Letter of Transmittal

Australian Government
Department of Health

Secretary

The Hon Greg Hunt MP
Minister for Health
Minister for Sport
Parliament House
CANBERRA ACT 2600

Dear Minister

I present you with the Department of Health Annual Report for the period 1 July 2016 to 30 June 2017.

This report has been prepared for the purposes of section 46 of the *Public Governance, Performance and Accountability Act 2013*, which requires that an annual report be given to the responsible Minister for presentation to the Parliament.

The report contains information specific to the Department required under other legislation, including the:

- *National Health Act 1953* (Appendix 1 - Processes Leading to Pharmaceutical Benefits Advisory Committee Consideration Annual Report for 2016-17);
- *Industrial Chemicals (Notification and Assessment) Act 1989* (Appendix 2 - Report from the Director of the National Industrial Chemicals Notification and Assessment Scheme);
- *Public Governance, Performance and Accountability Rule 2014* (Appendix 3 - Australian National Preventive Health Agency Financial Statements); and
- *Human Services (Medicare) Act 1973* and *Tobacco Plain Packaging Act 2011* (Part 3.4 – External Scrutiny and Compliance).

Yours sincerely

Glenys Beauchamp

13 October 2017

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Secretary's Review

We are increasingly embracing change as a means of continuous improvement – offering new models of care, structures, approaches and level of engagement with stakeholders, including consumers, to build much-needed sustainability into the health system. Over time, the result of our efforts will be a system that works better for consumers and health professionals alike, and fundamentally delivers better health outcomes for the nation.

Driving innovation in the health system

During the year, we continued to apply new thinking, research, evaluation, and different sources of data to better equip the health system to meet current and future health needs.

The first disbursements from the Medical Research Future Fund of $65.9 million were earmarked for programs to improve health system efficiency, patient care and access, health outcomes, and new technology in health. As well, the Biomedical Translation Fund was established to support commercialisation of health and medical research. The first investment of $10 million announced during the year will focus on researching new ways to treat peanut allergies in children.

The national My Health Record system moved closer to full implementation. Successful trials have demonstrated that opt-out participation is the fastest way to realise the significant health and economic benefits of this system, including through avoided hospital admissions, fewer adverse drug events, reduced duplication of tests, better coordination of care for people seeing multiple health care providers, and better informed treatment decisions. Working with the Australian Digital Health Agency, we have begun national opt-out arrangements which will give every Australian a My Health Record by December 2018, unless they choose not to have one.

Improving models of primary health care

The Department continued a large body of work reshaping the primary health care system. This work provides all Australians with access to preventive, primary and mental health care, with a particular focus on people with chronic and complex conditions, and those living in rural, regional and remote communities.

Primary Health Networks are at the forefront of primary health care in Australia, tailoring health services to local community needs, including an expanded role in mental health and suicide prevention, along with digital health, immunisation and cancer screening.

The Department developed implementation arrangements for the commencement of services under the Health Care Homes model from 1 October 2017 for up to 20 Health Care Homes; with the remaining practices to begin on 1 December 2017. Health Care Homes introduce a new way to fund and deliver health care for the increasing number of Australians with chronic and complex conditions. This gives them a home base for their conditions to be managed through a tailored care plan implemented by a team of health care providers. Phasing the rollout of services will ensure best practice implementation.

We are playing a critical role in shaping a new era of mental health care. Significant work was undertaken to implement the Government's mental health reform agenda within a stepped care model, and develop the Fifth National Mental Health and Suicide Prevention Plan through extensive consultation with States and Territories, the sector, consumers and carers.

It is imperative that Australia's health workforce is appropriately skilled and located in the right places. During the year, the Department coordinated work to improve the capacity and quality of the health workforce. This includes training more medical students in regional and rural areas through establishing 26 regional training hubs, and expanding specialist training.

Improving the Medicare Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS)

Work continued to improve the sustainability of the MBS and the PBS. The Department continued to support the clinician-led review of the 5,700-odd items on the MBS. More than 2,850 MBS items are currently under active review by the independent MBS Taskforce. Aligning rebated services with contemporary, evidence-based medical practices improves patient outcomes and helps future proof the MBS. Alongside the MBS Taskforce Review, the Medical Services Advisory Committee continued to provide independent expert advice on the safety, effectiveness and cost-efficiency of new medical procedures and technologies.

