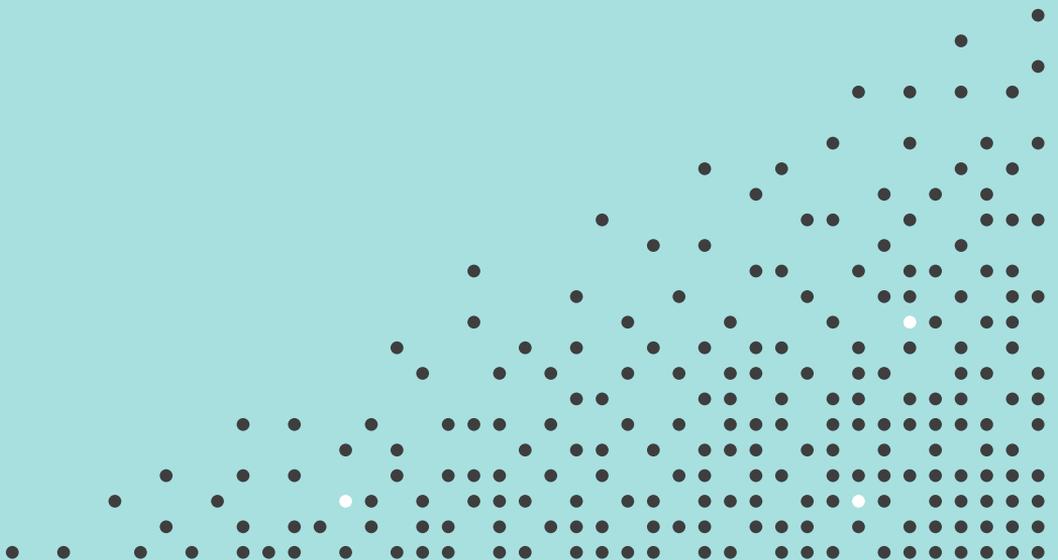


## Part 3: Management and accountability

- Corporate governance
- External scrutiny
- Our people
- Environmental performance
- Financial management



CASE STUDY

## Finance transformation program

The department has been engaged in a transformation journey, demonstrating new and innovative approaches to working and realising efficiencies.

Under a new operating model, work is being prioritised and resources are being allocated to priorities. The department as a whole is working more flexibly in a contemporary workplace that facilitates collaboration with a modern electronic working environment.

A People and Projects Office was established on 1 October 2015 to mobilise people, build project management capability and ensure project outcomes are realised.

Identifying capabilities provides our staff with the opportunity to build their core and professional competencies.

people are working on the right things at the right time, in line with government priorities.

‘Moving between projects keeps it fresh—you need that new challenge from time to time. People get really attached to their work; we need to realise we don’t own the work, we need to go where the priorities are,’ one staff member said.

The ‘build, test, refine’ process has become instrumental to the department’s adaptive approach to transformation. The department is developing a series of case studies to communicate the lessons learned with the broader public service.

Reforming the business model and modernising tools and systems to maximise the value provided to the government of the day ensures the department is an exemplar across government and a great place to work.

The new operating model allows the department to ensure the right



1,300 staff  
under one roof

## Corporate governance

The department's corporate functions and staff provide critical support that enables us to deliver our programs and services. Our corporate areas are focused on providing quality, timely services and being responsive to the changing policy and operational needs of the department.

This section discusses our support services and governance structures, which provide a framework to ensure accountability and the overall effectiveness of the department.

### Our key corporate services

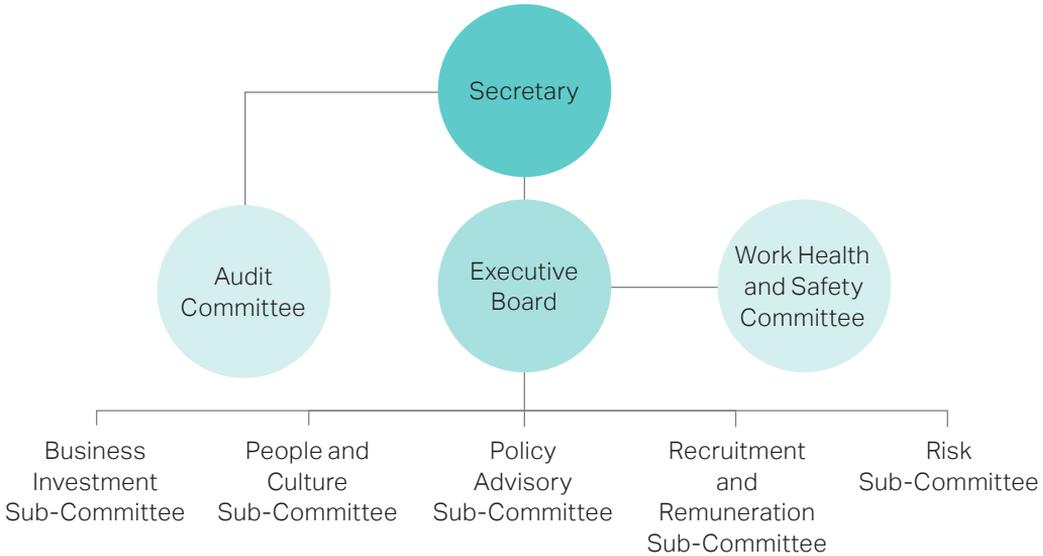
Working collaboratively with all business groups, our corporate functions provide specialist advice, services and expertise across the department in:

- business continuity and disaster recovery
- communication and media
- coordination, reporting and parliamentary support
- corporate planning and governance
- financial management
- fraud prevention and control
- human resources and workforce planning
- information and communications technology
- information management and research
- legal services
- risk management, audit and compliance
- security, workplace safety and accommodation support.

### Our governance arrangements

Finance's governance structure supports the Secretary to discharge her duties under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the *Public Service Act 1999*. The governance structure for the reporting period is shown in Figure 3 and discussed in more detail below.

**Figure 3: Finance’s governance structure in 2015–16**



## Executive Board

The Executive Board advises the Secretary on the priorities, directions and strategic leadership of the department, monitors performance and maintains accountability. The board discusses and makes decisions on strategic and operational matters and considers new policies and projects.

