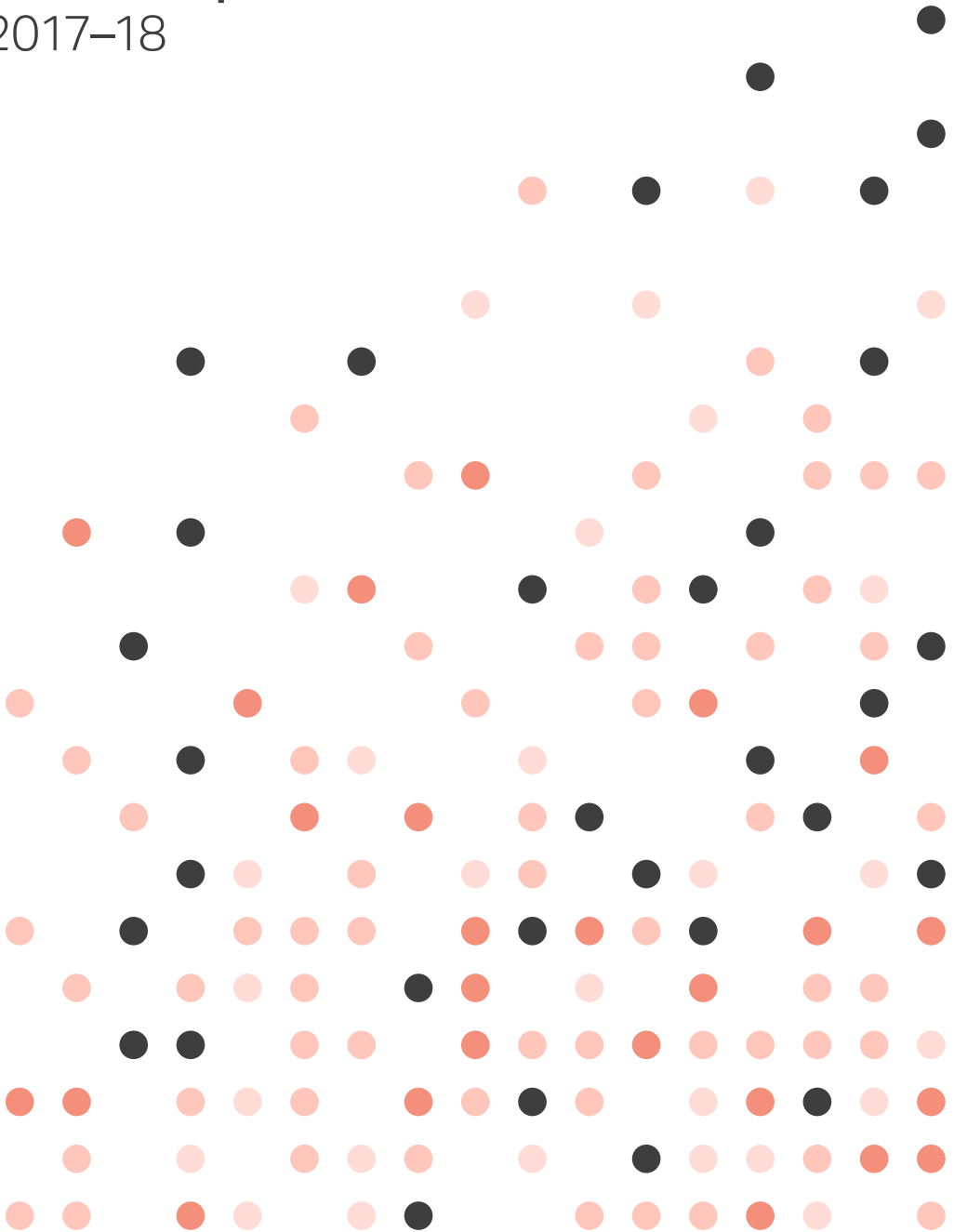




Australian Government
Department of Finance

Annual Report 2017–18



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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 2017–18.

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 (finance.gov.au).

The annual report can be found at finance.gov.au/publications/annual-reports.

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Australian Government
Department of Finance

Rosemary Huxtable PSM
Secretary

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

Dear Minister

I am pleased to present the annual report of the Department of Finance for the financial year 2017-18.

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 2018.

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'.

Rosemary Huxtable

Secretary

7 October 2018

cc The Hon Alex Hawke MP, Special Minister of State
Senator the Hon Zed Seselja, Assistant Minister for Treasury and Finance

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Secretary's review

Rosemary Huxtable PSM



I am pleased to present the Department of Finance Annual Report 2017–18.

I am delighted to be leading a department that strives for excellence in delivering its purpose – to assist the Australian Government to achieve its fiscal and policy objectives through the Budget process and by advising on expenditure, managing sustainable public sector resourcing, driving public sector transformation and delivering efficient, cost-effective services to, and for, government.

As a central agency, Finance has a privileged position from which to contribute to the delivery of policy and services for all citizens. We are mindful of our responsibility to support the government to deliver budgets and fiscal strategies, to provide shareholder oversight and create innovative financing structures for government businesses, and to drive value in government spending while creating a smarter, more productive and sustainable government sector.

As detailed in our Corporate Plan for 2017–18, Finance had a large number of priorities to deliver during the year. These have all been achieved or substantially achieved. During 2017–18, Finance played a strategic and influential role in assisting the government to achieve its fiscal and policy objectives, manage sustainable public sector resourcing, drive public sector transformation and deliver efficient, cost-effective services. These objectives and priorities guided our direction as we continued to provide advice to government on delivering savings, realising value and driving reforms to ensure services are as efficient and well targeted as possible.

Through our own internal transformation agenda, we continued to demonstrate our commitment to Australian Public Sector Reform and deliver on our purpose. Our goal to be a high-performing, modern, efficient and continuously improving public sector organisation remained our focus as we worked to deliver better and more efficient services for government and citizens. As a transformative organisation, we worked to anticipate and respond to globalisation, advances in technology and data, and evolving employment models and demographics. We explored opportunities and tools to improve our business operations and management, including by embracing the role of operating a shared services hub.

Through our role in the successful delivery of the 2017–18 Mid-Year Economic and Fiscal Outlook and the 2018–19 Budget, we supported the government to deliver its fiscal policy intent by providing advice on spending and savings proposals to the Expenditure Review Committee of Cabinet. We provided advice on major policy reforms as well as investment in infrastructure, regional Australia and energy security.

Finance staff worked across Government to establish, implement and realise savings from the whole-of-Australian-government property services coordinated procurement arrangements. The arrangements have improved the Commonwealth's approach to strategic property lease planning at the whole-of-Australian-government level and have aggregated the Commonwealth's purchasing power for leasing and facilities management services.

In delivering on these priorities, we engaged with and listened to our key stakeholders. We focused on creating a culture where innovation is encouraged, and where leaders are committed to supporting and enabling their staff to achieve their best, for themselves, the organisation, but most importantly, for the Australian public.

Our performance and achievements

I would like to recognise the high-quality and professional input from all Finance staff in delivering and achieving across a diverse range of activities during the year. In particular, I would like to highlight the following achievements that speak to the department's purpose and priorities.

ASEAN–Australia Special Summit 2018

COMCAR successfully delivered services to visiting heads of state and heads of government attending the Association of Southeast Asian Nations (ASEAN)–Australia Special Summit 2018, held in Sydney from 15 to 19 March. COMCAR mobilised its resources to provide ground transport services to 11 ASEAN leaders, their spouses and other foreign dignitaries.

COMCAR worked closely with all ASEAN stakeholders, including the ASEAN Taskforce within the Department of the Prime Minister and Cabinet, the NSW Police Force and other security agencies, airport operations staff, as well as hotel and venue managers.

Australian Marriage Law Postal Survey

The department played both a facilitating and a coordinating role in the delivery of the Australian Marriage Law Postal Survey. Finance provided policy advice to government on the implications of implementing the postal survey, and assisted in responding to public inquiries on the survey.

Finance provided advice to government on its application of the Advance to the Finance Minister provision to fund the survey, as well as preparing the instrument allowing for the allocation of \$122 million to the Australian Bureau of Statistics for the conduct of the postal survey.

The postal survey fulfilled the government's election commitment to allow every eligible Australian to have their say on the issue of same-sex marriage.

Service Delivery Office

The Service Delivery Office is part of an Australian Public Service-wide initiative to transform the way the public service operates. The office is one of the hubs that is consolidating and standardising the delivery of the government's corporate services under the Shared Services Program.

Since taking over responsibility for the Service Delivery Office in December 2016, Finance has systematically redesigned its operating model and modernised and revolutionised many services. This has turned the office into a more agile and efficient service centre with a 10 per cent reduction in operating costs in one year, which has been returned to client departments. The combined enhancements are delivering tangible benefits across numerous departments and are directly aligned with Finance's purpose of helping government to manage public resources more effectively and cost-efficiently.

Data analytics

Finance has been sharing its experience with domestic and international colleagues of building enhanced data analytics capability to target public expenditure. We have demonstrated how interactive data visualisations, coupled with high-performance statistical computation, can help policymakers better understand the complexity of Australia's welfare, health and education systems and interactions with the tax system. We have also assisted international colleagues in the Organisation for Economic Co-operation and Development (OECD) gain a better understanding of the challenges associated with building institutional capability to undertake data analytics by preparing an OECD background paper and presenting to OECD senior budget officials.

Redeveloped Central Budget Management System

Implementation of the redeveloped Central Budget Management System (CBMS-R) commenced on 26 July 2017. The system was rolled out over a six-month period to accord with the Australian Government's financial reporting requirements. CBMS now has a sustainable platform that is supported and upgradeable. It provides the capability to improve processes and frameworks, including greater opportunities for granular data analysis, enhanced reporting for Budget Estimates and more systematised reconciliation processes.

During the first 12 months of operation, CBMS-R was used to produce the 2016–17 Final Budget Outcome, the 2016–17 Consolidated Financial Statements, the 2017–18 Mid-Year Economic and Fiscal Outlook and the 2018–19 Budget.

Government businesses

Finance has worked in partnership with key agencies to support the management and oversight of government business enterprises. In particular, great progress has been made during the year in establishing, restructuring and driving policy initiatives for Snowy Hydro Limited, WSA Co Limited (for Western Sydney Airport), ASC Pty Ltd and Australian Naval Infrastructure Pty Ltd.

Our people

APS Employee Census

This year, 89 per cent of Finance staff participated in the 2018 Australian Public Service (APS) Employee Census conducted by the Australian Public Service Commission. This placed us equal second for response rates among large agencies in the APS.

This gives me great confidence that the results accurately reflect the views of our staff. I am delighted to report that we have maintained our strong employee engagement results, which positively reflect on the department's leadership and transformation activities.

Overall, our results reflect that our workforce is highly committed, capable and engaged. Our key areas of focus over the previous 12 months—health and wellbeing, learning and development, and innovation—all recorded improvements.

Finance's 2018 APS Employee Census results are very positive. Ninety-eight per cent of our indicators are on a par with, or better than, last year. Similarly, 98 per cent of our indicators are on a par with, or better than, the APS average, an improvement on our already strong results in 2017.

Changes to the Executive

This year saw the departure of Kerri Hartland, as she was promoted to the role of Secretary of the Department of Jobs and Small Business (September 2017), and the arrival of Katherine Jones to the role of Deputy Secretary, Business Enabling Services.

Following a distinguished career spanning almost 30 years in the Australian Public Service, including over 16 years in Finance, John Edge, Deputy Secretary of Commercial and Government Services, resigned in May 2018.

Both Kerri Hartland and John Edge made significant contributions to Finance working in policy, corporate and commercially focused roles, and I thank them for their leadership and support.

Communities@Work

Aside from being highly professional, hard-working and collaborative, Finance staff are also generous. Last year, through a number of events and activities, we raised funds for our chosen charity, Communities@Work, which provides services to the most vulnerable and disadvantaged members in the Canberra community.

Financial performance

The department remains in a sound financial position, operating within its appropriation. For 2017–18, the department recorded an operating surplus of \$126.9 million.

This result is predominantly due to external factors, with favourable claims experience for general insurance activities and 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

This year, foremost in our priorities is our responsibility to support the government to deliver its fiscal and policy objectives consistent with the *Charter of Budget Honesty Act 1998*. This includes the delivery of the 2018–19 Mid-Year Economic and Fiscal Outlook, the 2019–20 Budget, the government’s financial statements and the Pre-election Economic and Fiscal Outlook following the calling of a federal election. We are also modernising the administrative processes that support the federal Budget, through the new Budget Workflow System. Another key focus for the year ahead will be to continue to champion public sector modernisation—working in collaboration with our partners to deliver better services to citizens and businesses, which is enabled by a high-performing and productive public sector.

We continue to enhance our important stewardship role, including through the Secretaries Committee on APS Reform—a critical enabler of the public sector’s reform roadmap described in Budget Paper No. 4. We are contributing to the roadmap with our work on a number of projects that aim to build the public sector’s capability, including through the Productivity and Automation Centre of Excellence, based in the Service Delivery Office, piloting methods to measure productivity and enabling more efficient cross-government collaboration through GovTEAMS.

The Public Service Modernisation Fund remains a priority, providing oversight, and in some areas, delivering the Government’s investment in projects that will transform the business of government. Through the Fund, we have established the new Government Business Analytical Unit within Finance, and we are developing the Secure Information Sharing Capability platform that enables sharing and analysis of whole-of-government data—at the protected level—to inform and support ongoing improvements to government operations.