The Department worked with the pharmaceutical industry to strengthen the PBS and provide certainty to the industry through a stable PBS pricing environment. This included supporting the use of generic and biosimilar medicines to give patients access to more, and cheaper medicines. In addition, the Sixth Community Pharmacy Agreement was varied to recognise and strengthen the important role of pharmacists in providing medicine, services and advice to patients. The agreement focuses on supporting the viability of community pharmacies, and the supply of medications and new services, to help patients manage their medications.

Supporting public hospitals

We are developing a long-term plan to place public hospital funding on a fiscally sustainable footing. The Council of Australian Governments approved a Heads of Agreement for public hospital funding from 1 July 2017 to 30 June 2020 ahead of consideration for the longer term. The relationships with States and Territories has been enhanced through a process of close and effective collaboration. Work will continue to support the efficient pricing, funding, delivery, performance, and reform of public hospitals services.

As of 1 July 2017, the Tasmanian Government resumed ownership of the Mersey Community Hospital, ending ownership by the Commonwealth and providing planning and certainty for consumers and providers of hospital services in north-west Tasmania.

Supporting aged care

We continue to work closely with stakeholders in reforming aged care for Australians, with the aim of giving people more choice and access to services. The successfully implemented Increasing Choice in Home Care initiative provides older people with consumer-driven, high quality and innovative aged care services required to meet individual needs and circumstances. In particular, it expands options for people to stay in their own homes for as long as possible, ensuring they receive the care they need, when and where they need it.

In addition, we engaged closely with the sector to improve the My Aged Care website and contact centre, the starting point for people looking for aged care services and easy to understand information about their options.

Promoting and learning from international best practice

Australia is well regarded in international health fora and the Department's contribution is a major factor. In 2016-17, the Department continued to participate in international engagements, such as the first ever G20 Health Ministers' Meeting in Berlin in May, maintaining partnerships and harnessing information on international best practice in health. Australia is considered to be a leader on a range of health issues including health emergency preparedness and response, antimicrobial resistance, universal health coverage, health technology assessments, and effective tobacco control.

The Department led Australia's delegations to World Health Organization (WHO) governing body meetings, the World Health Assembly, meetings of the WHO Executive Boards and the Western Pacific Regional Committee Meeting.

Streamlining regulation

The Department, through the Therapeutic Goods Administration, began implementing the response to the Review of Medicines and Medical Devices Regulation. This will enable lifesaving medicines and medical devices to come onto the Australian market faster, in some cases two years faster, through removing or streamlining unnecessary or inefficient processes.

Medicinal cannabis cultivation received the green light from Parliament. Updated laws allowed the Department to grant 15 licenses to cultivate, produce and manufacture cannabis for medicinal purposes in Australia.

Promoting sport and sport integrity

The Department continued to work closely with States and Territories, the Australian Sports Commission and the Australian Sports Anti-Doping Authority to ensure a coordinated and consistent approach to sports policy in Australia. We supported a range of initiatives to connect more Australians to local sport, to promote clean sport, and to prepare for major sporting events including the 2017 men's and women's Rugby League World Cups, and the Gold Coast 2018 Commonwealth Games.

Improving Indigenous health care

The Department has made progress in our ongoing commitment to closing the gap in health outcomes and life expectancy between Aboriginal and Torres Strait Islander peoples and non-Indigenous Australians. This was detailed in the *Aboriginal and Torres Strait Islander Health Performance Framework* released in May 2017. Targeted activities have delivered genuine reductions in the burden of disease in Aboriginal and Torres Strait Islander peoples over the past couple of decades. These include smoking rates – down 9.7 per cent, child mortality – down 33 per cent, and blindness and vision impairment – down from six times to three times that of non-Indigenous Australians.

The new funding agreement with the National Aboriginal Community Controlled Health Organisation will assist in continuing improvements. We have also been working hard on the next iteration of the Implementation Plan for the National Aboriginal and Torres Strait Islander Health Plan, which will address the social and cultural determinants of Indigenous health.