The Secretary is the chair and Deputy Secretaries are standing members. The First Assistant Secretary of the Corporate Services Division, the Chief Information Officer and the Chief Financial Officer hold ex officio membership.

## Executive Board sub-committees

The Executive Board has established the following sub-committees, comprising senior management, to assist it in discharging its duties and to allow detailed consideration of complex activities and issues:

- Business Investment Sub-Committee—provides assurance and advice to the Executive Board on investments in projects to build the department’s business capabilities, to ensure appropriate alignment with, and enablement of, business priorities.
- People and Culture Sub-Committee—oversees the development of strategic people initiatives and policies.
- Policy Advisory Sub-Committee—fosters a coherent policy framework across Finance, and advises the Executive Board on the development and implementation of strategic policy priorities for the department.

- Recruitment and Remuneration Sub-Committee—considers recruitment submissions and other matters relating to recruitment and remuneration.
- Risk Sub-Committee—provides advice and recommendations to the Executive Board on the department's risk management capability and framework to ensure that they meet the department's needs and represent best practice.
- Work Health and Safety Committee—brings together staff and management to develop and review health and safety policies and procedures to ensure a healthy and safe work environment.

In 2015–16, a Finance Transformation Steering Committee was established specifically to oversee Finance's significant transformation program.

## Audit Committee

The Audit Committee provides independent advice and assurance to the Secretary on the appropriateness of the department's accountability and control framework, particularly those aspects concerning the system of risk oversight and management, the system of internal controls, performance reporting and financial reporting.

In 2015–16, the committee comprised four external members, including the chair, and two departmental members. The committee meets at least five times a year and is attended by representatives from the Australian National Audit Office, the chair of the Risk Sub-Committee, the Head of Internal Audit, the Chief Financial Officer and the department's internal audit service providers as observers.

The Audit Committee has established two sub-committees to support it in performing its functions:

- Financial Statements Audit Sub-Committee—maintains an ongoing review of the process for preparing the department's annual financial statements.
- Performance Framework Sub-Committee—assists with reviewing the department's systems and procedures for managing its performance, focusing on key concepts of relevance, reliability, comparability, usefulness, structure and proportionality and compliance with the performance reporting requirements of the PGPA Act.

## Review of governance arrangements

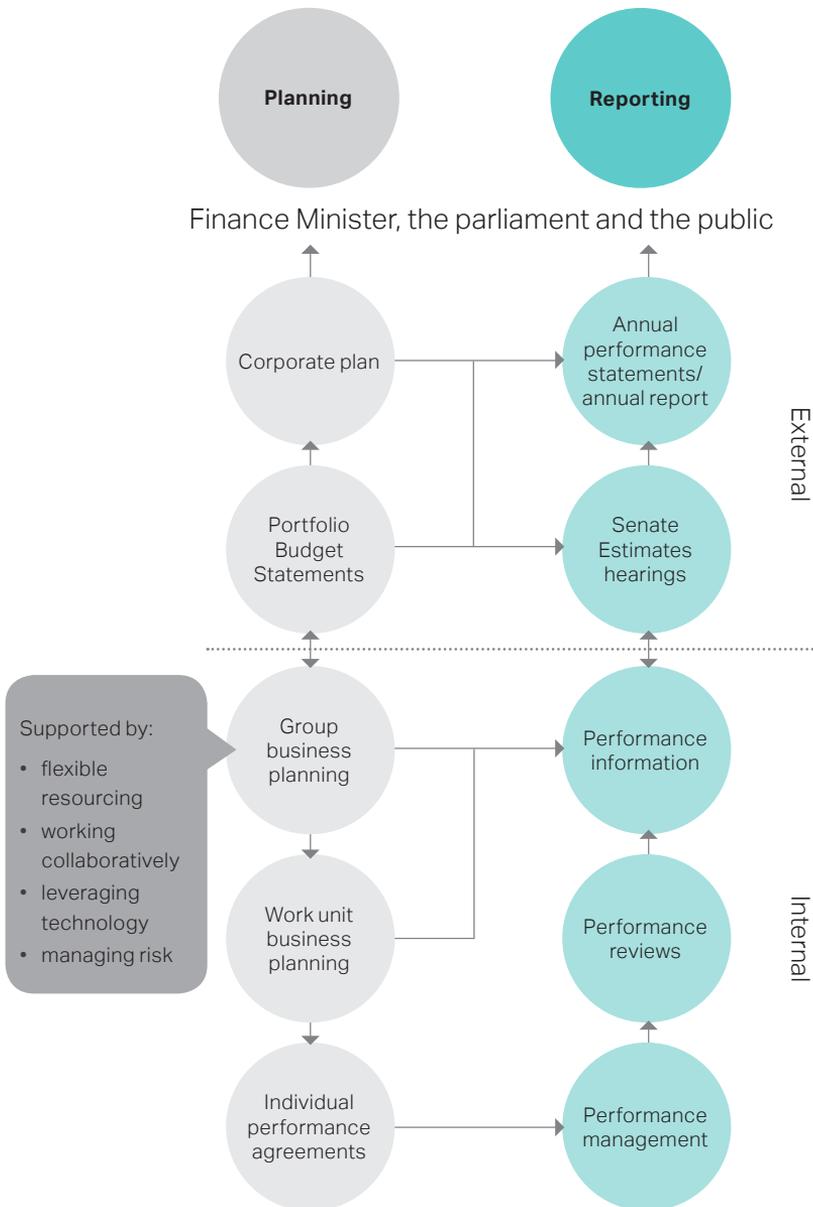
In 2015–16, Finance conducted an internal review of its governance arrangements to ensure that they are contemporary, are fit for purpose and align with better practice. The review was completed in April 2016 and found that, in general, the department's governance arrangements align with better practice, meet legislative requirements, and are similar to arrangements in relevant private and public sector organisations.

The review recommended changes to support the department's new operating model and adjustments to the roles of some of the Executive Board sub-committees to better facilitate staff mobility and recruitment. These recommendations will be implemented in early 2016–17.

