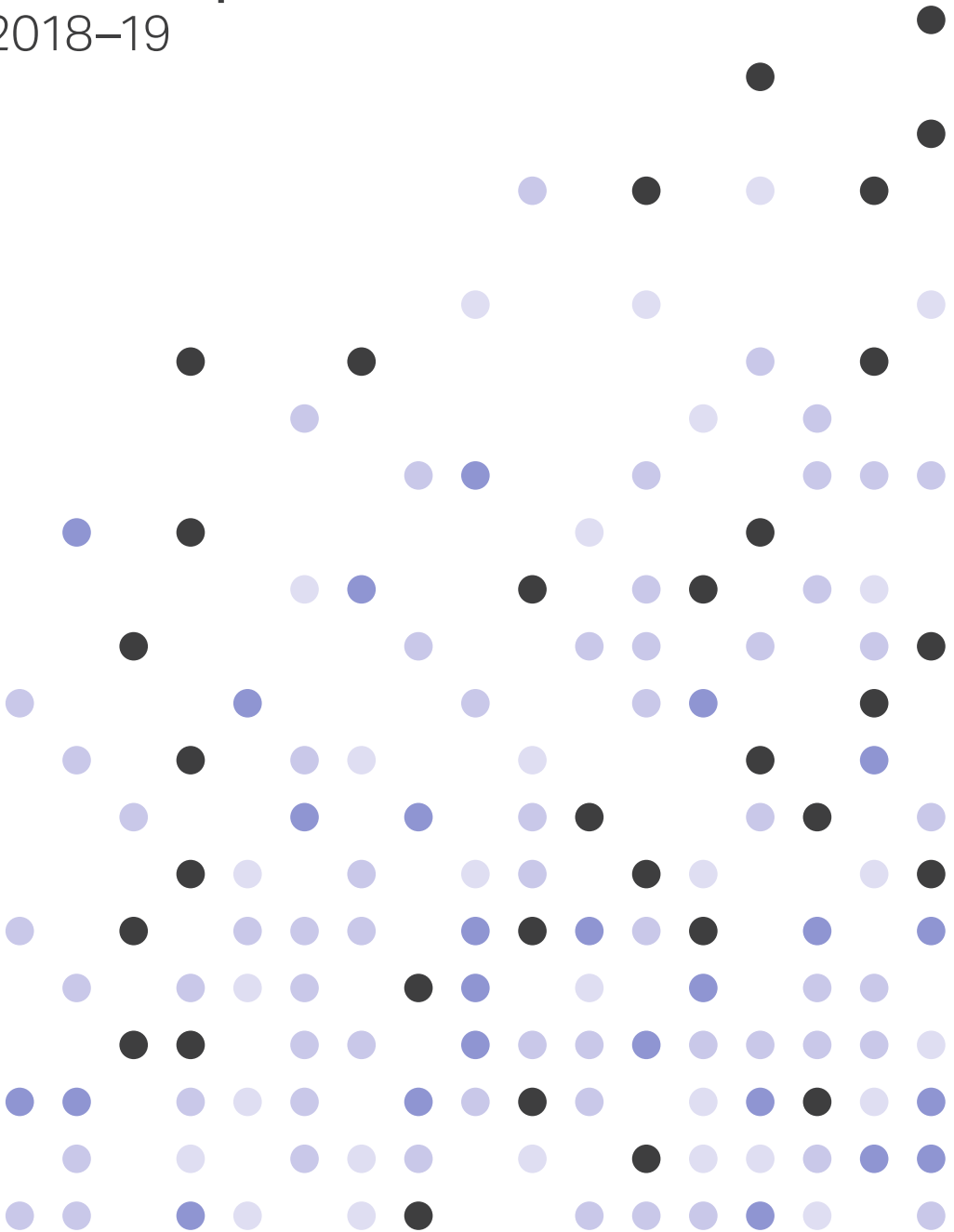




Australian Government
Department of Finance

Annual Report 2018–19



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About this report

This is the Secretary's report to the Minister for Finance on the performance of the Department of Finance for the financial year 2018–19.

The report has been prepared in accordance with Resource Management Guide No. 135: *Annual reports for non-corporate Commonwealth entities*.

Accessing this report online

Further information about Finance and an online version of this report are available on the Finance website at finance.gov.au/publications.

The annual report can also be found at transparency.gov.au.

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Australian Government
Department of Finance

Rosemary Huxtable PSM
Secretary

Senator the Hon Mathias Cormann
Minister for Finance
Parliament House
CANBERRA ACT 2600

Dear Minister

I am pleased to present the annual report of the Department of Finance for the financial year 2018-19.