We will continue to develop the Parliamentary Expenses Management System to deliver better support for the administration, audit and reporting of work expenses for parliamentarians and staff employed under the *Members of Parliament (Staff) Act 1984*.

In addition, Finance is leading a pilot program to digitise the development and publication of the annual reports of Commonwealth entities and companies. This year’s annual report was developed using the tool. We will also continue to provide our corporate offerings to government agencies, for example through the coordinated procurement arrangements.

Supporting our government business enterprises in their ongoing development of key projects, such as Western Sydney Airport, the National Broadband Network, the Moorebank Intermodal Terminal, naval shipbuilding infrastructure and Inland Rail, will remain a high priority.

In all of these activities, we seek to exercise leadership, and to be innovative in the use of emerging digital technologies and collaborative across the public sector.

We will continue our role as a leader in developing the APS reform agenda and will continue to drive transformation across the public sector through transforming our internal activities to support better services for citizens and businesses and ensuring those services are delivered in the most efficient ways possible. In 2018–19, Finance’s transformation will focus on four areas:

- **People:** We want to have an inclusive, curious and empowered culture, aligned to priorities and capable of seizing opportunities presented by change
- **Stewardship:** We want positive and influential relationships with our stakeholders to support better outcomes for the Australian people

- Making business better: We want to continually challenge what we do, how we do it and improve the way we work
- Integrated business planning: We want to make timely and informed decisions using better data and integrated planning, budgeting and reporting.

Within Finance, we will both promote and experience public sector reform. As well as driving the Shared Services Program, Finance is transitioning to its own shared services arrangements through the Service Delivery Office.

Acknowledgements

Finally, I would like to acknowledge and thank the Minister for Finance, Senator the Hon Mathias Cormann, the former Assistant Finance Minister, the Hon David Coleman MP, and the former Special Minister of State, Senator the Hon Scott Ryan, and their offices for the support that they have provided the department during 2017–18.

Lastly, I wish to thank all Finance staff for their outstanding commitment and professionalism in delivering on the priorities and achievements outlined in this report.

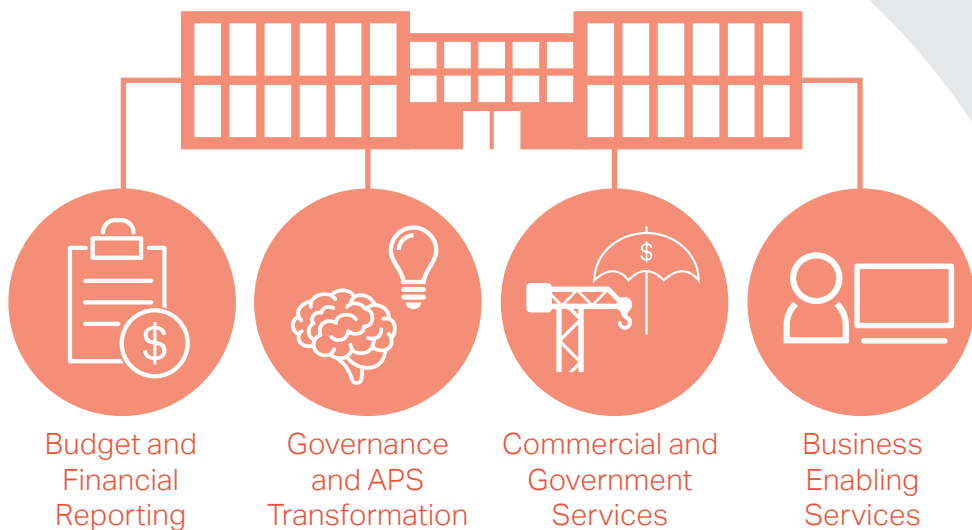
Rosemary Huxtable PSM

Finance at a glance 2017–18

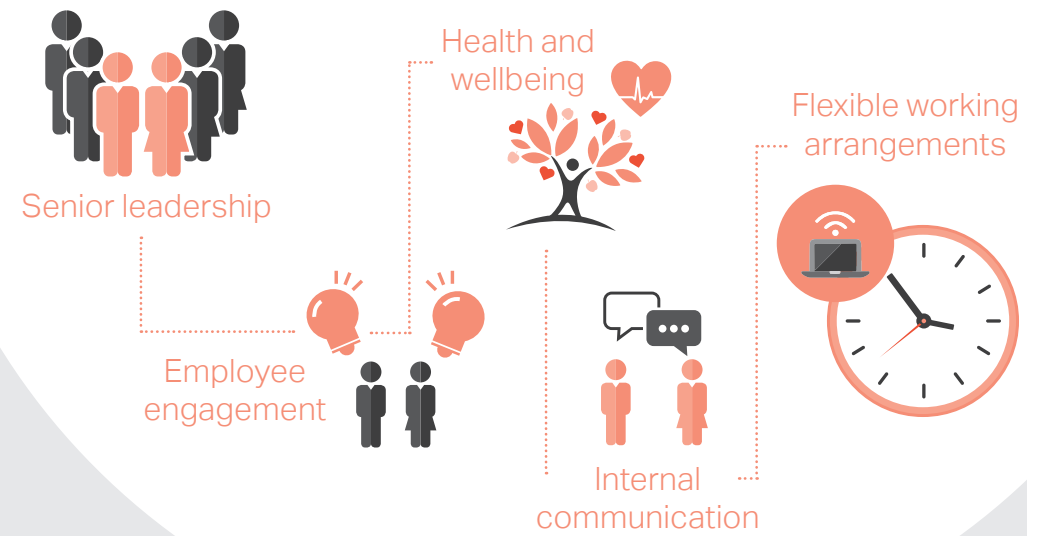
Our priorities

- Support the government's fiscal policy and Budget
- Deliver on major projects and key government priorities
- Transform and modernise the public sector
- Build and sustain relationships within and outside government
- Improve and modernise our business processes

Our business areas



Things we did well in 2017–18



Source: APS Employee Census 2018

Our workforce



Note: Percentages refer to ongoing staff.



Part 1: Overview



The portfolio

Role and functions

Purpose

Operating
environment

Outcomes and
programs

Finance executive

Organisational
structure

The portfolio

The following details provide an overview of the Finance portfolio and a summary of changes that occurred within the portfolio in 2017–18.

Portfolio ministers

These ministers were responsible for the Finance portfolio and its agencies during the reporting period 2017–18:

Senator the Hon Mathias Cormann

Minister for Finance (since 18 September 2013)
Special Minister of State (from 20 December 2017)

Senator the Hon Scott Ryan

Special Minister of State (19 July 2016 – 13 November 2017)¹

The Hon David Coleman MP

Assistant Minister for Finance (from 20 December 2017)

(Changes to the portfolio are a result of the then Prime Minister's announcement of changes to the ministry on 19 December 2017.)

¹ Senator Cormann assumed the duties of Special Minister of State immediately following Senator Ryan's appointment as President of the Senate on 13 November 2017, prior to the ministerial reshuffle announced on 19 December 2017.



Portfolio structure 30 June 2018

The portfolio structure at 30 June 2018 was as follows:

Department of State

Department of Finance

Secretary: Rosemary Huxtable PSM

Non-corporate Commonwealth entities

Australian Electoral Commission

Electoral Commissioner: Tom Rogers

Future Fund Management Agency

Chair: The Hon Peter Costello AC

Chief Executive Officer: David Neal

Independent Parliamentary Expenses Authority

Chair: Jillian Segal AM

Chief Executive Officer: Annwyn Godwin

Corporate Commonwealth entity

Commonwealth Superannuation Corporation

Chair: Patricia Cross

Chief Executive Officer: Peter Carrigy-Ryan

Commonwealth companies

ASC Pty Ltd

Chair: Bruce Carter

Chief Executive Officer: Stuart Whiley

Australian Naval Infrastructure Pty Ltd

Chair: Lucio Di Bartolomeo

Chief Executive Officer: David Knox

Changes to the portfolio in 2017–18

On 1 July 2017, the Independent Parliamentary Expenses Authority was established as a non-corporate Commonwealth entity in the Finance portfolio. The authority had been operating in an interim capacity as an executive agency since 3 April 2017.

Following its establishment as a Commonwealth company in March 2017, Australian Naval Infrastructure Pty Ltd was prescribed as a government business enterprise on 1 July 2017.

The ICT centralised procurement function was transferred to the Digital Transformation Agency on 1 July 2017.

Role and functions

As a central agency of the Australian Government, the Department of Finance (Finance) plays a key role in assisting the government to shape and deliver its priorities, particularly to ensure public expenditure programs are sustainable and reflect best value to government and the Australian community.

Throughout 2017–18, Finance delivered an array of support and services, including:

- providing policy and financial advice to the Minister for Finance, senior ministers and Cabinet’s Expenditure Review Committee on government expenditure
- supporting the government in its budget preparation, delivery and ongoing management through the budget process
- advising on strategic priorities, such as advancing public sector reform through the Public Service Modernisation Fund
- fostering leading public sector practice through the public sector resource management, governance and accountability frameworks
- providing advice to the government on optimal arrangements for the management and ownership of public assets, including the sale of assets
- administering the government’s general insurance fund, investment funds and superannuation schemes
- managing the government’s shareholdings in a number of government business enterprises and other public non-financial corporations
- providing a range of facilities and services to parliamentarians, their staff and former Senators and Members
- delivering whole-of-government information and communications technology services
- developing and maintaining the Australian Government’s procurement policy framework
- managing the Australian Government’s special claims, insurance and risk management operations
- administering discretionary compensation mechanisms.

Purpose

Finance assists the Australian Government to achieve its fiscal and policy objectives by advising on expenditure, managing sustainable public sector resourcing, driving public sector transformation, and delivering efficient, cost-effective services to, and for, government.

Values

Underpinning our work and our interactions are the Australian Public Service Values:

- Impartial
- Committed to service
- Accountable
- Respectful
- Ethical

Operating environment

As a central agency, Finance strives to deliver advice from a whole-of-government perspective in a complex and continually changing environment. In particular, Finance's ability to look broadly at policy proposals, distil key information from a range of stakeholders, assess impacts and risks, and provide high-quality advice is key to informing the government's decision-making processes.

The environment in which Finance operates is uncertain. Our role is to assist government decision-making, particularly to support meeting fiscal and policy objectives. This occurs in an evolving environment where many factors impact this advice, including:

- the growing demands on government
- Australia's changing demographics
- shifting relationships between citizens and governments at all levels
- evolving and advancing technology
- meeting the government's fiscal policy objectives
- policy debates subject to strong political and public opinion.

While challenging, these factors create opportunities for Finance to provide innovative solutions, balancing policy and financial priorities to assist government in achieving its objectives.

Outcomes and programs

Part 2 of this report details the department's achievements during the year, based on the three outcomes outlined in Finance's Portfolio Budget Statements 2017–18. Figure 1 shows our outcome and program structure at 30 June 2018.

Figure 1: Outcome and program structure, 2017–18

Outcomes

1

Support sustainable Australian Government finances through providing high-quality policy advice and operational support to the government and Commonwealth entities to maintain effective and efficient use of public resources.

Program

1.1

Budget and financial management

Contributing business areas:

Budget and Financial Reporting, Governance and APS Transformation

2

Support an efficient and high-performing public sector through providing leadership to Commonwealth entities in ongoing improvements to public sector governance, including through systems, frameworks, policy, advice and service delivery.

Programs

2.1

Public sector governance

2.5

Technology and procurement services

2.2

Transforming government

2.6

Service Delivery Office

2.3

Property and construction

2.7

Public Sector superannuation

2.4

Insurance and risk management

2.8

Australian Government investment funds

Contributing business areas:

Business Enabling Services, Commercial and Government Services, Governance and APS Transformation

3

Support for parliamentarians and others as required by the Australian Government through the delivery of, and advice on, entitlements and targeted programs.

Program

3.1

Ministerial and parliamentary services

Contributing business area:

Business Enabling Services

Finance executive

The Department of Finance is led by the Secretary, Rosemary Huxtable PSM, supported by four deputy secretaries, each with responsibility for one business area. Further information about the operations of the Executive Board is provided under 'Corporate governance' (see page 58). The department's organisational structure at 30 June 2018 is shown at Figure 2 on page 10.

Secretary Rosemary Huxtable PSM

Rosemary Huxtable was appointed Secretary of the Department of Finance in February 2017. As Secretary, Rosemary is responsible for all functions and services delivered by the department, including supporting the delivery of the Australian Government Budget, overseeing the financial framework of Australian Government agencies, shareholder oversight of government business enterprises, managing the Australian Government's non-Defence domestic property portfolio, key asset sales, aspects of public sector modernisation, and provision of a range of facilities and services to current parliamentarians and their staff (approximately 1,850), and to former members of parliament.



Rosemary joined Finance in June 2013 as Deputy Secretary of Budget and Financial Reporting. Prior to that, she was a Deputy Secretary in the Department of Health and Ageing and was a key player in significant health reforms, particularly in the areas of Medicare, the Pharmaceutical Benefits Scheme and hospital financing.

Rosemary has worked extensively in the areas of budget management, health and community services across both public and private sectors, including working in ministerial offices and managing a private consulting business in Western Australia. Rosemary has more than 25 years' experience in Commonwealth administration.