## Our planning and reporting framework

Our approach to planning and reporting is illustrated in Figure 4. The overall aim is to provide high-quality information to parliament and the public through an integrated planning and reporting cycle that has a clear line of sight from the corporate plan and the Portfolio Budget Statements through to the annual report for each financial year.

**Figure 4: Finance’s approach to planning and reporting**



## How we manage risk

The department's risk management framework is overseen by the Risk Sub-Committee and aligns with the principles of the PGPA Act, the Commonwealth Risk Management Policy and the Australian and New Zealand Risk Management Standard ISO31000:2009 *Risk management—principles and guidelines*.

The framework provides a sound foundation to ensure a consistent approach to the identification, treatment and monitoring of risks on an ongoing basis. The enterprise risk management plan is an important element introduced in 2015–16 to enhance visibility of key risks and assist with actively managing risks at all levels in the department. Also during 2015–16, the department worked to clearly define its risk appetite and tolerance levels for categories of risk in its operations. The risk appetite and tolerance levels will be embedded in the framework in 2016–17 to assist the department to make informed decisions about prioritising activities and allocating resources.

## Business continuity management

Business continuity management is integral to the department's risk management arrangements. It entails careful planning to enable the continuation or timely resumption of critical functions and eventual restoration to normal operations following a business interruption.

In the event of a business interruption, a central control team is convened by the Deputy Secretary of Business Enabling Services. The team serves as the central point of communications and coordination for the department's response and recovery.

## Internal audit arrangements

Primary responsibility for the department's internal audit activities rests with the Head of Internal Audit. The Head of Internal Audit provides the Secretary, through the Audit Committee, with independent assurance that internal controls designed to manage organisational risks and achieve the department's objectives are operating in an efficient, effective and ethical manner. The Head of Internal Audit also implements the annual internal audit plan and manages liaison with the Australian National Audit Office.

Internal audits are either commissioned by the Audit Committee under the annual internal audit plan or initiated by management. A management-initiated review may be conducted in response to a newly identified risk or other matter on which management requires additional assurance. The department currently contracts KPMG to provide its internal audit services. During 2015–16, the internal audit program was delivered in line with the annual internal audit plan endorsed by the Audit Committee and approved by the Executive Board.

## How we prevent fraud

The department has a fraud control framework that aligns with the Commonwealth Fraud Control Framework. The framework establishes the systems and processes for the prevention, detection, monitoring, evaluation and reporting of, and response to, fraud within the department. The department regularly reviews its fraud prevention and control measures, including its fraud risk assessment and fraud control plan.

## Ethical standards

Finance managers work with staff to help ensure that they fully understand their roles and responsibilities as public servants and continue to do their part in enabling the department to be an ethical, respectful and barrier-free employer.

Guidelines for ethical decision-making, targeted training, and an ethics hotline, available through the Australian Public Service Commission, help staff recognise and deal with ethical issues. Information sessions are provided to individual work areas to cover specific ethical and conduct matters.

## External scrutiny

The department's operations are subject to scrutiny from a number of external bodies, including the Australian National Audit Office, the Commonwealth Ombudsman, the Australian Information Commissioner, various parliamentary committees and the courts. This section reports on audits, reviews, inquiries and legal actions relevant to Finance in 2015–16.

### Reports by the Australian National Audit Office

In 2015–16, the Australian National Audit Office tabled four reports in parliament on audits involving the department:

- Report No. 1, 2015–16: *Procurement initiatives to support outcomes for Indigenous Australians*, tabled 8 July 2015
- Report No. 4, 2015–16: *Confidentiality in government contracts: Senate order for departmental and entity contracts (calendar year 2014)*, tabled 30 September 2015
- Report No. 14, 2015–16: *Approval and administration of Commonwealth funding for the East West Link Project*, tabled 14 December 2015
- Report No. 15, 2015–16: *Audits of the financial statements of Australian Government entities for the period ending 30 June 2015*, tabled 17 December 2015

The following performance audit involving the department was also completed during 2015–16:

- Report No. 6, 2016–17: *Corporate planning in the Australian public sector: across entities*.

However, due to the timing of the federal election, tabling of the report in parliament was delayed until 31 August 2016.

Details of the Auditor-General's reports, including the department's response to any audits it was directly involved in, can be found on the Australian National Audit Office website ([www.anao.gov.au](http://www.anao.gov.au)).

### Reports by the Commonwealth Ombudsman

The Commonwealth Ombudsman did not release any reports during 2015–16 that involved the department or that had, or may have, a significant impact on the department's operations.

### Decisions by the Australian Information Commissioner

There were no decisions by the Australian Information Commissioner during 2015–16 that involved the department or that had, or may have, a significant impact on the department's operations.

## Parliamentary committees

### Senate Standing Committees on Finance and Public Administration

The Senate Standing Committees on Finance and Public Administration oversee the Prime Minister and Cabinet and Finance portfolios. Their work is divided between two committees—the Legislation Committee and the References Committee.

During 2015–16, Finance appeared before the Legislation Committee at its Senate Estimates hearings on 20 October 2015, 9 February 2016 and 5 May 2016.

### Joint Committee of Public Accounts and Audit

The Joint Committee of Public Accounts and Audit holds Commonwealth entities to account for their lawfulness and efficiency and the effectiveness with which they use public resources. During 2015–16, Finance attended hearings and made submissions to the committee on the inquiry into the development of the Commonwealth performance framework (submissions were made in October, November and December 2015 and February 2016 and Finance attended hearings in September, November and December 2015 and February 2016).

### Other committees

Finance attended or provided submissions to the following other committees during 2015–16.

#### **Joint Standing Committee on Foreign Affairs, Defence and Trade**

- Inquiry into the operation of Defence Housing Australia (attended March 2016).

#### **Senate Standing Committees on Community Affairs, Legislation Committee**

- Inquiry into the Medical Research Future Fund Bill 2015 and Medical Research Future Fund (Consequential Amendments) Bill 2015 (Finance contributed to a joint submission with the Department of Health and the Department of the Treasury, July 2015).