This report has been prepared in accordance with all applicable obligations of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) including section 46 which requires that you table the report in parliament. The report reflects the matters dealt with and legislation administered by the Department as at 30 June 2019.

The report includes the Department's audited financial statements as required by section 43(4) of the PGPA Act.

As required by section 10 of the *Public Governance, Performance and Accountability Rule 2014*, I certify that:

- the Department has prepared fraud risk assessments and fraud control plans
- the Department has in place appropriate fraud prevention, detection, investigation and reporting mechanisms that meet its specific needs
- I have taken all reasonable measures to appropriately deal with fraud relating to the Department.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Huxtable', written over a horizontal line.

Rosemary Huxtable

Secretary

3 October 2019

cc Senator the Hon Zed Seselja, Assistant Minister for Finance, Charities and Electoral Matters

Contents

Letter of transmittal.....	iii
Secretary's review	vii
Part 1: Overview	1
The portfolio.....	2
Role and functions.....	4
Purpose	4
Operating environment.....	5
Outcomes and programs.....	5
Finance executive.....	8
Organisational structure	11
Part 2: Performance	13
Priorities for 2018–19	14
Advising on expenditure.....	16
Delivering cost-effective services.....	19
Whole-of-government approach	22
Public sector transformation.....	26
2019 federal election response.....	30
Annual performance statements	33
Financial performance.....	70
Part 3: Management and accountability	71
Corporate governance.....	72
External scrutiny.....	80
Asset management	84
The Central Advertising System	84
Procurement	85
Environmental performance.....	87
Part 4: Our people	91
Finance Transformation.....	92
Workforce planning	93
Mobility	95
Workforce diversity	97
Building capability.....	98
Workforce statistics.....	102
Work health and safety.....	108

Part 5: Financial statements	111
Part 6: Appendices	181
Appendix A: Entity resource statement and expenses by outcome.....	182
Appendix B: Other management matters.....	191
Appendix C: Information on recoverable payments.....	197
Appendix D: Staff achievements.....	199
Appendix E: Corrections to previous annual report.....	202
Part 7: Reference material	203
Glossary.....	204
Abbreviations and acronyms.....	210
List of requirements.....	212
Index.....	217

List of tables and figures

Tables

Table 1: Audit Committee membership, 2018–19	76
Table 2: Environmental performance summary, 2017–18 and 2018–19.....	88
Table 3: Employment type by classification and gender, at 30 June 2019	102
Table 4: Employment type by classification and gender, at 30 June 2018	102
Table 5: Attendance type and classification, at 30 June 2019	103
Table 6: Attendance type and classification, at 30 June 2018	103
Table 7: All staff employment type by attendance type, at 30 June 2019.....	104
Table 8: All staff employment type by attendance type, at 30 June 2018.....	104
Table 9: Employment type by location and gender, at 30 June 2019	104
Table 10: Employment type by location and gender, at 30 June 2018	104
Table 11: Employment type by location, at 30 June 2018 and 30 June 2019.....	105
Table 12: Ongoing and non-ongoing Aboriginal and Torres Strait Islander staff, at 30 June 2018 and 30 June 2019.....	105
Table 13: Proportion of ongoing staff with disability, at 30 June 2018 and 30 June 2019	105
Table 14: Proportion of ongoing workforce that are women, at 30 June 2018 and 30 June 2019	105
Table 15: Proportion of the SES workforce that are women, at 30 June 2018 and 30 June 2019.....	105
Table 16: Employment arrangements for SES and non-SES staff, at 30 June 2019.....	106
Table 17: Salary ranges by employment classification, at 30 June 2019.....	106
Table A1: Entity resource statements, 2018–19	182
Table A2: Expenses for Outcome 1, 2018–19	184
Table A3: Expenses for Outcome 2, 2018–19	185
Table A4: Expenses for Outcome 3, 2018–19	189
Table B1: Advertising and market research expenditure, 2018–19.....	192
Table B2: Information about remuneration for senior executives.....	194
Table B3: Information about remuneration for other highly paid staff.....	195
Table B4: Information about remuneration for key management personnel	196
Table C1: Recoverable superannuation scheme payments—parliamentarians, judges and governors—general, 2017–18 and 2018–19	198
Table E1: Employment type by location, at 30 June 2017 and 2018	202

Figures

Figure 1: Outcome and program structure, 2018–19.....	6
Figure 2: Organisational structure, at 30 June 2019	11
Figure 3: Whole-of-government ICT Services	73
Figure 4: Finance’s governance structure, at 30 June 2019	75
Figure 5: Finance’s planning and performance reporting cycle.....	78
Figure 6: Transforming Finance.....	92
Figure 7: Finance’s sourcing strategy	94

Secretary's review

Rosemary Huxtable PSM



I am pleased to present the Department of Finance Annual Report 2018–19.