Rosemary received a Public Service Medal for her work on the Medicare program in 2005.



Deputy
Secretary
David
Fredericks

David Fredericks was appointed Deputy Secretary of Budget and Financial Reporting in February 2017. He had previously been Deputy Secretary of Business Enabling Services. Before moving to Finance, David was a Deputy Secretary at the Attorney-General's Department for more than four years, first in the Civil Justice and Legal Services Group and then as the Chief Operating Officer.

Budget and Financial Reporting

Budget and Financial Reporting provides policy and financial advice on government expenditure and non-taxation revenue matters to the Minister for Finance, other senior ministers and the Expenditure Review Committee of Cabinet.

Budget and Financial Reporting supports the government in its preparation, delivery and ongoing management of the Budget and assists agencies in meeting their financial management and reporting obligations. It aims to ensure that the analysis, policy advice and costing information provided to government supports informed decision-making and that economic updates are delivered within required timeframes and meet their legislative requirements.



Deputy
Secretary
Stein
Helgeby

Stein Helgeby was appointed Deputy Secretary of Governance and APS Transformation in October 2015. He joined the department in February 2010 as the Deputy Secretary of the former Financial Management Group. Prior to this, Stein enjoyed a lengthy period in the Victorian Department of Treasury and Finance, where he was responsible for budget and financial management, long-term policy research, taxation, business tax reform and intergovernmental relations.

Governance and APS Transformation

Governance and APS Transformation develops policy and advises on the resource management and governance frameworks for public sector agencies, accounting policy, the government's investment funds, and superannuation arrangements for members of parliament and Commonwealth employees. It also advises on and coordinates government information and advertising campaigns.

Additionally, Governance and APS Transformation consolidates budget updates, contributes to preparation of the budget statements and prepares the Commonwealth's monthly and annual consolidated financial statements. It also provides policy and program leadership on initiatives aimed at modernising and increasing the public sector's productivity, including shared and common services for back-office functions and grants administration.



Deputy
Secretary
Katherine
Jones PSM

Katherine Jones was appointed Deputy Secretary of Business Enabling Services in October 2017. Prior to her position at Finance, Katherine was a Deputy Secretary in the Attorney-General's Department, where she led the National Security and Emergency Management Group. In 2017, Katherine received a Public Service Medal for her outstanding contribution in this role.

Business Enabling Services

Business Enabling Services provides corporate and ICT services to the department to facilitate Finance's role in supporting the government. It also provides innovative whole-of-government ICT services. It includes Ministerial and Parliamentary Services, providing a range of services and support to current parliamentarians and their staff and to former members of parliament. Through the Service Delivery Office, it provides services to client entities, as part of the whole-of-government Shared Services Program.



Deputy
Secretary
(Acting)
Andrew
Jagers

Andrew Jagers was appointed Acting Deputy Secretary of Commercial and Government Services in May 2018. In this role, Andrew is responsible for managing the Commonwealth's non-Defence property portfolio, whole-of-government procurement policy and the relationships with a number of government business enterprises.

Prior to moving into this role, Andrew spent a number of years as First Assistant Secretary of the Commercial Division with the Department of Finance, and First Assistant Secretary of the Infrastructure Investment Division at the Department of Infrastructure and Regional Development, where he was responsible for leading the governance, oversight and implementation of a number of large-scale and high-profile government infrastructure projects.

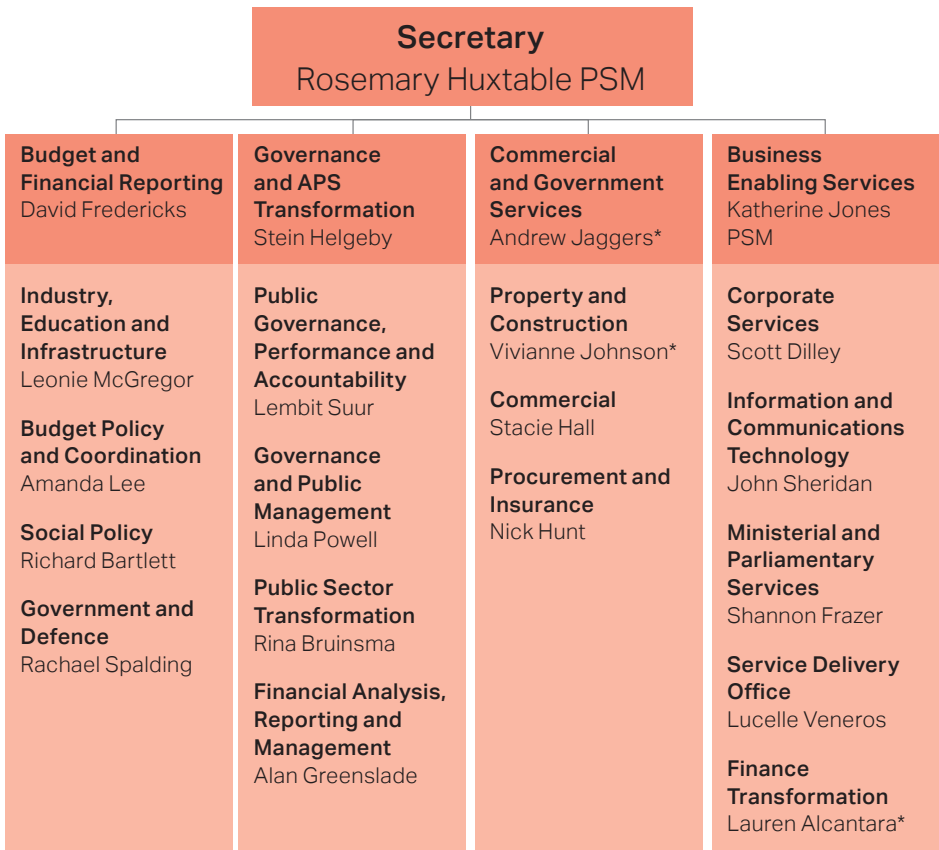
Commercial and Government Services

Commercial and Government Services provides advice on government business enterprises and commercial entities, manages the domestic non-Defence property portfolio and undertakes the review and reform of these assets, including divestment where relevant. It is also responsible for developing and maintaining the Australian Government's procurement policy framework and managing the Australian Government's special claims, insurance and risk management operations.


Organisational structure

Figure 2 shows the department's organisational structure at 30 June 2018.

Figure 2: Organisational structure, at 30 June 2018



* Denotes acting.



Part 2: Performance

Priorities for 2017–18

Activities and
achievements in
2017–18

Annual performance
statements

Financial
performance

Part 2 reports on the results achieved in 2017–18 against the purposes and performance criteria published in the Department of Finance Corporate Plan 2017–18, the Department of Finance Portfolio Budget Statements 2017–18 and the Department of Finance Portfolio Additional Estimates Statements 2017–18. It also includes Finance’s key priorities and key activities and achievements during 2017–18.

Priorities for 2017–18

Our key priorities for 2017–18 were as follows:

- **supporting the government to deliver its fiscal policy objectives** through the Budget and provision of financial advice, management and reporting as required by the *Charter of Budget Honesty Act 1998* and the *Public Governance, Performance and Accountability Act 2013*.
- **delivering on major projects and key government priorities** including:
 - successfully delivering services to visiting heads of state and heads of government attending the Association of Southeast Asian Nations (ASEAN)–Australia Special Summit 2018 held in Sydney from 15 to 19 March 2018
 - continuing the implementation of recommendations arising from *An Independent Parliamentary Entitlements System: Review*, specifically: establishment of the Independent Parliamentary Expenses Authority as a non-corporate Commonwealth entity; a new framework for parliamentary work expenses; and the new Parliamentary Expenses Management System
 - completion of the redeveloped Central Budget Management System (CBMS-R) as a sustainable platform to support production of the federal Budget and other updates
 - establishing, restructuring and driving policy initiatives for Snowy Hydro Limited, WSA Co Limited (for Western Sydney Airport), Inland Rail, ASC Pty Ltd and Australian Naval Infrastructure Pty Ltd.
- **building and sustaining relationships of trust and collaboration** within Finance, across government and with external stakeholders. These relationships underpin our capacity to advise on efficient and effective spending, generate a strong evidence base, and understand emerging challenges.
- leading the implementation of a number of reforms that will **modernise the Australian Public Service** to be more productive, innovative and sustainable. This will assist the APS to continue to respond quickly and expertly to emerging priorities, while remaining trusted, capable and high performing. In this context, Finance provided stewardship of the Public Service Modernisation Fund for the delivery of quality government services at lower cost, using improved data systems and workflows.
- continuing the commitment within Finance to a ‘build, test, refine’ operating model as we **improve and modernise business processes** and prepare to transition to a shared services arrangement. Moving to shared services will provide Finance with the opportunity to access leading-edge, scalable systems, to automate and digitise routine processes, and provide a platform to transform business practices and processes.

These priorities were reflected in the ongoing delivery of our internal transformation agenda, which seeks to embed a culture of continuous improvement and ensure we are a high-performing, modern and efficient organisation. To support our transformation and guide our approach, we identified four focus areas during 2017–18:

- **People**—investing in our people to deliver the best outcomes and supporting an inclusive, curious, empowered and respectful culture.
- **Stewardship**—ensuring positive and influential stakeholders to support better outcomes for the Australian people.
- **Making business better**—continuously improving what we do and how we do it.
- **Integrated business planning**—using better data and integrated business planning to align resources with our priorities.

Our people are central to delivering on each of our priorities. For further information, see Part 4: Our People.

Activities and achievements in 2017–18

Delivering the Budget, Mid-Year Economic and Fiscal Outlook and Final Budget Outcome

During the development of the 2018–19 Budget, Finance:

- provided advice on spending and savings proposals and lodged more than 90 briefs for the Expenditure Review Committee of Cabinet to assist its policy deliberations
- scrutinised cost estimates for spending and savings proposals. Finance considered more than 650 policy costings across all Commonwealth portfolios for accuracy and overall alignment with the policy's intent and collaborated with portfolio agencies to validate more than 6,500 estimate adjustments using the redeveloped Central Budget Management System (CBMS-R). This is the first Budget to be completed using the redeveloped CBMS tool to produce budget financials and the appropriation bills
- coordinated key aspects of the budget process and administered the Budget Process Operational Rules
- prepared budget documentation, including:
 - Statement 6 of Budget Paper No. 1, which details how the government intends to allocate \$488.6 billion of expenditure across the various functions of government for the 2018–19 year, and totalling \$2.052 trillion from 2018–19 to 2021–22
 - Statement 9 of Budget Paper No. 1 in relation to fiscal risks, assets and liabilities, contingent assets and liabilities, and government loans that may influence the actual budget outcome
 - Statement 10 of Budget Paper No. 1, which provides the Australian Government financial statements
 - 252 new expense, capital and non-tax revenue measures included in Budget Paper No. 2
 - Budget Paper No. 4, which contains information on resourcing for government agencies in 2017–18.

For the 2017–18 Mid-Year Economic and Fiscal Outlook (MYEFO), Finance analysed and advised on 117 expense, capital and non-tax revenue measures and prepared a range of documentation, including information on the Australian Government financial statements and an update to fiscal risks and contingent liabilities and assets since the 2017–18 Budget.

For the 2016–17 Final Budget Outcome (FBO), Finance analysed and prepared a range of documentation, including information on the Australian Government’s financial statements and commentary in relation to payments, non-tax receipts, expenses, capital and non-tax revenue variances. The 2016–17 FBO was released on 26 September 2017 and was based on audit-cleared financial statements for all 57 material general government sector entities. In total, the 2016–17 FBO included financial data from 181 small and material entities.

Modernising the budget process

In 2017–18, Finance delivered the redeveloped Central Budget Management System (CBMS-R). CBMS now has a sustainable platform that is supported and upgradeable. It provides the capability to improve processes and frameworks.

CBMS-R has now been used successfully for one full budget cycle, producing the Monthly Financial Statements, the 2016–17 Final Budget Outcome, the 2016–17 Consolidated Financial Statements, the 2017–18 MYEFO and the 2018–19 Budget.

CBMS-R provides:

- a web-based interface for users
- greater opportunity for analysis of more granular data at a program level
- enhanced analysis and reporting for government Budget Estimates
- an integrated solution, allowing for more systematised reconciliation processes.

In the 2017–18 Budget, Finance received funding from the Public Service Modernisation Fund to support entities in collaborating, coordinating and management of the information that government considers during the budget process. Finance is currently developing a system and improving budget processes that will streamline, automate and modernise processes, improve interagency collaboration and enhance the exchange of information during the budget process.

Delivering the government’s fiscal and budget strategies

Finance provides support to the government to enable it to achieve its fiscal and budget policy objectives.

In the context of the 2018–19 Budget, Finance provided advice on major government projects, including measures to improve service provision for all Australians, increase Australia’s competitiveness in international markets, and enhance national security. Finance provided advice on major government investments into infrastructure and regional development, as well as science, medical research and technology to maximise the benefits of a smart economy.

Finance supported the government in delivering on its budget repair strategy by advising on savings proposals and the progress of budget-related legislation through Parliament.

In the 2018–19 Budget, there was a continuing focus on the efficient delivery of better services to the Australian public through the transformation of service delivery and public sector operations. Finance is at the forefront of this work, including through implementation of shared services and oversight of the transformation of grants administration.