Farewell

This is my last Secretary's Review. After almost three years as Secretary at Health and nearly 40 years as a public servant, I have resigned to explore new opportunities. I believe I leave the Department in good shape, with a strong organisational culture and much improved capability to advance the health agenda. I thank staff and stakeholders for their rich and varied contributions and wish you all the best for the future.

Martin Bowles PSM

Secretary
2014–2017

Chief Medical Officer's Report

In my first nine months as Chief Medical Officer (CMO), I have been greatly impressed by the strong collaboration seen across the complex, federated Australian Health system, in delivering health outcomes for the community.

The partnership between the States and Territories and the Commonwealth is exemplified in the collaborative approach to public health issues that are coordinated through the Australian Health Protection Principal Committee. My predecessor, Professor Chris Baggoley AO, worked tirelessly on optimising this partnership and deserves great recognition for this and for many other outstanding achievements during his time as CMO.

Partnerships, generally, are crucial to the success of the CMO role. I have enjoyed working closely with many other bodies (such as the Learned Colleges, the Australian Medical Association (AMA), professional associations, disease specific organisations, industry, community organisations and many others). Each brings a unique perspective to the common goal of better health and wellbeing for our community. Strong and open communication is essential to progress the many system reforms and refinements that will always be required.

Building our medical workforce

On 1 January 2017, I became the Chair of the National Medical Training Advisory Network (NMTAN). The role of NMTAN is to advise governments on how to improve the coordination of medical training nationally and assist in medical workforce reform.

Medical workforce modelling indicates an oversupply of doctors nationally, but getting doctors with the right skills to the right places, particularly in regional and rural Australia, remains an issue that still needs addressing. We also must ensure that our specialist training programs are less influenced by the service needs of the health system and more focussed on producing the right numbers of specialists to meet our future workforce requirements.

The number of medical graduates has doubled over the last 15 years and the Assistant Minister for Health, the Hon Dr David Gillespie MP, asked NMTAN to consider the number and distribution of medical school places at Australian universities. NMTAN's advice will inform a review currently being undertaken by the Department of Health and the Department of Education and Training.

NMTAN is also responsible for guiding the development of the *Australia's Future Health Workforce* series of reports, which make national workforce projections by medical specialty. The Dermatology report was released in 2017, and NMTAN made significant progress on the Emergency Medicine and Ophthalmology reports.

In the year ahead, I look forward to continuing to work with NMTAN members, health departments, the Learned Colleges, and the AMA to develop a range of reform proposals for consideration.

Improving immunisation rates

Australia's high childhood immunisation rates continue to get even better, with over 93 per cent of Australian five year olds now fully vaccinated. Aboriginal and Torres Strait Islander five year olds are the first cohort to achieve the 95 per cent target set for the World Health Organization's Western Pacific Region. This was also an aspirational target set by the Department and State and Territory Chief Health Officers. To further improve childhood immunisation rates, particularly in areas of lower coverage, the Government this year announced a $5.5 million communications strategy over three years to reinforce to parents the value and safety of childhood vaccines.

In 2016-17, there was also a significant focus on adult vaccinations with the introduction of the National Shingles Vaccination Program and concerted communications efforts to improve seasonal influenza vaccine uptake amongst pregnant women.