It is a privilege to lead a high-performing organisation focused on driving continuous improvement, providing high-quality advice and delivering efficient, cost-effective services to, and for, the Government, including by assisting the Government to achieve its fiscal and policy objectives through the Budget process.

As a central agency, Finance is in a unique position to influence whole-of-government outcomes. Through the Department's responsibility for leading key public sector reforms, leveraging governance frameworks and collaboration across the Australian Public Service (APS), Finance contributes to the efficient delivery of government services and outcomes for Australian citizens.

More broadly throughout the year, the Department worked with partners across government to implement and support reform projects funded by the Government's Modernisation Fund which are contributing to a more efficient, adaptable, productive and sustainable public sector.

As detailed in the Corporate Plan 2018–19, Finance had many deliverables this year and each has been achieved or substantially achieved.

Finance continued to focus on its responsibilities in delivering the Budget and economic updates and managing the Budget process in collaboration with the Treasury, ensuring that public expenditure programs were effective and sustainable and that they reflected the best value for the Government and the Australian community.

Through strong collaboration with the Department of the Prime Minister and Cabinet, Department of the Treasury and all Commonwealth entities, Finance ensured the timely preparation and delivery of economic updates, including the 2017–18 Final Budget Outcome (FBO), the 2018–19 Mid-Year Economic and Fiscal Outlook (MYEFO) and an early 2019–20 Budget in April this year. In doing so Finance provided advice on major policy reforms and investment to support the Government to meet its fiscal target and policy objectives.

In a busy year that included a federal election, the Department worked with the Australian Electoral Commission to support the democratic process. Finance led the Electoral Integrity Taskforce during the federal election campaign period to ensure efficient and effective communication on matters relating to the integrity of the election.

Following the election, the Department supported parliamentarians and their staff to perform their duties, including implementation of innovative digital services through the Parliamentary Expenses Management System (PEMS) and the COMCAR Automated Reservation System (CARS).

The Department's Transformation Plan remains a focus and we have driven innovation across the organisation and supported mobility opportunities to develop organisational capability. We continue to assess how to deliver more streamlined, user-friendly services utilising digital technologies, including automation, wherever appropriate. The Productivity Automation Centre of Excellence (PACE) is building capability in the Department and across the APS to drive this type of innovation.

Finance is proud of the positive and engaged culture that leaders at all levels have fostered and developed over the past year, which has a direct influence on all that the Department has achieved.

Our performance and achievements

In 2018–19, Finance used our own experience of change to provide leadership and stewardship across the APS to support wider transformation, collaboration and modernisation, while delivering on key initiatives.

I would like to acknowledge the professionalism and commitment of Finance staff in delivering and achieving across all our areas of responsibility during the year. In particular, I would like to highlight the following achievements, which have delivered on our purpose and priorities.

Independent Review into the operation of the *Public Governance, Performance and Accountability Act 2013* and Rule

In September 2018, the report of the Independent Review into the operation of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and Rule was released. Finance has worked with key stakeholders to support and implement its recommendations to improve the transparency of executive remuneration reporting and the accessibility of annual reports through transparency.gov.au. These recommendations were implemented by amending the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule). The implementation of other recommendations is well advanced, including those that go to performance reporting and audit committees.

Centre of Procurement Excellence

In March 2019, Finance launched the Centre of Procurement Excellence (CoPE) designed to build public sector capability in procurement, strengthen partnerships with the business community and encourage innovation to deliver better value for money.

CoPE has provided opportunities for entities to collaborate with stakeholders to shape a modern and fit-for-purpose procurement framework. Finance has also brought together senior members of key Commonwealth entities and the business community for the Secretary's Procurement Roundtable to discuss issues related to Commonwealth procurement.

Service Delivery Office

As a shared services hub, the Service Delivery Office (SDO) within Finance delivered quality digital services to 13 entities and over 6,000 staff, supporting the Government in driving efficient corporate functions across the APS. The SDO has taken a lead role in expanding the Government's corporate services under the whole-of-government Shared Services Program and has become the technological leader in the delivery of next generation Enterprise Resource Planning (ERP) systems in the Government.