#### **Senate Standing Committee on Publications**

- Finance attended the 4 February 2016 meeting of the committee (at the request of the committee) to provide information about the status of the *Style manual for authors, editors and printers*.

#### **Senate Select Committee on Health**

- Inquiry into health policy, administration and expenditure (attended July 2015).

## Senate Select Committee on School Funding Investment

- Inquiry into school funding investment (attended April 2016).

Finance's submissions and the transcripts of committee hearings are available on the Parliament of Australia website ([www.aph.gov.au](http://www.aph.gov.au)).

## Substantial legal actions

### *Commonwealth of Australia v Davis Samuel Pty Ltd & Ors*

This matter was first reported in Finance's 2001–02 annual report and has been reported in every annual report since then. The department continues to pursue the funds defrauded by Mr David Muir, which he distributed to a number of parties. All criminal proceedings were completed in 2006.

The civil proceedings, to recover the \$8.725 million fraudulently transferred, were commenced in 1999 in the ACT Supreme Court and were heard over nine weeks in 2008. They were complex and involved multiple parties. Final written submissions were provided to the court in March 2009.

On 1 August 2013, Justice Refshauge delivered his decision on liability (*Commonwealth of Australia v Davis Samuel Pty Ltd & Ors* (No. 7) [2013] ACTSC 146).

The Commonwealth was successful in its claims against 13 defendants. The \$4.3 billion counterclaim by certain of those defendants against the Commonwealth was dismissed.

On 21 November 2014, Justice Refshauge delivered his decision on final orders in the civil proceedings. Those orders included judgement against the 13 defendants for amounts between \$121,087.92 and \$18.63 million, the transfer of certain property to the Commonwealth, and costs orders against the 13 defendants.

Two appeals were made against the final orders. One appeal was settled in November 2015. The remaining appeal was struck out by the ACT Court of Appeal on 30 June 2016 for want of prosecution. That decision may be subject to a further appeal.

### *Karen Doane v Peter Slipper v Another*

On 4 February 2014, Ms Karen Doane commenced proceedings in the Federal Circuit Court, listing Peter Slipper, former Member and Speaker of the House of Representatives, and the Commonwealth as respondents. Ms Doane is a former member of Mr Slipper's staff, engaged by Mr Slipper on behalf of the Commonwealth under the *Members of Parliament (Staff) Act 1984*.

Ms Doane brought a human rights application alleging unlawful discrimination under the *Australian Human Rights Commission Act 1986* following termination of her complaint to the Australian Human Rights Commission in respect of the same allegations. Ms Doane alleged that Mr Slipper engaged in various conduct that amounted to unlawful discrimination contrary to the *Racial Discrimination Act 1975*, the *Sex Discrimination Act 1984* and the *Disability Discrimination Act 1992*. Ms Doane alleged that the Commonwealth was vicariously liable for Mr Slipper's conduct.

This matter was finalised by consent on 15 February 2016.

## *Cunningham & Ors v Commonwealth of Australia & Anor*

On 21 July 2015, four former parliamentarians filed a writ of summons in the High Court to test the constitutional validity of allowing the Remuneration Tribunal to determine the base salary and office allowances of parliamentarians for the purposes of superannuation. The writ also sought to test the validity of closing the Life Gold Pass Scheme to new members and reducing the number of flights for existing members.

The High Court heard the matter on 16 June 2016. The court reserved its decision and will deliver its judgement at a later date.

## Information Publication Scheme

Entities subject to the *Freedom of Information Act 1982* are required to publish information to the public as part of the Information Publication Scheme. This requirement is in Part II of the Act and has replaced the former requirement to publish a section 8 statement in an annual report. Each agency must display on its website a plan showing what information it publishes in accordance with the scheme's requirements. Finance's plan is available at [www.finance.gov.au/foi/information\\_publication\\_scheme.html](http://www.finance.gov.au/foi/information_publication_scheme.html).

Members of the public can provide comments on Finance's information publication plan through the freedom of information coordinator.

## Our people

Finance is leading transformation within the APS, and we are committed to improving the way we work so we can deliver on government priorities and our ongoing business. Building a highly capable and committed workforce that is agile, flexible and able to work across complex policy issues is central to meeting this commitment.

Finance recognises that along with challenging and interesting work, a competitive remuneration framework, recognition of employees' capabilities, a supportive capability development framework, a culture that embraces diversity, and work-life balance are key to attracting, developing and retaining talented staff. This section describes our people, the ways we support diversity in our workforce, and our remuneration, reward, performance management and capability development frameworks.

## Employment performance

At 30 June 2016, Finance had 1,812 staff employed on an ongoing, non-ongoing and casual basis. Table 1 provides a comparative overview of the department's employment performance in 2014–15 and 2015–16. More information about the department's workforce and salary ranges is provided in Appendix B.

**Table 1: Employment performance, 2014–15 and 2015–16**

Indicator	2014–15	2015–16
Total number of staff employed (headcount)	1,804	1,812
Total number of staff employed (headcount, excluding casuals)	1,460	1,469
Total employee expenditure (including casuals)	\$161,217,000	\$170,358,000
<b>Diversity of the workforce (as identified)—excluding casuals</b>		
Women (percentage of total workforce)	54.5%	55.4%
People with disability (percentage of total workforce)	2.6%	3.0%
Aboriginal and Torres Strait Islander (percentage of total workforce)	1.4%	1.6%
Staff with English as a second language (percentage of total workforce)	9.6%	9.6%
<b>Training and education</b>		
Number of staff undertaking supported studies	86	144

## Workforce diversity

In 2015–16, the department strengthened its efforts in building awareness of and capability in cultural and diversity matters. The value of these efforts was confirmed in the 2016 APS employee census results, which showed an increase in staff identifying as being from a diverse background and an increase in affirmative response rates for diversity, engagement and workplace culture.

A key factor in the success of our diversity initiatives is our five cultural and diversity networks—the Aboriginal and Torres Strait Islander Staff Network; the Diversity Network; the Finance Women’s Network; the Lesbian, Gay, Bisexual, Transgender and Intersex Plus (LGBTI+) Network; and the Young Leaders Network. These networks are each supported by an SES sponsor and have the endorsement and backing of all senior leaders, including the Secretary and the Executive Board Diversity Champion.