Building and sustaining relationships of trust and collaboration

For Finance, our stewardship objective is to contribute to policy outcomes by building our influence, leadership and collaboration with stakeholders. We want to rely less on being a gatekeeper and enforcing compliance, and instead strengthen and build resilient, collaborative and productive partnerships, and support our stakeholders as they deliver the best outcomes for government.

The following case studies highlight stewardship in action during 2017–18.

Closing the Gap

Finance performed an important role in working and negotiating constructively with stakeholders with diverse viewpoints to assist the Department of the Prime Minister and Cabinet with a significant step forward in the land rights journey for Aboriginal and Torres Strait Islander Australians.

- During 2017–18, Finance helped the Department of the Prime Minister and Cabinet to deliver sustainable funding arrangements for the Indigenous Land Corporation for the benefit of Aboriginal and Torres Strait Islander Australians.
- Using its expertise across a range of areas in the department, including Governance and APS Transformation, Budget and Financial Reporting and Corporate Services, and working constructively with the Department of the Prime Minister and Cabinet and the Future Fund Management Agency, Finance helped to develop legislation that will establish the Aboriginal and Torres Strait Islander Land and Sea Future Fund.
- The legislation was introduced into the Parliament on 28 March 2018. Debate on the legislation is expected to resume before the Parliament rises in 2018.

Grant guideline templates developed in collaboration with



Grant guideline templates

Developed in collaboration with 17 Commonwealth entities, our work on grant guidelines delivers on the government's commitment to simplify, standardise and improve transparency of grants administration by:

- improving the consistency of grant guidelines for potential grant applicants
- delivering a format that is easier to navigate, through the use of common terms and standardised information fields
- streamlining the processes and timeframes to develop and publish grant guidelines.

Entities and their stakeholders have told us that the templates are fit for purpose, easy to follow, provide a coordinated 'look and feel' across the Commonwealth, and assist officials to streamline grants administration.

Reform of PBS payment arrangements

The Health Branch in the Budget and Financial Reporting Group partnered with the Department of Health to develop a new policy for revised payment arrangements for pharmaceutical benefits, with the collaboration recognised by both Health and Finance as leading to an improved outcome.

These changes overcome significant problems caused by the previous drug payment and rebating arrangements.

Our Health Branch and the Pharmaceutical Benefits Scheme (PBS) team developed strong working relationships across a range of stakeholders to agree and deliver a solution to remove rebates without changing the price paid for medicines by the community. This was done as part of the 2018–19 Budget and included consultations with the medicines industry.



Australian Marriage Law Postal Survey

Finance provided advice to government on its application of the Advance to the Finance Minister, as well as preparing the instrument allowing for the allocation of \$122 million to the Australian Bureau of Statistics (ABS) for the conduct of the Postal Survey. Upon the successful defence of the High Court legal action, the government introduced the *Marriage Law Survey (Additional Safeguards) Act 2017* to provide further protections to individuals throughout the postal survey period.

Cross-government collaboration

Finance provided significant policy input into the development and passage of the legislation, working closely with the ABS, the Australian Electoral Commission, and the Attorney-General's Department (AGD) and seconding staff to the ABS.

Government priority

The Australian Marriage Law Postal Survey fulfilled the Government's election commitment to allow every eligible Australian to have their say on the issue of same-sex marriage.

The survey consisted of a single question, asked of just over 16 million eligible Australians. There was a high level of public participation (the overall participation rate was 79.5 per cent) with the 'yes' response attracting a 61.6 per cent response rate and the 'no' response attracting 38.4 per cent.



The survey was undertaken at a time when other significant reform work was being undertaken by the department. Staff from a range of functional areas were deployed to provide support to the government in giving effect to the postal survey, in order to meet timeframes.

Mobility

Finance's contribution to the successful delivery of the postal survey was characterised by an adaptive approach to resourcing.

How we delivered

The Department of Finance played both a facilitating and coordinating role throughout the development and conduct of the postal survey.

As part of its normal portfolio functions, Finance provided policy advice to government on the implementation implications of the postal survey, including on what was required of government for this to occur and the potential cost. Finance also assisted in responding to public inquiries.

Delivery of Government policy

Finance plays a strategic and influential role in the business of government. The following case studies highlight some of our achievements in this area during 2017–18.



Snowy Hydro acquisition

On 29 June 2018, the Commonwealth finalised the acquisition of Snowy Hydro Limited (Snowy Hydro), taking full ownership and establishing the company as a Commonwealth company under the *Public Governance, Performance and Accountability Act 2013*. Snowy Hydro was prescribed as a government business enterprise from 1 July 2018. The Finance Minister and the Minister for the Environment and Energy are the joint shareholder ministers for the company.

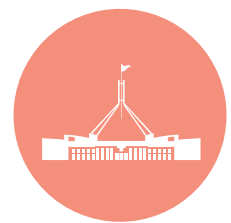


Finance, working in partnership with key agencies including the Treasury, the Department of the Prime Minister and Cabinet and the Department of the Environment and Energy, played a critical role in securing the historic \$6 billion acquisition deal with the New South Wales and Victorian governments. The New South Wales Government received \$4 billion for its 58 per cent share in the company and the Victorian Government received \$2 billion for its 29 per cent share. As a condition of the deal, the Commonwealth funds will flow to investment in productive infrastructure across both states.

Snowy Hydro will continue to operate as an independent commercial company under Commonwealth ownership. The acquisition helps to pave the way for the Snowy 2.0 project to proceed to a final investment decision by the Snowy Hydro board. The company owns and operates 5,500 megawatts of generation capacity, including the iconic Snowy Mountains Scheme. The Snowy 2.0 project is a proposed expansion of the Scheme and, if it proceeds, will provide additional generation capacity of 2,000 megawatts, enough to power the equivalent of 500,000 homes at peak demand.

New framework for parliamentary work expenses

On 1 January 2018, the *Parliamentary Business Resources Act 2017* and subordinate regulations successfully established a new framework of work expenses that supports federal parliamentarians while they are conducting their parliamentary business.



This delivers on the Government's priority for an independent framework to be created to set and monitor parliamentary entitlements so that the system is more transparent and accountable.

The new framework was a key recommendation of *An Independent Parliamentary Entitlements System: Review* and replaced the provisions of the *Parliamentary Entitlements Act 1990* and subordinate regulations, the *Remuneration and Allowances Act 1990* and the determinative powers of the Remuneration Tribunal under the *Remuneration Tribunal Act 1973*.

Finance developed the Parliamentary Business Resources framework in collaboration with the Australian Government Solicitor and the Remuneration Tribunal Secretariat, with drafting performed by the Office of Parliamentary Counsel. To smooth the transition to the new framework, consultation was undertaken throughout the project with stakeholders and administrators, including the Department of the Prime Minister and Cabinet, the Independent Parliamentary Expenses Authority, the Department of Jobs and Small Business, the Attorney-General's Department, and the parliamentary departments.

The new framework has unlocked the potential for parliamentarians to undertake their parliamentary business more efficiently by replacing the myriad of rules and regulations with streamlined provisions that provide greater flexibility. This additional flexibility is balanced by an increase in accountability on parliamentarians to ensure public resources are being used appropriately and efficiently.

Coordinated property procurement

Following an announcement in the 2016–17 Budget, Finance has worked collaboratively across government to establish, implement and realise savings from whole-of-Australian-Government property services coordinated procurement arrangements.

The new arrangements capitalise on the Commonwealth's position as a major purchaser of leases and facilities management services in the Australian property market. The program is delivered through two key activities:

- absorbing entities' lease requirements, where feasible, into existing vacant office accommodation (Operation Tetris)
- ensuring that leases and other property services are delivered through coordinated procurements that will maximise the Commonwealth's substantial purchasing power.

The new arrangements were announced by the Minister for Finance on 15 September 2017 and entities commenced transitioning to them from 1 January 2018.

By working across government, and within Finance, savings of \$105.3 million over four years were realised in the 2018–19 Budget and entities were able to realise savings that they could direct to other priorities.



Western Sydney Airport

On 7 August 2017, WSA Co Limited was established as a government business enterprise to build Western Sydney Airport at Badgerys Creek in south-western Sydney.

A key role for Finance during 2017–18 was supporting the initial establishment of the company, working closely with the Department of Infrastructure, Regional Development and Cities and WSA Co on the company's registration, governance, and compliance with reporting requirements.

This work included assisting in the development of WSA Co's constitution, commercial freedoms framework, and the shareholder ministers' statement of expectations, as well as supporting the company in its corporate planning and quarterly reporting processes. Finance actively participated in oversight committees for the Western Sydney Airport project, including a secretaries-level steering committee.

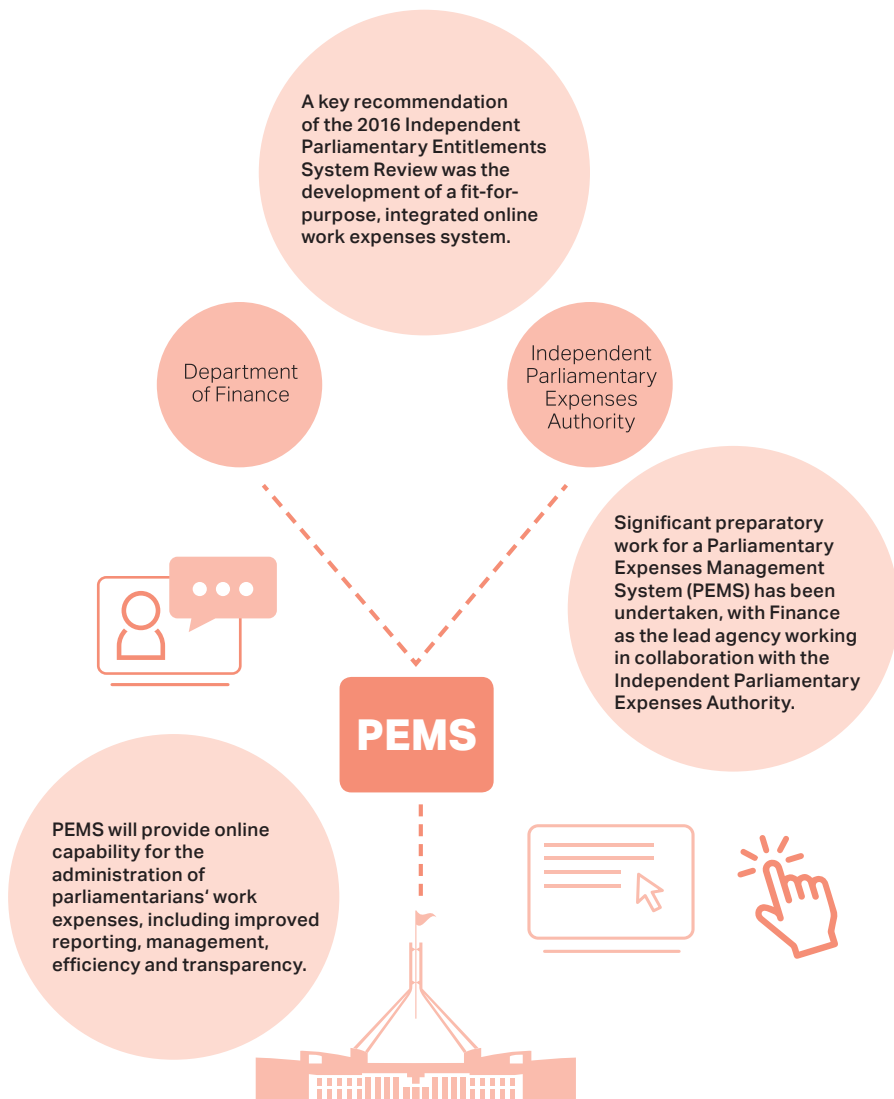


Finance's 'Build, Test, Refine' approach

In line with our commitment to driving a culture of continuous improvement, we continued to develop our 'build, test, refine' approach during 2017–18. The following case study illustrates this approach.

Parliamentary Expenses Management System

Finance is committed to assisting federal parliamentarians to conduct their parliamentary business in the most efficient and effective manner possible.



ASEAN–Australia Special Summit 2018

COMCAR, within the Department of Finance, provides secure and confidential car-with-driver services to the Governor-General, Prime Minister, Senators and Members of Parliament, the federal judiciary, heads of Commonwealth agencies and international guests of government. COMCAR also provides ground transport services during major international events.

In March 2018, COMCAR successfully delivered services to visiting heads of state and heads of government attending the Association of Southeast Asian Nations (ASEAN)–Australia Special Summit 2018 held in Sydney from 15 to 19 March 2018. Australia is a dialogue partner with ASEAN and is the first non-ASEAN country to host an ASEAN special summit.

COMCAR mobilised 150 driving and event staff and 80 vehicles to provide ground transportation services during the summit, transporting the 11 ASEAN leaders, their spouses and other foreign dignitaries. Delegation sizes ranged from seven up to 250 delegates. COMCAR performed over 400 bookings during the summit period, providing in excess of 800 individual transport movements. As well as carrying the ASEAN leaders in sedans, COMCAR also facilitated the movement of over 1,000 delegates in coaches from their hotels to meeting and function venues, with the largest delegation having over 500 pieces of luggage. The dinner function on the Saturday evening of the summit also saw the largest motorcade in which COMCAR has participated, with a total of 54 COMCAR and police vehicles involved in transporting ASEAN leaders through Sydney.