The Department is now a consumer of SDO services and will leverage its digital capability to drive improvements and efficiencies in how we run our own operations.

Digital Annual Reporting Tool

In 2018, Finance led a pilot Digital Annual Report project involving 13 entities, under which each produced and digitised their 2017–18 annual report on the transparency.gov.au platform developed by Finance and launched by the Minister for Finance on 13 March 2019.

In addition to streamlining the preparation of annual reports and standardising compliance requirements, the pilot launched the entry of digitised information into the Transparency Portal, with the 2018–19 reporting cycle to feature a complete set of annual reports for all Commonwealth entities and Commonwealth companies. This significantly enhances the Commonwealth’s accountability framework and supports digital access to information on how government works.

Government Business Analytical Unit

The Government Business Analytical Unit (GBAU) within Finance has grown its capability and increased the use of data to inform public sector policy and government administration. New data analytics expertise and investment in technology is enabling Finance to use data, including from across the APS, in a more sophisticated way to build an evidence base, inform policy-making, and enhance reporting and transparency including through analysis of APS Employee Census data.

Australian Accounting Standard AASB 16 — Leases

Implementing the new accounting standard Australian Accounting Standard AASB 16—*Leases*, Finance collated leasing data and calculated the financial impact at both entity and whole-of-government levels. This work ensures that we have reliable estimates for inclusion in the 2019–20 MYEFO, the first economic update after the new standard came into effect on 1 July 2019.

Shared Budget Workflow System

The Shared Budget Workflow System (SBWS) improved public sector productivity by automating manual components of the Budget process, resulting in more timely and reliable advice to the Government, enhanced data analytics and improved consistency and accuracy of reporting.

Infrastructure projects

To deliver on key infrastructure projects, Finance engaged with and provided advice to Commonwealth Government Business Enterprises (GBEs) regarding corporate planning, financial and operational performance. Finance has continued to ensure that GBE governance frameworks are fit for purpose and operate efficiently, in support of the Finance Minister’s shareholder responsibilities, to help progress government commitments, including Snowy Hydro 2.0, large infrastructure projects such as Inland Rail, Moorebank Intermodal and Western Sydney Airport, Naval Shipbuilding and the National Broadband Network.

Our people

A key achievement in Finance's ongoing transformation is highlighted in the APS Employee Census results, which show continued improvement in the Department's employee engagement scores.

Finance has made a deliberate effort to make teams mobile, agile and capable, supporting staff to operate to the best of their abilities. Automation and digitisation is improving business processes enabling staff to focus less on transactional work and more on value adding and strategic activities.

APS Employee Census

This year, 94.4 per cent of Finance staff participated in the 2019 APS Employee Census, placing second for participation among large APS entities. This year's participation was five percentage points higher than last year's strong result. This gives me great confidence that the results provide a broad reflection of the views of Finance staff.

Finance's 2019 Census results were positive. All our indicators are on par with, or better than, last year, and 99 per cent are on par with or better than the APS average—an improvement on our strong 2018 results. Importantly, the three areas we focused on following the 2018 Census—Flexible Working, Risk Management and Diversity—all showed strong improvements. The results reflect that Finance staff are highly committed, capable and engaged and will form an important foundation for our corporate priorities in the 2019–20 year.

Communities@Work

Giving back to the community is an important element of how Finance staff work. Over the past year, through fundraising events and activities, Finance contributed generously to the Department's chosen charity, Communities@Work, which provides services to the most vulnerable and disadvantaged members of the Canberra community. Finance's graduates have also collaborated to come up with innovative ideas to support Communities@Work.

Financial performance

The Department remains in a sound financial position, operating within its appropriation. For 2018–19 the Department recorded an operating surplus of \$16.5 million, mainly reflecting favourable gains in the Commonwealth's domestic property portfolio.

More information about the Department's financial performance can be found in Part 5, 'Financial statements'.

Outlook

Looking ahead to 2019–20, a key priority will be supporting the Government to deliver its fiscal and policy objectives consistent with the *Charter of Budget Honesty Act 1998*. This includes delivering the 2018–19 FBO and Consolidated Financial Statements (CFS), the 2019–20 MYEFO, the 2020–21 Budget, the Government’s regular financial statements and managing sustainable public sector resourcing.

Finance will continue to support the GBEs, including developing major infrastructure projects such as the Western Sydney Airport, the National Broadband Network, the Moorebank Intermodal Terminal, Snowy Hydro, naval shipbuilding infrastructure and Inland Rail.