The LGBTI+ Network is the newest of the five networks. It was established in August 2015 to support LGBTI staff and raise awareness of LGBTI issues in the department. At 30 June 2016, the network had 25 members, including staff who identify as LGBTI and staff who are allies. One of its early initiatives was helping to change the way personnel records are kept to ensure confidentiality for employees who have transitioned gender. Individual records now make no reference to an employee’s previous gender (e.g. name, salutation, gender) and recognise their prior service under their new identity. These changes provide transgender employees with safety and confidence to transfer between agencies.

Other initiatives that supported improved diversity outcomes in 2015–16 included:

- events to raise awareness of equal opportunity and diversity issues, including NAIDOC Week, International Day of People with Disability, International Women’s Day, Harmony Day and International Day Against Homophobia, Biphobia and Transphobia
- collaboration with other government agencies to share best practice information, training seminars, documents, guidance and approaches on diversity issues
- presentations from keynote speakers on mental health and LGBTI matters
- cultural and diversity training delivered by the Australian Network on Disability.

The department also continued its memberships in peak diversity bodies such as the Australian Network on Disability, the Diversity Council Australia and Pride in Diversity.

## Disability reporting mechanisms

Since 1994, non-corporate Commonwealth entities have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission’s State of the Service reports and the APS Statistical Bulletin. These reports are available at [www.apsc.gov.au](http://www.apsc.gov.au). From 2010–11, entities have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these reports was published in 2014, and can be found at [www.dss.gov.au](http://www.dss.gov.au).

## Recruitment—entry-level programs

Finance continued to focus on recruiting talented graduates and school leavers into customised entry-level programs. The department also participated in several whole-of-government entry-level programs. Entry-level recruitment figures for 2015–16 are provided in Table 2.

**Table 2: Entry-level programs, 2015–16**

	Australian Public Service classification	Number of officers
<b>Finance programs</b>		
Finance Graduate Program	APS 3	19
Finance Career Starter Program	APS 1	15
Papua New Guinea Graduate Program	APS 3 (equivalent)	2
<b>Whole-of-government programs</b>		
ICT Australian Government Graduate Program	APS 3	2
ICT Australian Government Apprenticeship Program	APS 1	4
ICT Australian Government Cadetship Program	APS 2	1
APS Indigenous Graduate Program	APS 3	1
APS Indigenous Traineeship Program	APS 2	1
Indigenous Australian Government Development Program	APS 3	5

## Remuneration and employment conditions

The Finance Enterprise Agreement 2015–2018 came into effect on 27 January 2016 with a nominal expiry date of 19 January 2019. The agreement provides non-SES staff with competitive remuneration and employment conditions.

The department's remuneration offer was a 6 per cent increase over three years (2 per cent on commencement of the agreement and in each of the following two years). Staff allowances also increased by 6 per cent over three years.

Employment conditions for SES staff are set out in individual determinations made under section 24(1) of the Public Service Act. Many of these conditions are aligned with the department's enterprise agreement. A breakdown of staff under the department's employment instruments is given in Table 3.

**Table 3: Staff coverage under employment instruments at 30 June 2016**

Number of employees covered by the enterprise agreement	Number of employees covered by a section 24(1) determination	Number of employees with an individual flexibility agreement in place
1,738 <sup>a</sup>	74	17 <sup>b</sup>

a Includes ongoing, non-ongoing and casual staff.

b All employees are covered by either the enterprise agreement or a section 24(1) determination. Employees covered by the enterprise agreement may also have an individual flexibility agreement in place.

## Performance pay

Finance does not provide performance pay.

## Non-salary benefits

The department provides staff with a number of additional benefits that are not included under the provisions of the Finance Enterprise Agreement 2015–2018. These benefits are:

- annual influenza immunisation
- a quit-smoking assistance program
- a carer's/breastfeeding room
- workstation assessments for new starters
- early intervention for case management
- a return-to-work program for non-compensable injuries and illnesses
- mentoring programs
- in-house capability development programs
- a gymnasium
- a free, confidential employee assistance program for employees and their immediate families
- a serious illness register
- study assistance to eligible employees
- an opportunity to work from home on a case-by-case basis
- contributions to relevant professional memberships
- library services.

Employees can access a range of salary sacrifice benefits, including additional superannuation, leased motor vehicles, laptop computers, mobile telephones and airline lounge memberships.

## Performance management

All Finance employees participate in the performance management framework, the main objectives of which are to:

- clearly link an individual's work with Finance's strategic and operational objectives
- provide considered feedback, both informal and formal, to employees on their performance and achievements at work (formal performance assessments occur in December and June)
- identify and support the ongoing learning and development needs of employees
- effectively identify and address underperformance.

During 2015–16, the department commenced work on a new performance and capability framework to support the transformation agenda and encourage regular and meaningful conversations and feedback. The new framework will be implemented during 2016–17.

## Learning and development

### Coaching

Ninety-four staff participated in one-on-one coaching sessions through the Coaching in Finance Program. The program helps staff to achieve specific development goals and outcomes that other development opportunities may not meet. Coaching was mainly in the areas of leadership, career change and development, and career planning.

### Formal training and development

In 2015–16, a total of 138 tailored professional skills development courses were provided through formal in-house programs. In addition, a range of leadership and management programs were run to support staff with the transition to the department's new operating model. These programs centred on three themes: working in the new Finance; leading change; and managing for optimal performance.

### Study assistance

Finance provided 144 staff with financial assistance and study leave to participate in external study as part of the department's overall commitment to developing employees' skills.

### Learning management system

In 2015–16, Finance launched APS LearnHub for all staff. APS LearnHub is a learning management system that supports Finance's 70:20:10 learning strategy, representing learning on the job, through peers, and through formal training.

The system allows our people to:

- book in to face-to-face courses held at Finance, and access online tools to support the training
- complete online training that has been specifically designed for the APS, with content reviewed by the relevant policy agencies
- access world-class learning tools such as Lynda.com (online training and videos including TED Talks), Skillsoft (IT and business skills certification) and GoodPractice (leadership and management training and resources)
- access collaborative networks.