COMCAR worked closely with all stakeholders, including the ASEAN Taskforce within the Department of the Prime Minister and Cabinet, the NSW Police Force and other security agencies, airport operations staff, as well as hotel and venue managers. The Summit’s location in Sydney presented a number of challenging venue locations and traffic difficulties that needed to be considered, and COMCAR was actively involved in informing the traffic management strategy and route planning for the summit in order to meet the tight transport schedule.

The Department of the Prime Minister and Cabinet hailed the summit as a huge success and praised COMCAR for its professionalism and quality service during this high-profile government event.



COMCAR mobilised **150** driving and event staff and **80** vehicles



COMCAR transported **11** ASEAN leaders, their spouses and other foreign dignitaries

COMCAR performed over **400** bookings during the summit period

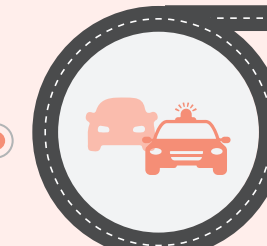


COMCAR facilitated the movement of over **1,000** delegates in coaches from their hotels to meetings

Over **500** pieces of luggage for the largest delegation



54 COMCAR and police vehicles involved in a motorcade transporting ASEAN leaders through Sydney



ASC Pty Ltd reform implementation

On 11 October 2016, the government announced that it would separate ASC Pty Ltd into three individual government-owned companies that would support key capabilities of the national naval shipbuilding enterprise of shipbuilding, submarine sustainment, and infrastructure.

Establishment of Australian Naval Infrastructure Pty Ltd

On 6 March 2017, the government established Australian Naval Infrastructure Pty Ltd (ANI), to facilitate the development and construction of new infrastructure at the Osborne shipbuilding facility as outlined in the Naval Shipbuilding Plan released on 16 May 2017. This completed the first phase of the ASC Pty Ltd separation process.



Development of the new shipbuilding infrastructure is scheduled to be complete in early 2020 to support the start of Future Frigate production. During the course of 2017–18, ANI delivered a number of key milestones, including:

- appointing Lendlease, on 12 October 2017, as the managing contractor for ANI for the expansion and refurbishment of the Osborne South shipyard
- finalising the purchase of the Common User Facility from the South Australian Government in November 2018, which has substantially increased the size of the ship and submarine building facilities at the Osborne South shipyard
- completing site preparation earthworks in early April 2018.

It is noted that on 31 July 2018, the government announced that ANI will oversee the delivery of a state-of-the-art construction yard where the fleet of 12 Future Submarines will be built.

ASC Shipbuilding separation and transfer to BAE Systems

Following the government’s announcement of the outcome of the Future Frigates (SEA 5000) tender process on 29 June 2018, Finance began working with ASC Pty Ltd and the Department of Defence to implement the final phase of ASC separation.

ASC Shipbuilding, currently wholly owned by the Commonwealth, will become a subsidiary of BAE Systems during the build of the Hunter class Future Frigates. This ensures BAE Systems is fully responsible and accountable for the delivery of the frigates and ensures the work will be carried out by Australian workers and create Australian jobs.

The Commonwealth of Australia will retain a sovereign share in ASC Shipbuilding while BAE Systems manages the program. At the end of the program, the Commonwealth has the option to repurchase ASC Shipbuilding, thereby ensuring the retention in Australia of intellectual property, a highly skilled workforce and the associated equipment.

Modernising the Australian Public Service

During 2017–18, Finance continued to lead the implementation of a number of reforms to modernise the Australian Public Service (APS) and support it to be productive, innovative and sustainable. As part of its leadership role, Finance provided stewardship of the Public Service Modernisation Fund for the delivery of quality government services at a lower cost, using improved data systems and workflows. It is envisaged that this will provide a springboard for public sector innovation into the future.

Examples of the work during the year to advance public sector modernisation are provided below.

Data Integration Partnership for Australia

The Data Integration Partnership for Australia was formed in 2017–18 as a cross-agency investment in the Australian Government’s data integration and analytics capacity. Analytical hubs have been established under the partnership in several agencies to investigate cross-portfolio policy issues affecting health and welfare, education, the environment, the economy, business and industry, and government business.

Finance hosts one of these hubs—the Government Business Analytical Unit—which is increasing the use of data to inform public sector policy and government administration, staffed with ongoing data analysts recruited from across the APS.

Under our transformation agenda, we have committed to enhancing data and digital literacy of all staff. Drawing on the expertise of the Government Business Analytical Unit, we continue to explore opportunities to use data more effectively in the department to inform policy advice, support innovation and make better business decisions.



How Finance is utilising analytics and digitisation

Data analytics for social policy proposals

Finance has worked with the departments of Social Services, Health, and Education and Training to enhance our data analytics capability to enable distributional, social and financial impact analysis of potential new policy proposals. The capability is being used to inform costings, understand impacts and compare policy options for a range of proposals, including childcare reform, targeting of the social safety net and health expenditure.



A large proportion of new social policy expenditure, which comprises almost half of government expenditure, is now subject to more thorough data analysis and data visualisation techniques before being presented to decision-makers.

During the year, we embedded an innovative cloud-based data analytics platform into our work environment, including certification for 'protected' work under the Australian Government Information Security Manual. The platform allows us to use leading data analytics and data visualisation tools in assessing policy options and undertaking sensitivity analysis.

This work supports greater strategic policy coordination and collaboration among agencies, breaking down information silos and improving decision-making, which is key to providing better services for Australians into the future.

Integrated online information on Australian Government bodies

On 3 July 2017, the public-facing webpage Directory.gov.au was relaunched to incorporate content from three existing databases, the Australian Government Organisations Register, AusGovBoards and the Australian Government Directory. The new system integrates and consolidates these existing databases to realise efficiencies in sharing common data and removing manual practices.



The newly presented web content provides real-time information on the function, composition, origin and other governance details of approximately 1,250 Australian Government bodies.

Reporting on these bodies is now streamlined to provide a richer picture of government organisations, linked functions, boards and their members, as well as providing a geographical and gender balance snapshot across government.

Public sector transformation

During 2017–18, Finance continued to support the government to transform the public sector to become more adaptive and productive and better able to respond quickly and expertly to emerging priorities, while remaining trusted, capable and high performing.

The government continued to embed its Shared Services Program across all agencies during the year. Finance is at the heart of this initiative, providing cheaper, faster, more accurate and more beneficial shared corporate services.

The following discussion illustrates our work in public sector transformation and modernisation during the year.

Modernising services through the Service Delivery Office

The Shared Services Program is an example of new and innovative ways of working in the public sector. From mid-2019, some of Finance’s own corporate services will be transitioned to the Service Delivery Office (SDO). These services will include accounts payable, accounts receivable, pay and conditions, payroll administration and payroll management. We will be joining other agencies which have already transitioned key corporate services to the SDO. The change will allow us to take advantage of modern and integrated technologies being built in the SDO. The digital capability in the SDO will provide options for us to work more effectively and design more efficient business processes in all areas of the department for the benefit of staff and stakeholders.

Finance offers these shared services to other government agencies through the SDO. This service hub enables agencies to downscale internally and outsource certain corporate activities to the SDO—specifically, but not exclusively, for accounts payable and payroll functions. Reductions in operating costs are returned to client departments.

Since taking responsibility for the SDO, we have systematically redesigned its operating model, reformed and enhanced its governance, and modernised and standardised many services. This has turned it into a more flexible and efficient service centre and has significantly improved the way we do business.

Among the key enhancements are:

- introducing a client-centred approach, which is resulting in earlier and more valuable engagement with clients and better outcomes such as more accurate financial reporting
- adopting better-practice management processes and new technology to automate and digitise services. This capability is now being offered to other government agencies through a ‘centre of excellence’ approach, as part of the APS reform agenda. As an example, the SDO’s digital invoice management enables roughly 40 per cent of invoices to be processed without human intervention
- introducing app-based self-service solutions to corporate processes such as requesting leave and approving expenses, which are particularly beneficial as the government’s workforce becomes more flexible and mobile and needs these services to be easier and faster to access and use

- bringing new performance optimisation practices to the SDO workforce, leading to increased productivity and accountability. Staff now feel their work is more worthwhile, with a 250 per cent increase in employee engagement scores over a four-month period
- transitioning the SDO's enterprise resource planning system to a private cloud-hosting service, offering a scalable solution that delivers more secure and readily available services
- making costs, service and key governance frameworks fully transparent, so overarching governance bodies responsible for service delivery can make better informed decisions.

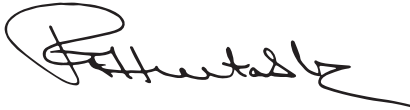
Overall, these improvements have significantly increased the productivity or 'clearance rates' of services such as generating payslips, processing invoices and financial documents, and managing credit cards. The improvements have also increased accuracy, meaning less re-work.

Combined, these enhancements are delivering tangible benefits across numerous departments and are directly aligned with our purpose of helping government to manage public resources more effectively and cost-efficiently.

Annual performance statements

Introductory statement

I, as the accountable authority of the Department of Finance, present the 2017–18 annual performance statements of the Department of Finance, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the department, and comply with subsection 39(2) of the PGPA Act.



Rosemary Huxtable
Secretary

5 October 2018

Purpose

Finance assists the Australian Government to achieve its fiscal and policy objectives by advising on expenditure, managing sustainable public sector resourcing, driving public sector transformation and delivering efficient, cost-effective services to, and for, government.

Advising on expenditure

Criterion	Budget papers, related updates (e.g. the Mid-Year Economic and Fiscal Outlook) and appropriation bills are accurate, delivered within required timeframes and meet the government's fiscal and policy objectives and legislative obligations.
Source	Corporate Plan 2017–18, page 16
Result	<p>Substantially achieved</p> <p>All of the Budget papers and related updates have been produced in accordance with the timeframes and other requirements of the <i>Charter of Budget Honesty Act 1998</i>, including:</p> <ul style="list-style-type: none">• The 2018–19 Budget was delivered on 8 May 2018.• The 2017–18 Mid Year Economic and Fiscal Outlook (MYEFO) was released on 18 December 2017.• The 2016–17 Final Budget Outcome (FBO) was released on 26 September 2017. <p>Appropriation Bills were introduced within the required timeframes and in accordance with legislative requirements:</p> <ul style="list-style-type: none">• Appropriation Bill (No. 1) 2018–2019, Appropriation Bill (No. 2) 2018–2019, Appropriation Bill (No. 5) 2017–2018 and Appropriation Bill (No. 6) 2017–2018 were introduced in the House of Representatives on 8 May 2018.• Appropriation Bill (No. 3) 2017–2018 and Appropriation Bill (No. 4) 2017–2018 were introduced in the House of Representatives on 8 February 2018.

Result continued	<p>In relation to the accuracy of budget estimates, Finance reports the following results:</p> <ul style="list-style-type: none"> • The difference between first forward-year estimated expenses and the FBO was 1.9 per cent on an accrual basis. • The difference between budget estimated expenses and FBO was 1.6 per cent on an accrual basis. • The difference between revised estimated expenses at MYEFO and FBO was 2.0 per cent on an accrual basis. • The difference between revised estimated expenses at budget and FBO was 1.8 per cent on an accrual basis. <p>Variations between the estimates and final outcome reflect program-specific parameters. Program estimates are regularly reviewed and updated to take account of the best available information to maximise their reliability and accuracy.</p>
Analysis	<p>A core activity undertaken by Finance to achieve the 'advising on expenditure' element of its purpose is to support the Minister for Finance and the Expenditure Review Committee of Cabinet in the preparation of the Budget and related fiscal updates. This activity includes:</p> <ul style="list-style-type: none"> • providing effective, timely and accurate advice on budget processes to government entities • ensuring the budget framework effectively supports decision-making • informing the Finance Minister and Expenditure Review Committee on the use of government finances • coordinating, preparing and delivering accurate and timely budget estimates and documentation to the Finance Minister. <p>In undertaking this activity, Finance contributes to the government's fiscal target and policy objectives.</p> <p>Finance has identified the delivery of budget papers, related updates and appropriation bills that are accurate, delivered within required timeframes and meet fiscal and policy objectives and legislative obligations as an appropriate measure of Finance's performance in undertaking this activity.</p> <p>Budget papers and updates, together with annual appropriation acts, are essential elements of the Australian Government budget process:</p> <ul style="list-style-type: none"> • The budget papers and related updates support the budget-related decisions of government, providing the fiscal outlook for the Australian economy and highlighting major new initiatives of government. • annual Appropriation Acts provide funding for government operations and programs and also for investment in assets and reduction of liabilities.