The Department is developing a digital solution to enhance GBE shareholder reporting. This will streamline how the Department captures, analyses and presents GBE corporate and project financial and performance data, including historical trend analysis and future projections. Finance delivered a proof of concept in mid 2019 for phased delivery commencing in 2019–20.

Finance will continue to identify business processes for automation and will deliver the first tranche of 19 business process automations initiated last year. Additionally, PACE will continue to partner across government to build and embed process automation capability.

On 1 July 2019, Finance onboarded to SDO, which means we now benefit from being both a provider and a consumer of shared services. Importantly, by adding our staff to its footprint, we support the SDO to operate at scale and reduce costs to all client entities.

In addition to enhanced services to parliamentarians and their employees, including easier access to online information and new training modules, the final release of PEMS is scheduled for delivery in mid-2020. This will integrate office and travel expense claims with the financial management information system, including budget management, reporting and self-service functions such as viewing payslips, applying for leave and changing personal profiles.

Through the Modernisation Fund, Finance is leading work to standardise business processes by developing an implementation plan for a common ERP platform across government. This will provide APS staff with common technology and standardised processes using the best digital technology regardless of the agency for which they work.

To meet emerging needs, the Department will build further capability in areas such as data analytics, commercial investment and management, financial modelling and business analysis, strengthening our ability to advise in an informed, strategic and connected manner.

Finance’s Information and Data Governance Framework sets out our commitment to achieving best practice in how to create, save and access information and data. Under the Framework, the Department will implement the Managed Information Environment (MIE)—a single repository for documents that consolidates corporate records into a ‘one-stop shop’. This work will contribute to a longer term data strategy for the Department. In addition to the GBAU, as part of the Data Integration Partnership for Australia, the Finance Budget Analytics and Visualisation Team will drive productivity by supporting data sharing across the APS.

Finance is committed to driving change and improvement, which is underpinned by the Department’s 2019–20 Transformation Plan. In the year ahead, Finance will continue to enable transformation with initiatives across our four areas of focus: people, stewardship, making business better and integrated business planning.

Transformation requires a culture where all staff participate to their full potential. To achieve this, the Department is implementing its own People Capability Framework to drive performance and build talent using clear and consistent performance expectations for all levels.

In all of our endeavours, Finance will operate with integrity and accountability to embrace data and digital technology, collaborate effectively and be innovative.

As a central agency, we have a significant opportunity to improve the efficiency and effectiveness of the APS in delivering better frontline services to the Australian community.

Acknowledgements

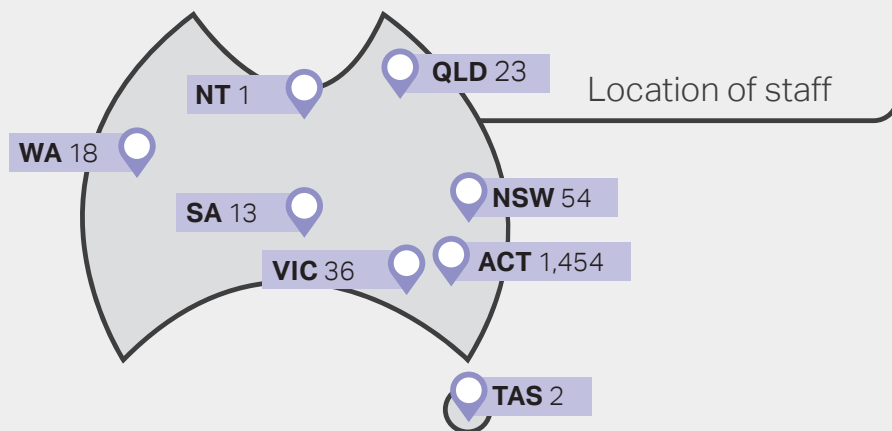
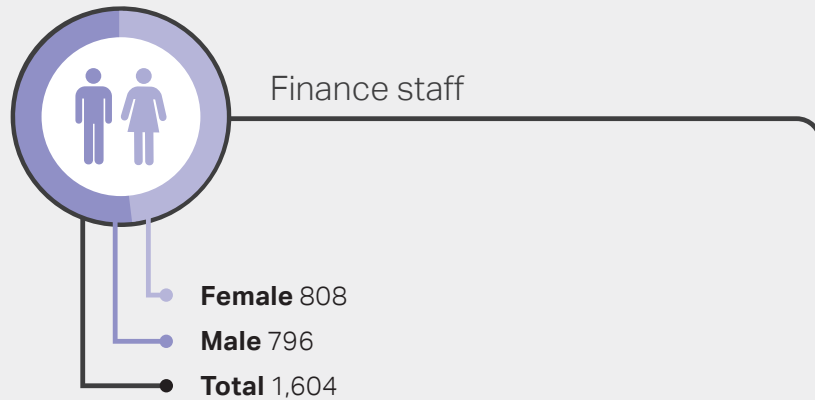
I would like to thank the Minister for Finance, Senator the Hon Mathias Cormann, the Assistant Minister for Finance, Charities and Electoral Matters, Senator the Hon Zed Seselja, the former Special Minister of State, the Hon Alex Hawke MP, and the former Assistant Minister for Finance, the Hon David Coleman MP and their offices for the support that they have provided during 2018–19.