# Environmental performance

## Departmental activities

This section describes the environmental performance of the department, in accordance with government policy. Environmental impacts are managed by engineering and administrative controls. The department uses a range of signage, intranet messages and induction content to support employees to mitigate environmental impacts.

Table 4 summarises the department's environmental performance in 2015–16 against the previous year.

The 2015–16 readings for office energy use per square metre and potable water consumption are lower as a result of a temporary increase in square metres occupied. The increase occurred because the department concurrently occupied both new (One Canberra Avenue) and old office tenancies while consolidating its accommodation.

## Office energy use

The department reduces its consumption of office energy wherever possible, including using automated light switching and the power management features of ICT equipment. In the department's primary tenancy, One Canberra Avenue, Finance uses 10 per cent Greenpower, which is sourced through a cooperative government arrangement. (This arrangement was also in place at several tenancies in Canberra that were vacated during 2015–16, including the John Gorton Building, the Treasury Building and Hume.) Finance expects to realise more energy savings from the new building than it did under the previous accommodation arrangements.

## Transport

Finance employees are authorised to travel only when there is a demonstrated business need and when alternative communication tools, such as teleconferencing and videoconferencing, are an ineffective option. The co-location of the majority of Finance staff at One Canberra Avenue should also reduce the need for inter-office travel.

The Finance vehicle fleet is made up of departmental pool vehicles and executive vehicles. A subscription to Greenfleet offsets the associated vehicle emissions.

## Resource efficiency and waste

Finance provides a number of recycling streams (including co-mingled, cardboard and paper recycling) in all of its tenancies.

The Finance printing system is designed to purge print jobs that are not completed within a set timeframe. Print jobs totalling 531,463 pages of paper were automatically purged in 2015–16. The printer fleet's default settings automatically print in grayscale on both sides of the page and all spent printer cartridges are recycled.

Depending on site requirements, Finance uses a mix of different types of flow restriction and water-efficient dual-flush toilets to minimise water use across its tenancies.

## Non-defence domestic property portfolio

Finance manages a diverse portfolio of some 170 non-defence Commonwealth-owned properties across Australia, including office buildings, law courts and other special purpose facilities, heritage assets, vacant land and contaminated sites. Finance manages this portfolio in accordance with the legislative framework for environment and heritage matters, including the *Environment Protection and Biodiversity Conservation Act 1999*.

The portfolio is managed in accordance with the principles of environmentally sustainable development, and Finance considers potential environmental and heritage impacts when making decisions about each property, including maintenance, retention and divestment.

To improve the environmental performance of the portfolio and in accordance with relevant asset management plans, Finance targets energy efficiency works in the buildings it manages. Finance carries out works to improve environmental performance, including upgrades to heating, ventilation and air-conditioning systems, building management systems, and lighting controls in various buildings.

**Table 4: Environmental performance summary, 2014–15 and 2015–16**

Indicator	2014–15	2015–16
<b>Office energy use</b>		
Total office tenant light and power energy consumption (kWh)	2,161,094	1,870,210
Total office tenant light and power energy consumption (MJ)	7,779,938	6,732,756
Office tenant light and power energy use per full-time equivalent (MJ/FTE)	5,011	4,391
Office tenant light and power use per square metre (MJ/m <sup>2</sup> )	380	244
Base/central building energy consumption (MJ)	51,510,760	46,045,104
Base/central building energy consumption per square metre (MJ/m <sup>2</sup> )	504	450
Greenhouse emissions attributed to office tenant light and power and base/central building energy use (tonnes CO <sub>2</sub> -e)	10,675	9,787
Green power purchased (kWh)	924,558	877,347
<b>Non-office energy use</b>		
Greenhouse emissions attributed to non-office energy use (computer centres, other properties and uses) (tonnes CO <sub>2</sub> -e)	2,536	1,832
<b>Vehicle fleet<sup>a, b</sup></b>		
Total number of fleet vehicles	41	31
Total fuel purchased (litres)	46,559	34,907
Total distance travelled (kilometres) <sup>c</sup>	441,980	327,938
Average fuel consumption of fleet vehicles (litres/100 kilometres) <sup>c</sup>	10.5	10.6
Total direct greenhouse emissions of fleet (tonnes CO <sub>2</sub> -e)	109	82.4

**Table 4: Environmental performance summary, 2014–15 and 2015–16**  
*continued*

Indicator	2014–15	2015–16
<b>Greenhouse emissions</b>		
Total greenhouse emissions (tonnes CO <sub>2</sub> -e)	13,320	11,702
Total greenhouse emissions per full-time equivalent (tonnes CO <sub>2</sub> -e/FTE)	8.5	7.6
<b>Air travel<sup>b</sup></b>		
Total number of flights	7,006	4,986
Total distance of flights (kilometres)	6,565,470	4,850,176
<b>Potable water consumption<sup>d</sup></b>		
Total potable water use (kilolitres)	13,299	16,377
Potable water use per full-time equivalent (kilolitres/FTE)	8.566	10.682
Potable water use per square metre (kilolitres/m <sup>2</sup> )	0.649	0.593
<b>Resource efficiency and waste</b>		
Total office paper purchased by full-time equivalent (A4 reams/FTE)	9.8	8.5
Percentage of office paper purchased with recycled content	94.5%	86.1%
Office paper recycled (tonnes)	87.3	99.8
Total waste produced (tonnes)	242.1	254.6
Total waste produced per full-time equivalent (kilograms/FTE)	155.9	166.0
Percentage of waste diverted from landfill	51.0%	50.9%

kWh = kilowatt hour; MJ = megajoule; CO<sub>2</sub>-e = carbon dioxide equivalent.

a Finance vehicle fleet only (excludes the COMCAR fleet).

b The fleet and air travel data are for the period 1 April to 31 March in each year.

c The kilometre data includes estimates for vehicles where the data was considered unreliable. Vehicles with reliable kilometre data were utilised to develop figures for departmental average litres per 100 kilometres, and this average was used for each reporting period to estimate kilometres travelled for vehicles with unreliable data. This approach was used to adjust the 2014–15 kilometre data from the 2014–15 annual report (reported as 414,796 kilometres when the average fuel use was not utilised to include vehicles with unreliable kilometre data).

d The water consumption reported only applies to Finance-occupied office buildings. Tenancy-specific water metering is not available in shared buildings, resulting in the use of estimates based on pro rata calculations. Two office tenancies containing approximately 18 per cent of Finance's full-time equivalents could not provide water consumption details. The water data is adjusted on a pro rata basis to account for the unavailable information.