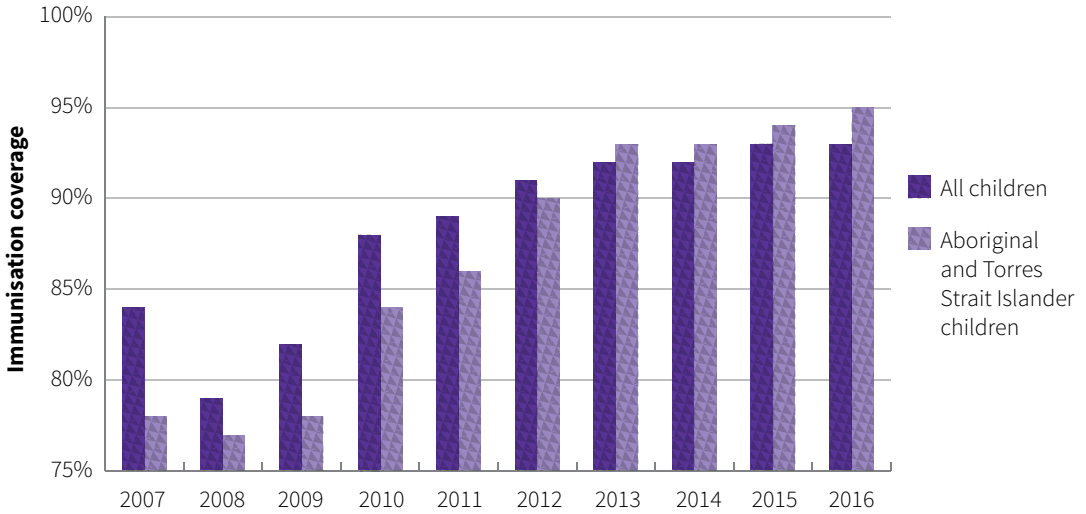
The Government has further invested in the infrastructure required to support effective policy and program design and implementation. On 30 September 2016, the Australian Childhood Immunisation Register became the whole-of-life Australian Immunisation Register. As a result, the Register is now able to record vaccination information on over 25 million individuals and has improved functionality to better support providers and parents.

In November 2016, Australia's world leading AusVaxSafety National Surveillance System was launched. AusVaxSafety is an active, enhanced surveillance system capable of monitoring, detecting and providing real-time feedback on any potential safety signals due to serious or significant adverse effects following immunisation with vaccines on the National Immunisation Program.

The Government also finalised the transition of vaccine purchasing from States to the Commonwealth, with National Immunisation Program vaccines now subject to national coordination and procurement, to drive significant efficiencies and achieve overall value for money.

In March 2017, the Council of Australian Governments Health Council requested that the Australian Health Ministers' Advisory Council (AHMAC) consider options for responding to circumstances where an accelerated response to rising cases of a vaccine preventable disease might be required. The Department undertook this work as a key priority, in consultation with States and Territories, and a proposed National Priority Response Pathway for the National Immunisation Program was approved by AHMAC.

Figure 1: Fully immunised children at five years of age in Australia



Measles outbreak in western Sydney

On 20 March 2014, the World Health Organization announced that measles elimination had been achieved in Australia. Although Australia has interrupted measles transmission locally, it is still an important issue in our region.

In March 2017, an outbreak of measles was reported in western Sydney, as a result of a traveller entering the country, following infection overseas. This incident demonstrates the importance of ensuring the Australian population is receiving the necessary vaccinations to minimise the transmission of illness and to safeguard the health of vulnerable Australians who are unable to receive vaccinations.

Invasive meningococcal disease

Australia has been fortunate that the overall incidence of invasive meningococcal disease (IMD) remains low and has decreased since the introduction in 2003 of the meningococcal C vaccine on the National Immunisation Program.

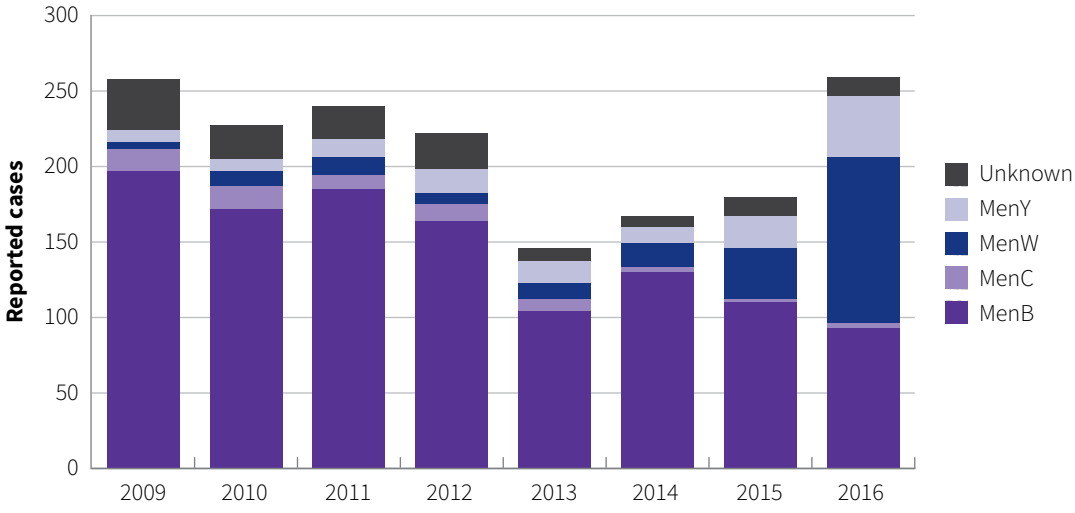
Meningococcal disease is a rare but very serious illness that usually appears as meningitis or septicaemia. This infection can develop very quickly and can be fatal in 5–10 per cent of cases. The bacteria are common and around 5–20 per cent of people carry them at the back of the nose and throat, without showing any illness or symptoms.