Criterion	The government's financial statements, including monthly statements, are complete, accurate and released publicly on timeframes agreed with the government.
Source	Corporate Plan 2017–18, page 17
Result	<p>Achieved</p> <p>All of the government's financial statements were prepared in accordance with publicly agreed timeframes:</p> <ul style="list-style-type: none"> • The 2016–17 Final Budget Outcome was released on 26 September 2017. • The 2017–18 monthly financial statements were provided to the Minister for Finance on average within 21 days of the end of the month since the release of the Final Budget Outcome. <p>The government's 2016–17 consolidated financial statements were signed by the Finance Minister and received an unmodified report from the Auditor-General on 27 November 2017.</p>
Analysis	<p>Another measure of Finance's performance in achieving the 'advising on expenditure' element of its purpose is through the timely public release of complete and accurate government financial statements.</p> <p>The Australian Government has a robust financial reporting framework, with key reporting outputs including:</p> <ul style="list-style-type: none"> • monthly financial statements, which show how actual expenditure is tracking against the monthly profile and full-year estimate • the Final Budget Outcome, which provides the outcome for the latest financial year with an emphasis on a government finance statistics presentation of the general government sector • consolidated financial statements, which present the whole-of-government and general government sector financial reports for a financial year. <p>Monthly financial statements, the Final Budget Outcome and the consolidated financial statements are required by legislation and are integral to the Commonwealth's accrual budgeting and reporting framework and complement the budget process by providing outcomes against budget estimates.</p>

Criterion	Commonwealth entities have access to cash made available by parliament on a daily basis.
Source	Corporate Plan 2017–18, page 17
Result	Achieved The cash needs of each and every Commonwealth entity were met every day of the reporting period.
Analysis	<p>Finance also contributes to the 'advising on expenditure' element of its purpose by managing the daily disbursement of cash to Commonwealth entities for operating purposes.</p> <p>Finance's robust financial systems and frameworks support the processing of a daily disbursement of cash through the Central Budget Management System to meet the daily cash requirements of Commonwealth entities. This is crucial. Meeting the funding requirements of entities enables them to continue to deliver on the government's policy objectives, including the provision of services to the community. In order to ensure that no entity is prevented from delivering its services due to a lack of cash, and to ensure the ongoing operations of government, Finance has a target of meeting all entities' cash requirements on each day of the financial year.</p>

Public sector resourcing and transformation

Criterion	Finance's management of the Public Service Modernisation Fund process ensures that the projects delivered modernise the public service.
Source	Corporate Plan 2017–18, page 18
Criterion	Finance facilitates the investment of Commonwealth entities to place their operations on a more sustainable basis.
Source	Corporate Plan 2017–18, page 19
Criterion	<p>Finance facilitates:</p> <ul style="list-style-type: none"> • the streamlining of, and improving access to, government services • an increase in data analytics capability across Commonwealth entities • investment in Commonwealth entities to place their operations on a more sustainable basis.
Source	Corporate Plan 2017–18, pages 18–19
Result	<p>Achieved</p> <p>The Public Sector Modernisation Fund is a \$500 million investment in the sustainability and transformation of public sector entities over 2017–18 to 2019–20. Responsibility for delivery of Public Service Modernisation Fund projects lies with entities that were appropriated funding to deliver specific projects. Finance has received funding to deliver some projects. Finance also has a stewardship role in monitoring Modernisation Fund project progress through quarterly project updates. This includes providing advice and reporting to the Secretaries Committee on APS Reform and the Minister for Finance on project performance. Status reports indicate that 36 projects are on track, four projects have identified delays, one project did not commence due to an organisational restructure. Owners of projects with delays have advised that mitigations are in place and delays will not impact on final outcomes.</p> <p>Through the projects being delivered under the Modernisation Fund, there is a strong focus on developing APS-wide data analytics capability and identifying effective practices to place Commonwealth entity operations on a more sustainable basis.</p>

Analysis	<p>This criterion contributes to driving public sector transformation and delivering efficient, cost-effective services to, and for, government. It includes oversight, coordination and analysis of Public Service Modernisation Fund project reporting.</p> <p>Fund projects report strong progress to 30 June 2018, with evidence of improved quality of policy advice, policy outcomes and efficiency of operations emerging.</p>
Criterion	<p>Back-office functions (e.g. financial, human resources and associated IT systems) for 60 agencies are consolidated into six shared services hubs.</p>
Source	<p>Corporate Plan 2017–18, page 18</p>
Result	<p>Achieved</p> <p>As at 30 June 2018, the six shared services hubs were providing one or more services to 35 agencies across the Australian Public Service (APS), including five corporate entities that have opted into the program. This exceeds the target of 24 agencies for 2017–18 identified in Finance's Corporate Plan 2017–18 with 60 agencies to be achieved by 30 June 2020.</p>
Analysis	<p>Finance has policy and program responsibility for the whole-of-government Shared Services Program. This performance criterion demonstrates the implementation status of the program by tracking the number of agencies that are receiving some of their corporate service functions through a shared services provider hub arrangement.</p> <p>During 2017–18, a significant program of work was undertaken to inform the future direction and architecture of the program, with particular focus on:</p> <ul style="list-style-type: none"> • developing a fit-for-purpose small agency solution • coordinating investment in underlying platforms and software with a view to move towards reducing the instances of platforms and/or hubs.

Criterion	Entities participating in the Streamlining Government Grants Administration Program adopt the common grants management processes being delivered via the two grants administration hubs (the Community Grants Hub and the Business Grants Hub), replacing the multiple ICT systems and business processes currently in operation.
Source	Corporate Plan 2017–18, page 18
Result	Achieved As at 30 June 2018, 86 per cent of existing grant programs are on a grants hub or scheduled to transition to a grants hub by 30 June 2019, exceeding the target of 74 per cent identified in Finance’s 2017–18 Corporate Plan.
Analysis	Finance has program responsibility for the whole-of-government grants administration arrangements through the Streamlining Government Grants Administration Program. This performance criterion demonstrates the transition of in-scope granting activities to grants administration hubs. During 2017–18, work has focused on building the required scale of the grants administration hubs to prepare for contestability, including: <ul style="list-style-type: none"> • expedited consolidation of granting activities to the hubs through the assistance provided by the Public Service Modernisation Fund • expansion of the program to include in-scope granting activities from the Department of Home Affairs.

Criterion	Finance participation in the Data Integration Partnership for Australia will contribute to an increase in data analytics capability across Commonwealth entities.
Source	Corporate Plan 2017–18, page 19
Result	Achieved Finance established a Government Business Analytical Unit, which commenced two projects focused on APS workforce analysis and studying drivers of productivity in the public sector. Finance is also delivering the Secure Information Sharing Capability as a data asset that will allow sharing, integration, analysis and reporting of government data between Commonwealth entities in a protected environment.

Criterion	Commonwealth entities and companies understand their obligations under the <i>Public Governance, Performance and Accountability Act 2013</i> (PGPA Act) and are equipped and supported to meet them.
Source	Corporate Plan 2017–18, page 19
Criterion	Governance and assurance are effective in supporting accountable authorities to meet their obligations under the PGPA Act.
Source	Corporate Plan 2017–18, page 23
Result	<p>Achieved</p> <p>The annual Chief Financial Officer Survey for 2017 was sent to chief financial officers on 4 December 2017. Twenty-six Commonwealth entities and companies responded, and no significant issues were identified. In addition, under a new process, the Secretary of Finance wrote to 13 new accountable authorities to advise of their duties and responsibilities under the PGPA Act. Where requested by new accountable authorities, six face-to-face briefings occurred. Guidance on these duties is also available on the Finance website (Resource Management Guide No. 200).</p>
Analysis	<p>The Chief Financial Officer Survey is used as a proxy measure to inform Finance on how well Commonwealth entities and companies understand their obligations under the PGPA Act and are supported by Finance to meet these obligations. In 2017–18, the survey results indicated no significant issues in operating under the PGPA Act. The operation of the PGPA Act underpins Finance’s purpose by supporting proper and sustainable use of public resources and a coherent system of governance accountability for Commonwealth entities and companies. The general duties of accountable authorities are set out in sections 15 to 26 of the Act. The general duties include three fundamental duties:</p> <ul style="list-style-type: none"> • to promote the proper use and management of public resources for which the entity is responsible • to promote the achievement of the purposes of the entity • to promote the financial sustainability of the entity. <p>Finance’s engagement with new accountable authorities is a measure of the broader support we provide to Commonwealth entities to build and strengthen governance and accountability by ensuring new accountable authorities are well supported and equipped to understand their duties in governing their entity.</p>

Criterion	The government and key parliamentary committees have confidence that public resources are used efficiently, effectively, economically and ethically.
Source	Corporate Plan 2017–18, page 20
Criterion	Better performance information is available to the Australian Parliament and the public.
Source	Corporate Plan 2017–18, page 20
Result	<p>Achieved</p> <p>As at 30 June 2018, there were no Australian National Audit Office (ANAO) reports identifying adverse findings on the PGPA Act and associated rules.</p> <p>The ANAO tabled two performance audit reports on the performance framework in 2017–18: Report No. 36 – <i>Corporate Planning in the Australian Public Sector 2017–18</i> and Report No. 33 – <i>Implementation of the Annual Performance Statements Requirements 2016–17</i>. These, and the Joint Committee of Public Accounts and Audit’s subsequent Report 469: <i>Commonwealth Performance Framework</i>, tabled on 6 June 2018, contained no adverse findings. Report 469 did, however, make recommendations that included:</p> <ul style="list-style-type: none"> • entities adopting a more mature approach to risk management and the reporting of key entity risk • continuing the development of Commonwealth capacity for non-financial reporting and evaluation • ensuring audit committees have the skills and support to assess the appropriateness of performance reporting • the development of a yearly report that provides information on the health of the Commonwealth performance framework. <p>Finance has provided a response to the recommendations. Finance’s analysis of 2017–18 corporate plans and 2016–17 annual performance statements identified an overall improvement in quality of performance reporting. The <i>2017–18 Corporate Plans – Lessons Learned</i> paper was published in December 2017. The <i>2016–17 Annual Performance Statements – Lessons Learned</i> paper was published in April 2018.</p>

Analysis	<p>This performance criterion uses ANAO audit reports and Joint Committee of Public Accounts and Audit (JCPAA) inquiry reports as a proxy measure of Finance's performance in implementing and maintaining the Commonwealth performance framework. It is a measure of how effective the various products and services that Finance provides are in ensuring Commonwealth entities meet the reporting requirements of the PGPA Act, and improve the quality of performance reporting. As an example, an adverse ANAO finding might indicate that there is an issue with guidance or advice provided, providing Finance with the opportunity to identify the issue and take remedial action. In the case of this reporting period, there were no adverse findings. However, the recommendations of the JCPAA's Report 469 provide areas of focus for Finance to improve and enhance the guidance and services provided to Commonwealth entities.</p>
Criterion	<p>Independent statutory review of the PGPA Act identifies the level of effectiveness of the Act and associated rules in supporting a robust resource management framework.</p>
Source	<p>Corporate Plan 2017–18, page 20 Program 2.1, Portfolio Budget Statements 2017–18, page 36</p>
Result	<p>Substantially achieved</p> <p>An independent statutory review of the PGPA Act and Rule was undertaken as required by section 112 of the Act. The Minister for Finance appointed Mr David Thodey and Ms Elizabeth Alexander to conduct the review.</p> <p>Sixty-nine submissions were received and numerous consultations were held across the government and other sectors to inform the development of a draft report. This draft was released on 30 May 2018 for public comment, with a further 58 submissions received in response. As at 30 June 2018, the final report was still being developed.</p>
Analysis	<p>In their draft report, the reviewers found that the PGPA Act and Rule have established a coherent, principles-based system of governance, accountability and performance reporting for the Commonwealth. The review makes recommendations to reinforce and improve a range of matters. Key themes include the role of leadership, performance and annual reporting, risk, audit committees and improving how the Commonwealth joins up in delivering on its goals.</p> <p>The independent review into the operation of the PGPA Act and Rule was completed on 19 September 2018 with the tabling of the final review report, including 52 recommendations, in the parliament.</p> <p>The implementation of the recommendations will follow consideration of the report by the government and parliament.</p> <p>Finance supported the review by providing a dedicated secretariat.</p>

Criterion	Investments of managed funds create returns within the agreed level of risk.
Source	Corporate Plan 2017–18, page 20
Result	<p>Achieved</p> <p>The Future Fund Management Agency has advised that the benchmark rate of return for the Future Fund, the Medical Research Future Fund, the DisabilityCare Australia Fund, the Building Australia Fund and the Education Investment Fund were met for the year to 30 June 2018.</p> <p>Finance also provided advice on policy relating to the government’s investment funds and governance matters.</p>
Analysis	<p>Finance supports the government by maintaining a policy, regulatory and legislative framework that allows the Future Fund Board of Guardians to meet its responsibilities and achieve its investment targets within the agreed level of risk.</p> <p>Finance provides advice to the government on investment mandates and governance arrangements for the government’s various investment funds. This includes advice on amounts credited to the funds and payments debited from the funds, which comprise the:</p> <ul style="list-style-type: none"> • Future Fund, which seeks to assist the government to meet unfunded superannuation liabilities • Medical Research Future Fund, which seeks to provide grants of financial assistance to support medical research and medical innovation • DisabilityCare Australia Fund, which seeks to enhance the Commonwealth’s ability to reimburse state and territory governments, and the Commonwealth Government, for expenditure relating to the National Disability Insurance Scheme • Building Australia Fund • Education Investment Fund. <p>The government announced, in the 2016–17 Mid-Year Economic and Fiscal Outlook, that the Building Australia Fund and the Education Investment Fund will be closed. At 30 June 2018, legislation to effect closure had not been passed by parliament.</p> <p>Finance provided advice to the government on the establishment of the proposed Aboriginal and Torres Strait Islander Land and Sea Future Fund. At 30 June 2018, legislation had been introduced to the parliament.</p>