## Cross-government activities

Finance contributes to the environmental outcomes of a number of additional areas in line with government policy and relevant legislation. These activities include managing the COMCAR vehicle fleet and providing electorate office accommodation for parliamentarians. These activities are in addition to those listed in Table 4.

### COMCAR

In 2015–16, COMCAR continued to deliver on its strategy of ensuring an environmentally responsible fleet of vehicles. As at 30 June 2016, COMCAR had 146 LPG and two petrol-powered sedans in its fleet of 159 vehicles. The LPG vehicles burn fuel more efficiently, improving fuel consumption and contributing to reductions in CO<sub>2</sub> output of up to 15 per cent per vehicle. All COMCAR petrol-powered vehicles use E10 fuel, where available.

More than 60 per cent of the COMCAR fleet is regularly washed using harvested rainwater, which helps to minimise potable water use.

# Financial management

## Financial performance

This section provides an overview of Finance’s financial performance during 2015–16 for both departmental and administered activities.

The department’s financial statements are presented in Part 4. The Australian National Audit Office issued an unqualified audit opinion for these statements on 29 August 2016.

Finance’s financial performance is summarised in Table 5. The department’s entity resource statement and tables showing expenses by outcome are presented in Appendix E.

## Departmental activities

Departmental resourcing includes assets, liabilities, revenues and expenses that Finance controls directly and uses to produce outcomes on behalf of the government.

For 2015–16, the department recorded an operating surplus of \$113.5 million. This is \$72.8 million more than the revised surplus estimate of \$40.7 million published in the Portfolio Budget Statements 2016–17. The increase was mainly due to higher valuations of investment properties and lower insurance claims.

The operating surplus of \$113.5 million in 2015–16 compares to an operating surplus of \$56.4 million in 2014–15. Finance has budgeted for an operating surplus of \$18.1 million in 2016–17.

Operating expenses were \$5.8 million higher than in 2014–15. This was primarily due to an increased provision for insurance claims and an increase in expenditure on centralised procurement.

Write-down and impairment of assets decreased by \$43.0 million. This was primarily due to a reduction in the revaluation decrement for buildings and investment properties from \$55.3 million in 2014–15 to \$13.2 million in 2015–16.

The increase in own-source revenue of \$103.0 million was primarily due to increased centralised procurement resulting from additional support and licensing arrangements and an increase in insurance premium revenue from Commonwealth entities.

Revenue from government decreased by \$124.1 million, primarily because the 2014–15 figure contained a number of one-off budget items such as the sale of Medibank Private Limited, and funding for remediation of land at Cox Peninsula.

**Table 5: Departmental financial performance**

	30 June 2016 \$'000	30 June 2015 \$'000	Variance \$'000
Operating expenses	623,292	617,460	5,832
Write-down and impairment of assets	14,741	57,686	(42,945)
<b>Total expenses</b>	<b>638,033</b>	<b>675,146</b>	<b>(37,113)</b>
Own-source revenue	440,445	337,495	102,950
Gains	43,591	4,607	38,984
<b>Net own-source income</b>	<b>484,036</b>	<b>342,102</b>	<b>141,934</b>
<b>Net cost of services</b>	<b>153,997</b>	<b>333,044</b>	<b>(179,047)</b>
Revenue from government	271,315	395,370	(124,055)
Income tax equivalent	(3,843)	(5,905)	2,062
<b>Operating surplus (deficit)</b>	<b>113,475</b>	<b>56,421</b>	<b>57,054</b>
Changes in asset revaluation surplus	25,133	16,445	8,688
<b>Total comprehensive income (loss)</b>	<b>138,608</b>	<b>72,866</b>	<b>65,742</b>

Figure 5 outlines the department's departmental financial performance over the past four years and the budget for 2016–17.

**Figure 5: Departmental financial performance, 2012–13 to 2016–17 (\$ million)**

## Administered activities

The financial performance of Finance’s administered activities for 2015–16 is summarised in Table 6. Administered items are assets, liabilities, revenues and expenses that are managed or overseen by Finance on behalf of the government.

**Table 6: Administered financial performance**

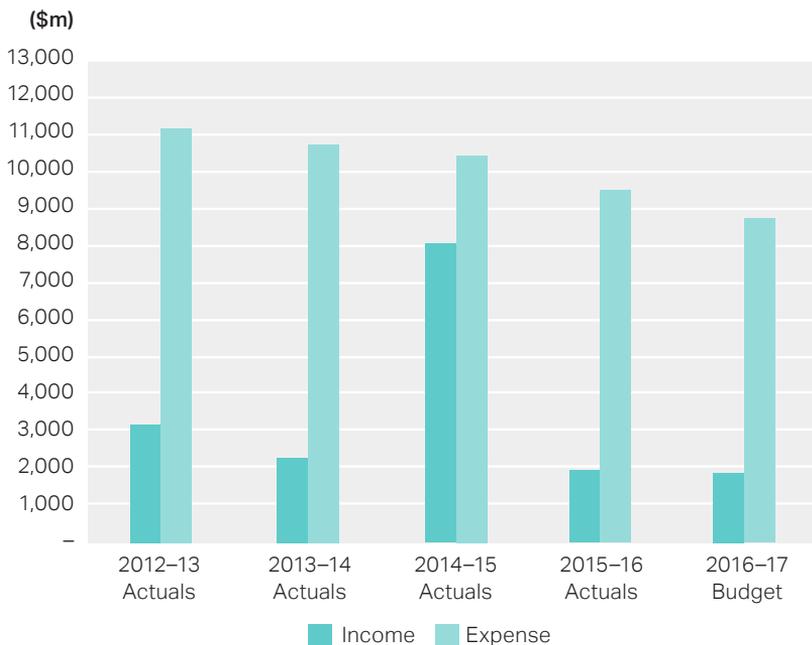
	30 June 2016 \$'000	30 June 2015 \$'000	Variance \$'000
Expenses administered on behalf of the government	9,509,540	10,512,964	(1,003,424)
Income administered on behalf of the government	1,906,567	8,004,016	(6,097,449)

Finance incurred \$9.5 billion of expenses on behalf of the government. This was \$1.0 billion less than in 2014–15 due to a reduction in the distributions to portfolio special accounts associated with the Australian Government investment funds.