The four most common types of IMD in Australia are MenB, MenC, MenW, and MenY. Over the last 20 years, MenB has been the most common cause of IMD in Australia. However, IMD has recently become a national issue, as we have experienced a significant rise in MenW IMD cases between 2014 (10 per cent of all IMD or 17 cases) and 2016 (43 per cent of all IMD or 108 cases).

There is no clear reason for the rise in IMD due to MenW in Australia, but we do know that other countries in Europe, the United Kingdom and South America have experienced similar increases in the prevalence of MenW.

I have established a dedicated MenW Incident Management Team within the Department. This team is working closely with the States and Territories through the Communicable Disease Network Australia to coordinate national monitoring and assessment of the epidemiology of IMD due to MenW in Australia. This national monitoring will help to inform additional national response options and the implementation of nationally consistent messaging.

Figure 2: Reported cases of invasive meningococcal disease in Australia



Eradicating polio

Australia stands committed to the global polio eradication effort and encourages continued focus on polio elimination. In 2017, we are closer than ever to achieving this goal, with only six cases of wild type polio reported in only two countries by the end of June. The Government, through the Department of Foreign Affairs and Trade, recently announced a further $18 million to the Global Polio Eradication Initiative to help finally bring the fight against this terrible disease to an end. This will bring our total contribution to the Initiative to $104 million since 2011.

Harnessing new technologies for foodborne disease surveillance

2016 marked the first time whole genome sequencing (WGS) of microorganisms was used in Australia to investigate multi-state outbreaks of foodborne disease.

OzFoodNet, Australia's enhanced foodborne disease surveillance network, commenced a multi-jurisdictional epidemiological outbreak investigation for *Salmonella* Hvittingfoss, which was associated with the consumption of rockmelons.

Over 150 cases of salmonella were associated with the outbreak and WGS was used to definitively link 110 human cases of *Salmonella* Hvittingfoss infection to each other and to the affected rockmelons. WGS can be used to replace other costly and time-consuming typing methods, enabling accurate, timely and more cost-effective ways of identifying associations and links between cases, food and the environment. WGS also provides reassurance to consumers that outbreak cases are identified quickly and accurately.

The Department works closely with the Bi-National Food Safety Network, which includes Food Standards Australia New Zealand, the Department of Agriculture and Water Resources and the food enforcement agencies of all Australian states and territories and New Zealand, to quickly and effectively manage foodborne diseases.

Hepatitis A and frozen berries an ongoing concern

Since the 2015 outbreak of hepatitis A associated with imported frozen mixed berries, there have been several international outbreaks of hepatitis A associated with frozen berries, including in New Zealand and Canada.

In May 2017, Australia experienced a further four cases of hepatitis A, in three states, likely to be linked to frozen mixed berries. OzFoodNet commenced an investigation and testing confirmed that the hepatitis A virus detected in each of these cases had an identical genotype and genetic sequence to the 2015 outbreak. The frozen berries linked to these new cases were imported in early 2015 and had remained in the country. There is no evidence of cases of hepatitis A associated with newly imported berries, since border controls were put in place in February 2015.