Criterion	Finance works with external stakeholders to develop, implement and maintain systems and policies to support a fair, efficient and transparent procurement framework for the Australian Government and its suppliers.
Source	Corporate Plan 2017–18, page 21
Result	Achieved Finance works proactively with Commonwealth entities and external stakeholders to improve procurement practices.
Analysis	<p>Finance develops, implements and maintains systems and policies to manage sustainable public sector resourcing; deliver effective government services; and support a fair, efficient and transparent procurement framework for the Australian Government and its suppliers.</p> <p>Procurement is strategically important to all government agencies because it supports the efficient delivery of government policies, programs and services. Poor procurement processes can lead to suboptimal outcomes, such as delays or additional costs to redress problems.</p> <p>In 2017–18, Finance’s management of the procurement framework included:</p> <ul style="list-style-type: none"> managing AusTender, the Australian Government’s centralised procurement information and e-tendering system, which also includes Dynamic Sourcing for Panels to support cross-entity use and access to standing offer panel arrangements

Analysis
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- providing advice to government entities and the private sector about procurement policy and administration through:
 - the 'procurement agency advice' email address
 - the AusTender help desk
 - regular engagement with the Senior Procurement Officials Reference Group and agency central procurement teams
 - monthly procurement bulletins, which are distributed to approximately 2,500 government officials
 - consulting with policy entities on new and existing policy proposals
 - engaging with key industry and government stakeholders through the Procurement Consultative Roundtable
 - public consultation on draft whole-of-government tender documentation and dissemination of topical procurement information using the Finance blog
- engaging with stakeholders from state, territory and overseas governments; industry peak bodies; domestic and international procurement associations; and key non-government organisations in order to share knowledge and keep up to date on procurement best practice, including meeting during the year with:
 - government representatives from Bangladesh, the European Union and New Zealand to discuss procurement matters
 - all states and territories on the development of supplier complaints mechanisms
 - the Queensland and South Australian governments on their contracting practices
- providing technical advice on government procurement to support free trade negotiations, including:
 - the World Trade Organization Agreement on Government Procurement
 - the Regional Comprehensive Economic Partnership Agreement
 - an agreement between Australia and the Pacific Alliance
 - the Peru–Australia Free Trade Agreement
 - the Australia–Hong Kong Free Trade Agreement
- developing and maintaining intuitive and user-friendly self-service procurement tools for entities engaging in simple, lower-risk procurements, including the BuyRight procurement self-service tool and the Commonwealth Contracting Suite, which has over 6,000 registered users.

Criterion	Whole-of-Australian-Government procurement arrangements for non-ICT corporate services (e.g. travel bookings and major office equipment) generate savings for Commonwealth entities that access these arrangements.
Source	Corporate Plan 2017–18, page 21
Result	Achieved Whole-of-Australian-Government procurement arrangements continue to deliver savings through discounted pricing, and administrative efficiencies through centralised procurement and contract management.
Analysis	<p>During 2017–18, Finance approached the market for:</p> <ul style="list-style-type: none">• a new whole-of-Australian-Government arrangement for master media agency services• a new arrangement for enterprise resource planning (software as a service) that offers an alternative to the traditional method of acquiring these services. <p>Replacement contracts for both travel accommodation and stationery office supplies were put in place in 2017–18. Both deliver increased efficiency and ongoing savings through improved pricing, conditions and fee structures.</p>

Criterion	<p>In accordance with government targets:</p> <ul style="list-style-type: none"> • absorb Commonwealth entities' lease requirements into existing vacant office accommodation where it is feasible to do so (Operation Tetris) • ensure that leases and other property services are delivered through coordinated procurements • continue to rationalise the property portfolio in 2017–18 to ensure it continues to meet contemporary requirements.
Source	Corporate Plan 2017–18, page 21
Result	<p>Achieved</p> <p>The results from the 2016–17 Australian Government Property Data Collection were released in May 2018. The results showed that, since 2014, the number of tenancies meeting the office occupational density target has doubled to 25 per cent. Over the same period, the Commonwealth's overall footprint has reduced by nearly 10 per cent. The coordinated procurement arrangements for leasing and property services were established in September 2017 and the first entities transitioned on 1 January 2018. As at 30 June 2018, 13 entities had transitioned to the new arrangements. These arrangements will, where feasible, facilitate the ongoing absorption of entities into existing vacant space (Operation Tetris). The divestment program is ongoing. Since 2014, there have been over 115 sales returning in excess of \$173 million. An additional 36 properties are being prepared for sale.</p>
Analysis	<p>Finance is responsible for the:</p> <ul style="list-style-type: none"> • policies and legislation that form the Commonwealth's Property Management Framework, which establishes the principles for the efficient, effective, economical and ethical use of property resources and applies to property leased and owned by non-corporate Commonwealth entities • management of whole-of-government purchasing arrangements for property services • the <i>Lands Acquisition Act 1989</i>, and for providing advice to entities on the <i>Public Works Committee Act 1969</i>. Through its Property Management Framework responsibilities, Finance develops and implements policies, advises the Minister on the exercise of his statutory powers, and advises entities on policy interpretation and obligations • management of the Australian Government's domestic non-Defence property portfolio and also the construction and delivery of selected domestic non-Defence major capital works projects.

Analysis
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Finance is demonstrating its contribution to the purpose of 'public sector resourcing and transformation' through reforming and transforming the management and operations of Commonwealth property assets and interests through the National Property Efficiency Program and the National Property Divestment Program.

The National Property Efficiency Program aims to capitalise on the Commonwealth's position as a major purchaser of leases and facilities management services in the Australian property market through:

- absorbing entities' lease requirements, where feasible, into existing vacant office accommodation (Operation Tetris and the whole-of-government leasing strategy)
- ensuring that leases and other property services are delivered through a coordinated procurement arrangement that maximises the Commonwealth's purchasing power
- administering the Commonwealth Property Disposal Policy and ensuring it is supported through transparent and accessible provision of information on government landholdings.

Since 2014, Finance has been reducing Commonwealth property holdings and therefore ongoing maintenance costs, through the non-Defence National Property Divestment Program. Properties that are surplus to requirements are divested in accordance with the Commonwealth Property Disposal Policy, which requires consideration that public land serves the community and is divested to support government policy priorities.

A commitment to genuine engagement with our external stakeholders, through both formal governance and informal arrangements, has provided an open channel of communication to support the delivery of these programs in particular.

This close collaboration has helped to establish valuable linkages of benefit to both Finance and entities as we deliver these and other Commonwealth property-related initiatives.

Criterion	Facilitate and monitor government business enterprise (GBE) delivery of the government's key infrastructure priorities, including Western Sydney Airport, inland rail and naval shipbuilding.
Source	Corporate Plan 2017–18, page 22
Result	<p>Achieved</p> <p>Finance, in collaboration with the relevant shareholder departments, has implemented governance arrangements to facilitate the government's key infrastructure and defence projects. These arrangements include updated governance documentation, statements of expectations and regular meetings between shareholder departments, the relevant GBE and other key stakeholders. Emerging issues and key risks for each of the projects are monitored and reported on at the regular governance meetings and escalated as required. Shareholder departments provide regular briefings to shareholder ministers and updates to the government on Western Sydney Airport, inland rail and naval shipbuilding.</p>
Analysis	<p>Finance provides advice to the Australian Government relating to its GBEs and other commercial entities. A government business enterprise is a Commonwealth entity or Commonwealth company that is prescribed by the rules (section 8 of the PGPA Act). Section 5 of the Public Governance, Performance and Accountability Rule 2014 prescribes nine GBEs: two corporate Commonwealth entities, and seven Commonwealth companies.</p> <p>Three of these GBEs—WSA Co Limited, Australian Rail Track Corporation Limited and Australian Naval Infrastructure Pty Ltd—are delivering key infrastructure priorities such as Western Sydney Airport, inland rail and naval shipbuilding.</p> <p>Finance's primary tasks in relation to GBEs are to:</p> <ul style="list-style-type: none"> • provide sound strategic and analytical advice to the government, in particular by engaging with the GBEs, analysing their operations and their environment, and consulting with stakeholders • action the government's decisions, including communicating objectives • ensure that there is a robust and sound governance framework in place by initiating change and contributing to policy development. <p>Finance regards its effectiveness in facilitating and monitoring GBE delivery of the government's key infrastructure priorities as a valuable contribution to the public sector resourcing and transformation element of Finance's purpose.</p>

Criterion	Continue to encourage ongoing efficiency and financial sustainability in GBEs.
Source	Corporate Plan 2017–18, page 22
Result	<p>Achieved</p> <p>Finance continues to provide advice to Commonwealth GBEs with respect to corporate planning, financial and operational performance and other significant programs of work. Advice is provided on a regular basis to shareholder ministers on the compliance and performance of the GBEs, based on information provided in corporate plans, quarterly reports and annual reports, as well as regular interactions with the GBEs. Corporate plans provided by GBEs complied with the PGPA Act and the Commonwealth Government Business Enterprises—Governance and Oversight Guidelines (the GBE Guidelines). Shareholder departments work closely with all GBEs to effect amendments to their corporate plans to ensure final versions are compliant with the PGPA Act and GBE Guidelines.</p> <p>Finance aims to ensure that GBE governance frameworks are fit for purpose for delivering desired outcomes, and that GBEs operate efficiently and are focused on financial sustainability.</p> <p>A review of the GBE Guidelines was conducted and revised guidelines were published on Finance’s website in January 2018. Finance is continually looking to ensure best practice, both in the oversight of GBEs and in the consistency and quality of analysis and briefing. The first GBE Company Secretaries Forum was held on 14 June 2018. It is anticipated that the forum will be held annually and aims to bring company secretaries and shareholder departments together to facilitate shared learnings, experiences and discussions on best practice approaches.</p>
Analysis	<p>This performance criterion uses a range of indicators to measure Finance’s performance in encouraging Commonwealth GBE efficiency and financial sustainability, including:</p> <ul style="list-style-type: none"> • the provision of advice to shareholder ministers on the performance of the GBEs • the compliance of GBE corporate plans with the PGPA Act and GBE Guidelines • delivery of activities to support GBE efficiency and financial sustainability, such as the GBE Company Secretaries Forum. <p>These measures demonstrate Finance’s activities to encourage the ongoing efficiency and financial stability of GBEs.</p>

Delivering effective services to, and for, government

Criterion	Meet client needs for services, including: <ul style="list-style-type: none">• accounts payable• accounts receivable• ledger maintenance• credit card management• transactional elements• pay and conditions and payroll administration• enterprise resource planning software.
Source	Corporate Plan 2017–18, page 23
Result	Achieved The Service Delivery Office (SDO) delivered on its agreed service levels for clients, and worked with existing and new clients to support them to fully transition to a cost-effective, quality shared service offering.
Analysis	<p>Operating the SDO is a key activity that Finance undertakes to achieve the 'delivering effective services to, and for, government' element of Finance's purpose.</p> <p>The SDO, one of six shared services hubs, is rapidly modernising its service offering to deliver faster and better outcomes for the government agencies it services. The SDO has realised a 10 per cent reduction in operating costs in one year, with savings handed back to client agencies, so that they can focus on delivering better frontline services to citizens and businesses.</p> <p>This success has been delivered through a combination of initiatives, including a client-centric approach focused on stronger engagement and transparency; the introduction of enhanced management practices; the use of innovative technologies; and a commitment to service quality through improved governance arrangements.</p> <p>Investment in digital technologies has been fundamental to the SDO's achievements throughout 2017–18. Transitioning to a private cloud hosting service has delivered highly accessible services, including the introduction of apps that are mobile-enabled for use by clients. The SDO has also introduced five automations that are eliminating errors and reducing costs in high-volume and repetitive processes.</p>

Analysis 'continued'	Investments based on robust evidence have improved quality and efficiency. The SDO's client agencies now have access to dynamic reporting that provides real-time access to strategic and performance data. Client agencies have also been able to reduce effort in their organisations through the SDO's introduction of technologies like digital invoice management.
Criterion	Comcover is financially sustainable.
Source	Corporate Plan 2017–18, page 24
Result	Achieved Comcover is self-funded and continues to deliver cost-effective services that encourage agencies to effectively manage risk. It is sustained through the collection of annual fund member contributions.
Analysis	<p>Comcover was established as a self-managed fund in July 1998 to implement the government's self-insurance policy. The operations of Comcover are funded from the Comcover Special Account, which collects premiums from members and uses this revenue to fund all claims that fall under the statement of cover.</p> <p>It is mandatory for all Commonwealth entities that are subject to the PGPA Act and classified in the general government sector to be Comcover members.</p> <p>Outstanding claims are actuarially assessed each quarter and annual risk-based premiums are set based on actuarial advice regarding the expected cost of claims to be incurred in the policy year plus administration expenses. By providing a clear price signal, these risk-based premiums encourage agencies to effectively manage risk.</p> <p>As at 30 June 2018, Comcover had an outstanding claims liability of \$381.9 million, which was more than covered by the \$480.5 million balance in the Comcover Special Account. It is anticipated that Comcover will be able to meet its liabilities as and when they fall due, with the cash balance adequate to cover at least three to four years of normal claims experience.</p> <p>Information on the financial performance and position of the scheme can be found in the department's financial statements under Note C1: General insurance activities and Note F3: Special accounts (see Part 5 of this report).</p>

