We promoted learning and development across the department to ensure the maintenance of our highly skilled and motivated workforce. Over 240 officers attended leadership, management and security programs, 70 officers participated in the International Skills Development Program and 134 officers received assistance through the Studybank program. In August, we trained 370 officers from 21 APS agencies in foreign policy development and analysis as part of an inaugural Diplomatic Tradecraft Month. Investment in eLearning continued through development of 15 new programs. The new Work Health and Safety eLearning program was awarded 'Best Talent' and runner-up for 'Best Learning Project' at the 2016 LearnX Impact Awards.

Diplomatic Academy

As part of the capability improvement agenda, the Secretary established a Department of Foreign Affairs and Trade Diplomatic Academy. The principal aim of the academy is to strengthen the professional skills, functional capability and knowledge of all officers, including locally engaged staff at posts. The academy will be a hub for sharing skills, knowledge and expertise through a range of learning and development activities, lectures and seminars. It will draw on the best of internal and external expertise to pass on diplomatic tradecraft, challenge our thinking, develop skills and bring consistency to



training in the department. The academy is intended to become a key resource for the department and the wider APS, and to provide diplomatic skills and knowledge to regional governments. The executive director of the Academy will be responsible for its operations, curriculum, and engagement and outreach, notably with regional governments.

PERFORMANCE MANAGEMENT

The department launched a new Performance Management Framework to streamline processes and provide clearer guidance for staff and managers dealing with complex performance issues. We created a new online upwards appraisal survey to collect comprehensive feedback on EL2 managers and above.

We offered a suite of mentoring programs for staff, including first time heads of mission and senior administrative officers, to strengthen individual capacity and harness the knowledge and insights of experienced officers. Around 200 staff across all levels of the department volunteered to become mentors through the new mentoring register.

WORKPLACE ARRANGEMENTS

In a challenging industrial relations and fiscal environment, staff agreed to a new Enterprise Agreement (EA) which sets out employment terms and conditions for non-SES employees for three years from 17 December 2015. Details of employees covered by the EA, and determinations and remuneration supplementation agreements are included in Appendix 2 (p. 214). SES staff are employed under the terms of a determination made by the Secretary under section 24(1) of the *Public Service Act 1999*. Executive remuneration is set out in Note 10 of the financial statements (p. 289). In addition to remuneration, the department provides a range of non-salary allowances to staff for travel and for expenses related to overseas postings.



MANAGEMENT OF FINANCIAL RESOURCES

The department's operations in Australia and overseas are supported by a sound financial management framework, which includes robust internal controls, financial analysis and forecasting and regular financial performance reporting.

In its report, Interim Phase of the Audit of Financial Statements of Major General Government Sector Agencies for the year ending 30 June 2016, the ANAO found that the department had effective internal controls to ensure good financial management and a sound financial reporting framework.

Continued strong management of financial resources will be required for the effective implementation and alignment of government priorities in the areas of foreign affairs, trade and investment, development assistance and the provision of high-quality passport and consular services. This will be particularly important in a tighter fiscal environment.

The department is committed to supporting the Government's smaller government agenda through implementation of efficiencies identified in the department's Functional and Efficiency Review, and contributions to the Whole-of-Government – Shared and Common Services Programme.

The department has also initiated a number of internal reforms aimed at improving efficiency and finding better, smarter ways of working. This includes a continued focus on modernising and enhancing our financial systems and processes, reviewing the department's internal red tape with a focus on streamlining administrative processes, and a review of overseas operations to deliver contemporary work practices and new models of operation in support of low administration, high impact overseas representation.

ASSETS MANAGEMENT

Internal capital funding is allocated based on sound business cases developed by work units which are assessed rigorously

by the central finance area and approved by the executive. Ongoing review of capital investment is undertaken by the executive throughout the year, focusing on large projects such as the International Communications Network and Passport Redevelopment Program. The development of the Capital Management Plan will enhance long-term strategic planning of the department's investment needs.

We reduced compliance tasks without compromising quality of information through changes to the asset capitalisation threshold and asset stocktake requirements and continued our three-year revaluation cycle of each asset class. The exceptions are land and buildings, which are revalued annually. We conduct informal reviews and impairment testing of asset classes annually to ensure asset values are fairly stated in the end-of-year accounts.

FINANCIAL MANAGEMENT INFORMATION SYSTEM

The department is continuing to enhance its financial management information system to support innovation and the reduction of red tape as well as provide financial and payroll services to other agencies under the Whole-of-Government – Shared and Common Services Programme. Improvements, including electronic purchase-to-pay functionality for Australia and overseas, are under development and will be implemented during the next financial year.

PURCHASING PERFORMANCE

The department's Procurement Policy Framework is aligned with the PGPA Act, Commonwealth Procurement Rules, and broader government policy. Value for money is the core principle underpinning all procurement.

The department played an active role in the implementation of the Commonwealth's new Indigenous Procurement Policy.

A three-year \$9.2 million contract for domestic security guarding was awarded to Fields Group Pty Ltd. At the time this was the largest Commonwealth contract with an Indigenous business signed under the policy. As a result of early engagement with Supply Nation and Indigenous businesses, the portfolio significantly exceeded its financial year target.

EXEMPT CONTRACTS

There were six contracts or standing offers in excess of \$10,000 (inclusive of GST) exempted from AusTender on the basis that publication would disclose exempt matters under the FOI Act.

AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES

No standing offers or contracts in excess of \$100,000 (inclusive of GST) failed to provide for the Auditor-General to have access to the contractor's premises.

CONSULTANCY SERVICES

During 2015–16, the department entered into 42 new consultancy contracts, involving total actual payments of \$4,932,008.16 (inclusive of GST). In addition, 14 ongoing consultancy contracts were active, involving total actual payments of \$1,437,809.20 (inclusive of GST).

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website: www.tenders.gov.au.

The department engages consultants where it lacks specialist expertise or when independent research, review or assessment is required. Consultants are typically engaged to investigate or diagnose a defined issue or problem, carry out reviews or evaluations, or provide independent advice, information or creative solutions to assist in the department's decision-making.

Before engaging consultants, the department takes into account the skills and resources required for the task, the skills available within the department and the cost-effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with the PGPA Act and related rules, including the Commonwealth Procurement Rules, and relevant departmental policies.

PROCUREMENT INITIATIVES TO SUPPORT SMALL BUSINESS

The department supports small business participation in the Commonwealth Government procurement market. Small and medium enterprises and small enterprise participation statistics are available on the Department of Finance's website: www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts.

The department recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website: www.treasury.gov.au.

The department remained committed to ensuring that small and medium enterprises could engage in fair competition and we demonstrated this through our procurement practices. The department:

- used the Commonwealth Contracting Suite to reduce tendering costs and red tape for low-risk procurements conducted in Australia and valued under \$500,000;
- provided electronic systems to facilitate on-time payment performance, including the use of credit card payments for procurements up to \$10,000;
- maximised the number of Indigenous small to medium enterprise contracts through broader application of the mandatory set-aside requirements in the Indigenous Procurement Policy; and
- promoted the Small Business Engagement Principles by communicating in clear, simple language and presenting information in an accessible format.