As of 30 June 2017, the investigations into this outbreak were ongoing but no further cases have been identified.

Clinical guidance for medicinal cannabis

Medicinal cannabis has been a very topical issue this year. There is much passion and enthusiasm for its use in a variety of clinical conditions and governments have made significant progress in improving access for patients. It is important, however, not to let the passion and enthusiasm get ahead of the science. Like any therapeutic substance, medicinal cannabis and the derived products of cannabis need to be subjected to proper scientific evaluation of therapeutic efficacy.

A recent trial showing some benefit of cannabidiol in the rare Dravet's form of epilepsy is one of the few rigorous scientific evaluations in epilepsy, despite claims of widespread benefit in this disease. Similarly, there seems to be a role for cannabis products in chemotherapy-associated nausea and in pain management, but to what extent and in what circumstances it has superiority over existing medications remains to be determined. As Australians gain increased access to cannabis and its derivatives, it remains crucial that appropriate trials are conducted in all of the indications where benefits are claimed.

The Government has appointed an Australian Advisory Council on the Medicinal Use of Cannabis chaired by Professor Jim Angus. In conjunction with the work of the Advisory Committee, and to assist clinicians, the National Drug and Alcohol Research Centre is reviewing what evidence exists for the use of medicinal cannabis and developing clinical guidance documents.

Debilitating symptom complexes attributed to ticks

There is debate within the community about the existence of an Australian form of classical Lyme disease. Some Australians, who have not travelled overseas to endemic areas, have developed symptoms which they believe are consistent with a form of chronic Lyme disease. While classical Lyme disease exists overseas, chronic Lyme disease is a disputed diagnosis and is not generally recognised by the medical profession, even in Lyme endemic countries.

The Department remains aware of the distressing nature of this issue and acknowledges that many Australians are experiencing chronic debilitating symptoms that are causing them significant hardship and interfering substantially with their lives. Their needs have not been met, so far.

In 2015, the Department contracted the National Serology Reference Laboratory to evaluate the different tests used in Australia and overseas to diagnose Lyme disease. The final report of this evaluation and the results of the evaluation are expected to be published later in 2017.

Further, the Government is currently considering twelve recommendations from a Senate Inquiry, tabled on 30 November 2016, into the growing evidence of an emerging tick-borne disease that causes a Lyme-like illness for many Australian patients.

The situation will continue to be monitored closely, with further research encouraged by the Department to identify the cause of these symptoms and also to examine whether a tick-borne aetiology can be identified.

Antimicrobial Resistance (AMR)

The challenge of this global threat continues to rise, with increased incidence, in many countries, of infections with highly resistant bacteria, sometimes untreatable. The Government is pursuing several strategies, including campaigns to reduce community prescribing of antibiotics, proposed restriction of the use of some valuable antibiotics in animals and improving antimicrobial stewardship and infection control in all health care settings. A key challenge is to get broad community awareness of the serious threat posed by the reduction in the number of available antibiotics to treat infections. Consumers as well as health and veterinary practitioners must accept the imperative to only use antibiotics in those circumstances, where the evidence clearly indicates that they are of benefit.

The Department has recently undertaken a review of our national surveillance of antimicrobial use and resistance and is looking to significantly enhance the surveillance function, by linking it to a future public health response and developing surveillance in animal health.

Professor Brendan Murphy

Chief Medical Officer
September 2017

Chief Operating Officer's Report

Continuing to mature organisational capability

At the beginning of the year we received the report of an independent Health Check to look at the extent to which the Department has improved its organisational capability since the Capability Review in 2014. Key capability areas identified for improvement included: leadership and culture; governance and delivery; and risk.

The Health Check found that the Department had made significant progress against all areas. It also emphasised that maturing capability required a sustained focus over several years.

Accordingly, building capability continued to be at the core of much of our corporate effort in 2016-17.

Leadership and culture

Survey results have demonstrated that the Department's leadership and culture have improved. The APS State of the Service Employee Census (Staff Survey) results showed our staff are more highly engaged than the APS average and their perception of senior leadership is significantly higher than the APS average.

