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# Chief Operating Officer's Report

The Department is investing in our strategic policy capability to assist in meeting the challenges facing the health system. This includes greater investment in data and analytics, and ensuring effective and efficient services to enable the delivery of key policy, programmes and regulatory activity.

In 2014-15, we have considered our business support mechanisms in light of the recommendations of several reviews, and made significant changes to provide more effective business support, including:

- Changing our ICT service model to an outcomes based partnership model;
- Aligning our organisational structure to better enable achievement against our strategic priorities;
- Improving and streamlining our governance arrangements; and
- Building our organisational capability and a more positive culture.

This reform work has been undertaken with whole-of-government imperatives, such as Digital Transformation and Smaller Government agendas in mind, and will be consolidated in 2015-16 as we develop a single operating model for corporate service delivery.

As part of our continued efforts to improve our efficiency and respond to the findings of key reviews, this corporate service delivery model will be based around three key principles: understanding the needs of the business; understanding the costs of our services; and professionalisation. We will continue to invest in business improvement initiatives that will increase our efficiency and consider means of reducing regulatory burden.

Our corporate priorities for the year ahead include:

- Development of a new people strategy to build an improved evidence base for workforce planning;
- Streamlining and improving of grants management processes to reflect a more risk-proportionate approach;



- Shifting our ICT enabling strategy to a business partnership model; and
- Undertaking a strategic property review to ensure our investment is matched to our needs.

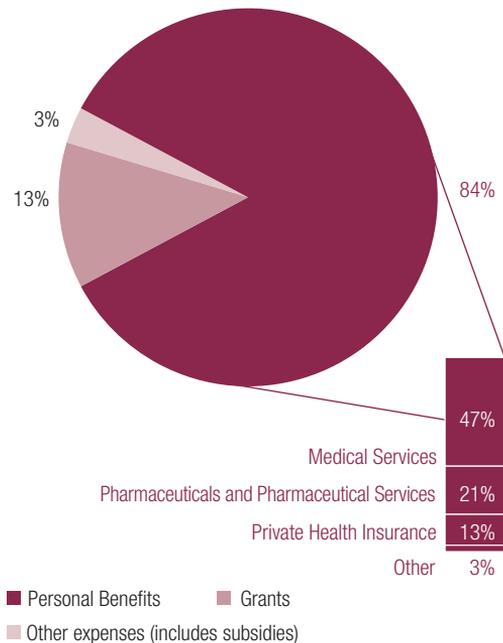
In the year ahead, we will continue to improve our capabilities to ensure we are well positioned to deliver against our strategic priorities whilst operating within our agreed resources and ensuring ongoing financial sustainability.

## 2014-15 financial results

In 2014-15 the Department oversaw 31 programmes on behalf of Government. Administered expenses totalled \$43.3 billion, comprised primarily of payments for personal benefits of \$36.6 billion (84 per cent of the total), including those for medical services, pharmaceutical services and private health insurance rebates. Grants expenditure was \$5.4 billion (13 per cent of the total), with the majority of which (\$4.0 billion) was paid to non-profit organisations.

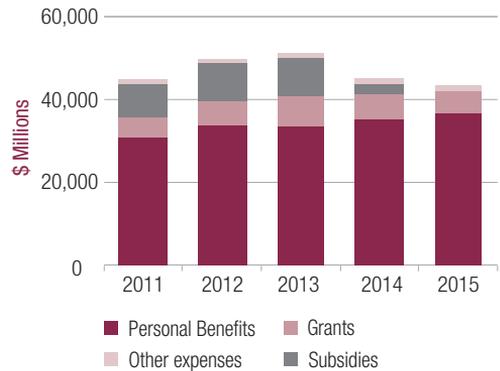
Key administered expenditure is illustrated in Figures 3 and 4.

**Figure 3: Breakdown of administered expenditure**



2014-15 Financial year  
Total funds administered by the Department of Health: \$43.3 billion

**Figure 4: Administered expenditure by category 2011 to 2015**



Note: Financial year ending 30 June 2014 includes expenditure administered for aged care programmes to 11 October 2013. These programmes were transferred to the Department of Social Services under Machinery of Government changes.

The Department's administered assets totalled \$1.3 billion, including investments in health related entities of \$0.4 billion and inventories of \$0.2 billion (predominantly the National Medical Stockpile). Administered liabilities of \$2.7 billion principally related to personal benefits of \$2.0 billion and provisions for subsidies of \$0.4 billion.

The Department generated an operating surplus, prior to unfunded depreciation, of \$0.8 million and remains in a positive net asset position as at 30 June 2015.

## 2014-15 financial statements

Part 4 of this report contains information on the Department's financial results including an analysis of our current year financial performance. The Department's combined financial statements include the financial statements of the Therapeutic Goods Administration and two Departmental special accounts, the Office of the Gene Technology Regulator and the National Industrial Chemicals Notification and Assessment Scheme.

The Auditor-General has provided the Department with an unmodified audit opinion for the 2014-15 financial statements, noting that we have in place appropriate and effective financial controls.

**Liz Cosson AM CSC**

Chief Operating Officer  
September 2015