Finally, I wish to acknowledge and thank all Finance staff for their unwavering commitment and constant professionalism in delivering on the priorities and achievements outlined in this report.

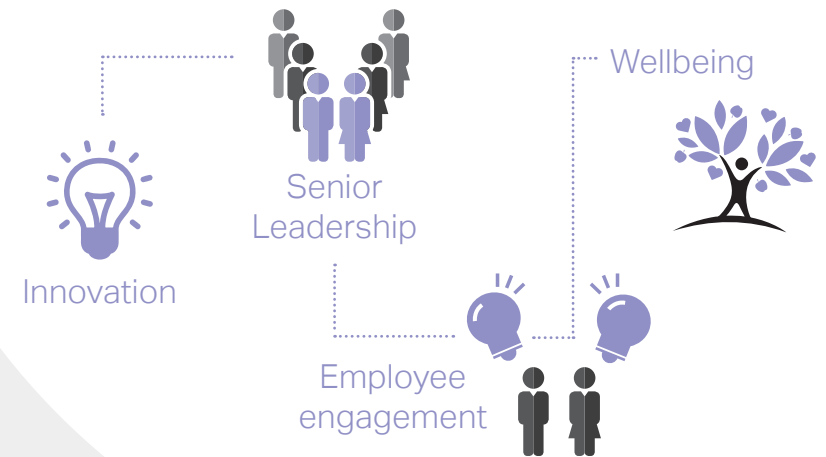
Rosemary Huxtable PSM

People of Finance

Our workforce



Things we did well in 2018–19

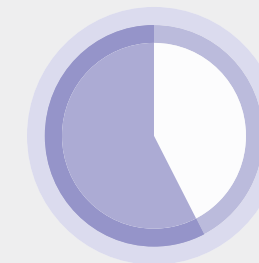


Source: APS Employee Census 2019

Number of staff including casuals

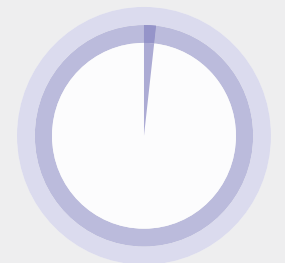


55.6%



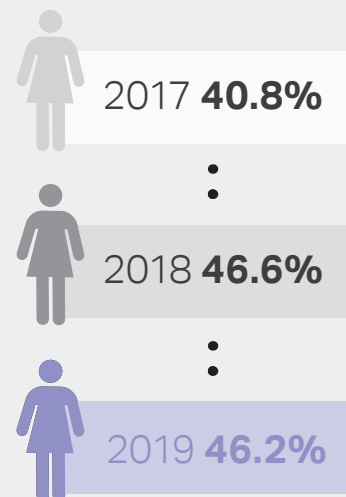
Women

3.0%



Aboriginal and Torres Strait Islander

Women in leadership (Finance SES)



10.7%



Part-time staff

4.4%



Staff with a disability

Note: Percentages refer to ongoing staff.

Business of Finance

Governance and APS Transformation



Commercial and Government Services



3

Managing public sector frameworks and governance mechanisms across the whole of government ensuring the sector is operating efficiently and has the organisational capability to respond to changing priorities.

4

Driving public sector transformation and delivering productive and better quality services to citizens and businesses.

Business Enabling Services



Budget and Financial Reporting



Priorities for 2018–19

1

Advising on expenditure and managing sustainable public sector resourcing assisting the Government to achieve its fiscal and policy objectives.

2

Delivering cost-effective services to, and for, Government by providing administrative support to parliamentarians and their staff, by delivering services through the Service Delivery Office and providing a range of secure telecommunications and ICT infrastructure.