We developed a new Leadership and Management Framework. It outlines the leadership expectations required at each level and provides an overview of options available for staff to improve their leadership performance.

Options include the Department's leadership development programs, which were revised during the year to support continued building of leadership at all levels. A particular focus was support and development for Executive Level staff, including by incorporating 360 degree feedback into relevant development programs. Feedback from staff, colleagues and supervisors is used as the basis for participants to identify professional strengths and developmental opportunities.

Governance and delivery

The Data Governance and Analytics Committee was established as an additional senior governance committee. It leads the oversight and direction for the strategic management and sharing of the Department's data holdings, analytics and compliance activities.

Additional arrangements were put in place to monitor the delivery of major initiatives. They have provided the Executive with visibility of implementation planning and progress, facilitating the identification of skill gaps and other risks and the taking of action to mitigate them. We now have a solid foundation for maturing project management and related capabilities within the Department.

Risk

A new Risk Management Framework was established to assist departmental leaders and staff to make well-informed risk-based decisions. It includes the identification of 12 Enterprise Level Risks, an Enterprise Risk Appetite Statement and an updated Risk Management Policy.

Fraud and corruption

The Department is committed to building a fraud and corruption awareness culture, which helps to protect the integrity of its information and resources. In 2016-17 our long-term strategic educational approach included:

- information sessions and other communications targeted at leadership and management groups; and
- training via various learning options, with 84 per cent of staff having completed the training.

A significant shift was reflected in the Staff Survey results, with staff reporting levels of knowledge and confidence consistent with a strong culture of fraud and corruption awareness.

Records management

The Records Management Capability Program continued throughout 2016-17 to improve the management of documents and records. It addresses compliance with legislated records management obligations and addresses audit recommendations. Benefits of the program include increased efficiency, improved accountability and reduced organisational risk.

Harnessing diversity

To build on our progress in recognising Aboriginal and Torres Strait Islander cultures, and developing a culturally capable workplace, we have launched our new *Innovate Reconciliation Action Plan* (RAP). Our RAP will help us to deepen our awareness, understanding and appreciation of Aboriginal and Torres Strait Islander cultural issues, and making a further contribution towards a reconciled Australia. A greater cultural understanding within the Department will also ensure we are delivering appropriate and effective health policies and programs for Aboriginal and Torres Strait Islander peoples.

In addition, the Department has developed the first *Accessibility Action Plan*, including establishing a working group to develop a Lesbian, Gay, Bisexual, Transgender and Intersex Action Plan.

These plans challenge us to think about how all employees are responsible for embracing equity within the workforce.

Health State Network

Since its creation on 1 July 2016, the Health State Network (HSN) Division has been implementing an operating model to: engage with the Department's stakeholders; manage aged care provider compliance and regulation; and administer grant funding.

Key features of the operating model include:

- progressing the streamlining of grants administration and moving to adopt whole-of-government grant processes where possible;
- a functional realignment that changes the way the HSN works towards greater consistency, efficiency and quality;
- revising and redesigning the end-to-end grant process that takes a risk proportioned approach to grants administration;
- implementing the Domain Management model, which enables a consistent approach to the HSN's engagement with policy areas to deliver on the policy objectives of their respective domains; and
- leading the local rollout of significant policy reforms such as Commonwealth Home Support Programme, mental health and Primary Health Networks.

Through the HSN, we have used our local presence to work with stakeholders across the health system. We have developed strong relationships with Primary Health Networks, and worked with providers of health and aged care services to support services across the community.

Overall the HSN has administered more than $5.3 billion in grant payments, with 10,000 grant activities delivered by 4,200 organisations across the country.

Efficient and effective delivery of corporate services

A corporate front door on the Health intranet was introduced in July 2016, making it faster and easier to find information and contacts for hundreds of corporate services. Using an interactive carousel display to guide, staff can identify the service they need, when they need it. User testing demonstrates the increased efficiency from this self-service tool, with employees across the Department able to successfully find information up to 55 per cent quicker.

The corporate front door spearheaded the development of other self-service systems and tools across the Department to better enable employees to do their jobs, manage their business and meet their compliance obligations.