Finance recognised \$1.9 billion of income on behalf of the government. This was \$6.1 billion less than in 2014–15, noting that the 2014–15 figure contained the proceeds from the sale of Medibank Private Limited.

Figure 6 outlines the financial performance of the department’s administered activities over the past four years and the budget for 2016–17.

**Figure 6: Financial performance of administered activities, 2012–13 to 2016–17 (\$ million)**



## Financial summary

**Table 7: Financial summary, 2012–13 to 2015–16**

Departmental summary of financial statements	2012–13 \$ million	2013–14 \$ million	2014–15 \$ million	2015–16 \$ million
<b>Expenses</b>				
Employees	181.74	168.08	161.22	170.36
Suppliers	196.46	222.29	331.70	321.89
Write-down and impairment of assets	1.09	118.92	57.69	14.75
Insurance claims	92.85	108.39	76.46	94.30
Other	35.60	34.89	48.08	36.73
<b>Total expenses</b>	<b>507.74</b>	<b>652.57</b>	<b>675.15</b>	<b>638.03</b>
<b>Own-source income</b>				
Rendering of services	111.56	143.02	152.82	230.94
Insurance premiums	82.71	86.26	100.87	125.15
Reinsurance and other recoveries	5.15	6.59	0.00	1.50
Rental income	47.67	48.18	76.48	72.12
Other revenues	13.11	9.66	7.33	10.74
<b>Total own-source revenue</b>	<b>260.20</b>	<b>293.71</b>	<b>337.50</b>	<b>440.45</b>
Gains	41.26	5.97	4.61	43.59
<b>Net cost of services</b>	<b>206.28</b>	<b>352.89</b>	<b>333.04</b>	<b>153.99</b>
Revenue from government	274.45	261.69	395.37	271.32
Income tax equivalent expense	5.54	5.86	5.91	3.84
<b>Net surplus (deficit)</b>	<b>62.63</b>	<b>(97.06)</b>	<b>56.42</b>	<b>113.49</b>
Equity <sup>a</sup>	1,988.17	2,085.77	2,063.37	2,148.08
Net operating cash flow	13.75	47.89	64.20	69.70
Returns to government	33.82	11.14	111.26	73.92

a In 2014–15 initially a provision of \$18.7 million was raised for the cash return. However, changes in estimates and assumptions used have resulted in an adjustment to the 2014–15 figure to reflect the revised amount of \$55.1 million.

**Table 8: Economic performance summary**

Indicator	2015–16 result \$'000
<b>Operating statement</b>	
Total expenditure	638,033
Total own-source income	484,036
Total net cost of service	153,997
<b>Economic viability</b>	
Total assets	2,845,820
Total liabilities	697,740

## Significant non-compliance with finance law

The department did not report any significant issues relating to non-compliance with the finance law to the Finance Minister under section 19(1)(e) of the PGPA Act in 2015–16.

## Asset management

Finance manages the government's non-defence domestic property portfolio of some 170 properties, with a value of approximately \$1.6 billion (at 30 June 2016). Finance, with its private sector partner, manages these assets strategically to ensure that they are efficient and able to meet the government's needs.

In 2015–16 new long-term leases were finalised which provide the opportunity to improve the quality and amenity of the portfolio in line with modern workforce standards. This will result in improved whole-of-government efficiency through full utilisation of assets.

Performance measures for the management of the domestic property portfolio are included in the annual performance statements in Part 2 (pages 38–9).

## Grants

Information on grants awarded by Finance during the period 1 July 2015 to 30 June 2016 is available on our website at [www.finance.gov.au/publications/grants](http://www.finance.gov.au/publications/grants).

## Procurement

The department's approach to procuring goods and services, including consultancies, is consistent with, and reflects the principles of, the Commonwealth Procurement Rules. These rules are applied to activities through the department's accountable authority instructions, supporting operational guidelines and procurement framework.

No contracts of \$100,000 or more (inclusive of GST) were let during 2015–16 that did not provide for the Auditor-General to have access to the contractor’s premises.

No contracts in excess of \$10,000 (inclusive of GST) or standing offers were exempted by the Secretary from being published on AusTender on the basis that they would disclose exempt matters under the *Freedom of Information Act 1982*.

Information on procurements expected to be undertaken in 2015–16 is in the department’s annual procurement plan, available from the AusTender website ([www.tenders.gov.au](http://www.tenders.gov.au)).

## Initiatives to support small business

The department supports small business participation in the Commonwealth Government procurement market. Participation statistics for small and medium enterprises and small enterprises are available on the department’s website at [www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts](http://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](http://www.treasury.gov.au)).

The department’s support for small business includes using the Commonwealth contracting suite for low-risk procurements valued under \$200,000.

## Consultancies

The department engages consultants when it requires specialist expertise or when independent research, review or assessment is required. Decisions to engage consultants during 2015–16 were made in accordance with the PGPA Act and related regulations, including the Commonwealth Procurement Rules and relevant internal policies.

During 2015–16, the department entered into 218 new consultancy contracts involving total actual expenditure of \$12.4 million. In addition, 58 ongoing consultancy contracts were active during 2015–16, involving total actual expenditure of \$18.5 million.

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](http://www.tenders.gov.au)).

**Table 9: Expenditure on consultancy contracts, 2013–14 to 2015–16**

	2013–14 \$ million	2014–15 \$ million	2015–16 \$ million
Total actual consultancy expenditure	9.2	33.4	30.9