Financial results

In 2016-17, the Department administered 28 programs on behalf of Government. Administered expenses totalled $63.4 billion and comprised primarily payments for personal benefits of $42.6 billion (67 per cent of the total), including those for medical services, pharmaceutical services and private health insurance rebates. Subsidies, predominantly for Aged Care, amounted to $12.1 billion (19 per cent of the total). Grants expenditure was $7.5 billion (12 per cent of the total), the majority ($6.8 billion) of which was paid to non-profit organisations.

At 30 June 2017, the Department's administered assets totalled $2.3 billion, including investments in health related agencies and inventories held under the National Medical Stockpile. Administered liabilities were $2.9 billion which included provisions for personal benefits, grants and subsidies.

Key administered expenditure is illustrated in Figures 3 and 4.

The Department incurred an operating loss of $55.5 million, prior to unfunded depreciation. This loss was largely a result of undertaking important additional activities within existing resources. Included in the operating loss is the Medicine and Medical Devices Review which was agreed by Government through the 2016-17 Budget process and was funded by revenue derived from industry.

Downsizing the workforce to reflect future funding levels has been a key priority for the Department. Measures, including a comprehensive voluntary redundancy program and continued recruitment controls, have been effective in reducing staffing to an affordable level.

The Department is committed to managing within resources provided by Government to deliver key programs and reforms and remains in a positive net asset position as at 30 June 2017.

Financial statements

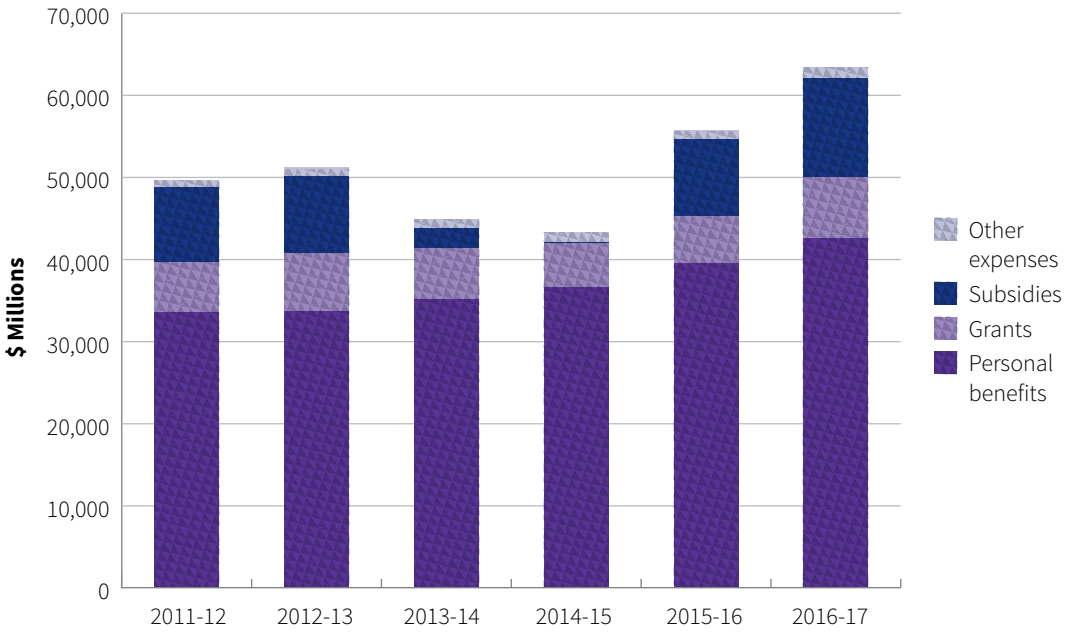
The Auditor-General has provided the Department with an unmodified audit opinion for the 2016-17 financial statements.

Part 4 Financial Statements contains the Department's financial statements, which include information on the financial performance of the Department over the financial year.

Alison Larkins

Chief Operating Officer
September 2017

Figure 3: Breakdown of administered expenditure



Note: The movement in subsidies from 2014-15 to 2015-16 relates to aged care programs following the Machinery of Government changes in 2015.

Figure 4: Administered expenditure by category