Criterion	Comcover assists Commonwealth entities to ensure the appropriate treatment of insurable risks and provides a consistent, whole-of-Australian-Government approach to the management of claims against the Commonwealth.
Source	Corporate Plan 2017–18, page 24
Result	<p>Achieved</p> <p>The risk management benchmarking program results showed that the overall risk maturity of Comcover fund members increased by 3.6 per cent in 2017–18 across each of the nine elements of the Commonwealth Risk Management Policy.</p> <p>The greatest increase, of 4.2 per cent, was observed for element one—‘Establishing a risk management policy’, with the lowest increase (2.8 per cent) observed for element eight—‘Maintaining risk management capability’.</p>
Analysis	<p>Comcover supports entities to obtain the knowledge, skills and expertise they need to successfully implement and integrate risk management within their organisations.</p> <p>Throughout 2017–18, Comcover provided a range of services to entities including:</p> <ul style="list-style-type: none"> • a comprehensive training program in risk management, featuring workshops, e-Learning, and workplace support across four capability pathways. Comcover delivered training to 2,705 officials from entities: <ul style="list-style-type: none"> – Foundation Pathway: 2,457 participants – Generalist Pathway: 147 participants – Specialist Pathway: 30 participants – Executive Pathway: 71 participants • better practice guidance, case studies and access to risk management tools and consultancy services, which assist entities to manage risk effectively • advice and support to entities on risk management issues, including tailored advice and the development of specific risk management tools • the Comcover Seminar Series, featuring guest speakers from the Comcover Legal Services Parcelling Arrangement, discussing current and emerging risks to entities • the annual risk management benchmarking program, which enables fund members to self-assess their risk management capability against the nine elements of the Commonwealth Risk Management Policy using a risk maturity model. <p>These services contribute directly to improving the risk maturity of entities.</p>

Criterion	Services meet the needs of parliamentarians, their employees and others as required by the Australian Government.
Source	Corporate Plan 2017–18, page 24
Result	<p>Achieved</p> <p>Service standards that were met, or exceeded, for the period ending 30 June 2018 include:</p> <ul style="list-style-type: none"> • 95.84 per cent of client contacts acknowledged within 24 hours and responded to within agreed timeframes • 99.05 per cent of payments (including payroll) were made within agreed timeframes • 100 per cent of office establishments and relocation projects delivered within their approved budget • 99.66 per cent of COMCAR reservations were completed without service failure.
Analysis	<p>Another measure of Finance’s performance against the ‘delivering effective services to, and for, government’ element of its purpose is measuring whether the services delivered by Finance under the <i>Members of Parliament (Staff) Act 1984</i> meet the needs of parliamentarians, their employees and others as required by the Australian Government.</p> <p>Finance regards the delivery of timely and efficient business support to current and former parliamentarians and their employees as essential to their work in the public interest, which subsequently benefits the broader Australian community.</p> <p>Parliamentarians are eligible to claim public resources under the Parliamentary Business Resources framework. Through this framework, Finance oversees the provision of non-travel-related expenses and services to parliamentarians and their respective employees under the <i>Members of Parliament (Staff) Act 1984</i>.</p> <p>COMCAR provides high-quality, secure and confidential car-with-driver services to a range of clients, including the Governor-General, the Prime Minister, members of parliament, the federal judiciary and heads of Commonwealth agencies. COMCAR also provides ground transportation services for official guest of government visits and at major events.</p> <p>In order to determine its performance in delivering these services, Finance has identified four high-level service standards related to essential services delivered by Finance, as shown under the result for this performance criterion.</p>

Criterion	The timeliness, efficiency, clarity and transparency of the administration of parliamentary work expenses is improved.
Source	Corporate Plan 2017–18, page 24
Result	<p>Achieved</p> <p>The Parliamentary Expenses Management System (PEMS) project has commenced and is on track to deliver milestones in accordance with the PEMS second-pass business case for an integrated ICT solution to manage and report parliamentarians' work expenses. Expenditure of \$38.1 million was approved for PEMS through the 2017–18 Mid-Year Economic and Fiscal Outlook process.</p>
Analysis	<p>In addition to delivering services to parliamentarians and their employees, Finance contributes to the 'delivering effective services to, and for government' element of its purpose through improving the timeliness, efficiency, clarity and transparency of administration of parliamentary work expenses.</p> <p>Finance, in collaboration with the Department of the Prime Minister and Cabinet, the Remuneration Tribunal and the Independent Parliamentary Expenses Authority, is implementing the recommendations of the review into an independent parliamentary entitlements system.</p> <p>A major reform from the review is the implementation of a new parliamentary work expenses framework, which commenced on 1 January 2018, and a supporting Parliamentary Expenses Management System (PEMS).</p> <p>PEMS is a secure, simple digital portal that, once fully implemented, will enable parliamentarians and their staff to manage their work expenses and lodge and track claims using a computer or mobile device with an internet connection.</p> <p>The PEMS solution will address duplication and inefficiencies in existing legacy systems and transform administrative processes and practices through a complete digital technology refresh.</p> <p>The PEMS project, including full reporting functionality, is due for completion in June 2020.</p> <p>The staged and supported transition away from the current paper-based system is in line with the government's broader digital transformation agenda.</p>

Overarching analysis of performance against Finance's purpose

As a central agency of the Australian Government, Finance plays a key role in assisting the government to shape and deliver its priorities to ensure public expenditure programs are sustainable and reflect best value to government and the Australian community.

In 2017–18, Finance undertook a diverse range of activities to achieve its purpose, such as:

- the coordination, preparation and provision of advice to the Minister for Finance and the Expenditure Review Committee of Cabinet on the delivery of the Budget and related fiscal updates, including appropriations legislation and the government's financial statements, which contributed to promoting the government's fiscal target and policy objectives
- provision of analysis, policy advice and costing information
- the daily disbursement through the Central Cash Management System so that entities can deliver on the policy objectives of the government within necessary timeframes
- working with partners across government (e.g. the Digital Transformation Agency, the Department of the Prime Minister and Cabinet and the Department of Education and Training) to invest the government's \$500 million Public Service Modernisation Fund and help establish a smarter, more productive and more sustainable government sector
- implementing and supporting the enhanced Commonwealth performance framework as a means to improve planning and accountability to provide meaningful information to the Parliament and the public (subparagraph 5(c)(ii) of the PGPA Act)
- delivering services to Commonwealth entities through a shared services hub to help those entities better their delivery of core services
- providing a range of services to parliamentarians, their respective employees and others to assist them in undertaking their duties.

Finance's progress against its purpose in 2017–18 was achieved in the context of a challenging operating environment. Our role in assisting the government to make informed decisions on its fiscal and policy objectives occurs amid a variety of factors, many of which are outside Finance's control. In 2017–18, Finance's performance in achieving its purpose was affected by emerging priorities and environmental pressures, such as needing to have regard to:

- the government's fiscal strategy and the discipline of a structured budget process
- innovations in business models and technology that will disrupt every sector of the economy, including the public sector
- the substantial contribution of government business enterprises and other Commonwealth entities to the Australian economy
- the parliament and community's expectations regarding the management of expenses for parliamentarians and their staff.

In 2017–18, Finance's organisational capacity was enhanced by the department's continuing transformation into a more flexible, adaptable and responsive organisation—one able to effectively strengthen the capability of the Australian Public Service (APS), as well as Finance's own employees, to deliver sound policy advice and public administration.

As part of this transformation Finance sought to continue to develop and enhance the enablers required to achieve its purpose—resources, staff, capabilities, leadership, systems and business processes:

- Finance committed to move relevant departmental corporate functions to the shared services hub as a new and innovative way of working, recognising the benefits of operating at scale in the management of corporate functions.
- Finance increased workforce mobility and agility by promoting flexible work practices supported by relevant technology and collaborative workspaces.
- Finance continued to invest in our data capability model—ensuring we have the right hardware, software, people, culture and data in place to allow data analytics to happen more efficiently and effectively, and to support better advice to the government. Finance is leveraging this capability through the Government Business Analytical Unit to provide analytics that deliver benefits at a whole-of-government level.

In this way, Finance sought to promote a modern responsive public service that could operate as effectively and efficiently as possible to deliver government services.

An example of how Finance's internal transformation is contributing to achieving Finance's purpose is the Graduate Certificate in Public Policy and Finance, which Finance initiated in 2016 to build capability in public finances and public policy and generate an improved understanding of the fiscal environment and the Australian Government budget framework. The graduate certificate was co-designed by the Department of Finance, the Department of the Prime Minister and Cabinet, the Department of the Treasury, the Department of Education and Training and the Institute for Governance and Policy Analysis at the University of Canberra. Each year, technical experts share their practical experiences with course participants, explaining how the APS operates and making clear the relationship between theory and practice. So far, 60 APS employees have graduated from this program—a strong reflection of the department's commitment to strengthening public sector workforce capability in this area.

Finance is also continuing to strengthen its commercial, financial and risk analysis on GBEs and the commercial projects that it delivers. It is doing this by engaging commercially minded tertiary education providers to design and deliver training and development programs focusing on financial analysis, governance and risk. These programs, the first of which is expected to be rolled out by the end of 2018, will also be made available to other shareholder departments, further improving the skill sets of officers working with GBEs and promoting Finance's stewardship agenda. Further, Finance is trialling the services of a commercial private sector expert to provide support and mentor staff working in these areas.

The performance reported in these annual performance statements demonstrates that Finance made substantial contributions towards its purpose. As detailed in the results against the criteria above, Finance demonstrated high levels of performance across all 25 of the performance criteria published in Finance's Corporate Plan 2017–18, with 23 of the 25 performance criteria assessed as achieved and two assessed as substantially achieved.

Some of the performance highlights for the year included:

- disbursing cash through the Central Budget Management System to meet the cash needs of every Commonwealth entity on each day in 2017–18. This crucial activity enables Commonwealth entities to operate and deliver services, ensuring the ongoing operations of government
- delivering savings through the National Property Efficiency Program and National Property Divestment Program. Since 2014, 115 sales under these programs have contributed in excess of \$173 million. Over the same period, the Commonwealth's overall property footprint has reduced by nearly 10 per cent
- the Service Delivery Office achieving a 10 per cent reduction in operating costs for the government agencies it services, delivering savings to those agencies so they can focus on delivering better frontline services to citizens and businesses.

In 2017–18, despite a changing and dynamic environment, Finance performed strongly across all of the performance criteria specified in Finance's Corporate Plan 2017–18 to deliver a broad range of substantial contributions to Finance's purpose.

Financial performance

Finance's financial statements are presented in Part 5 of this report. The Australian National Audit Office issued an unqualified audit opinion for the financial statements on 27 August 2018.

A summary of Finance's financial performance for departmental activities and activities administered on behalf of the Australian Government is provided below.

Departmental activities

Finance recorded an operating surplus of \$126.9 million in 2017–18 (2016–17: \$55.4 million). The result is mainly due to gains from sales and revaluations within the Commonwealth's domestic property portfolio; and general insurance activities, where there was an absence of large property claims. The outcome of these activities, which are subject to external factors and can significantly impact the operating result in any given year, is consistent with the Portfolio Additional Estimates Statements 2017–18.

ICT centralised procurement was transferred to the Digital Transformation Agency on 1 July 2017, resulting in corresponding decreases in supplier expenses and own-source revenue for this function.

Activities administered on behalf of the Australian Government


In 2017–18, Finance administered four programs on behalf of the Australian Government, with expenses of \$9.3 billion including:

- \$8.5 billion in member benefits for Commonwealth defined benefit superannuation schemes
- \$382.3 million relating to the investment funds, including distributions to portfolio special accounts
- \$452.1 million for ministerial and parliamentary services, including entitlements, salaries for staff employed under the *Members of Parliament (Staff) Act 1984*, and COMCAR services.

Administered income of \$2.2 billion includes superannuation contributions of \$1.2 billion and interest and gains of \$941.1 million from the investment funds.

At 30 June 2018, administered assets were \$32.7 billion and contain investments in a wide range of securities, instruments and collective investment vehicles. Total assets increased 33.8 per cent from 2016–17, mainly due to government contributions.

Administered liabilities of \$185 billion largely consist of member benefits for the Commonwealth defined benefit superannuation schemes. Superannuation liabilities increased 6.2 per cent from the prior year, primarily as a result of changes to the discount rate used to value the liabilities.



Part 3: Management and accountability

Corporate governance

External scrutiny

Asset management

Administration of the
Central Advertising
System

Procurement

Environmental
performance

Corporate governance

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

Corporate services

The Corporate Services and ICT divisions provide high-quality and efficient services to the Department of Finance, enabling us to achieve our objectives.

The Corporate Services division provides strategic advice to the Secretary and Executive Board on corporate governance and departmental administration and provides services to the department and our ministers, including parliamentary coordination and liaison, human resource services, financial advice and support, in-house legal services, facilities management and security, communications and public affairs strategy, and advice and knowledge management.

The ICT division delivers information services, IT and business services to the department and other government agencies. The division supports the Chief Information Officer and Chief Information Security Officer functions of IT security, architecture, service and program delivery, as well as online, technical and government network services.

Governance in Finance

Finance's governance framework promotes the principles of good governance through engagement with staff on matters of risk management, transparency of Executive Board and committee operations and embedding integrated business planning at all levels. This framework supports the Secretary in discharging her duties under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the *Public Service Act 1999*.

Figure 3 shows Finance's governance structure at 30 June 2018.

The Executive Board

The Executive Board provides strategic leadership of the department to ensure program delivery consistent with government policy objectives to an appropriate level of performance. The Board provides leadership and strategic oversight, monitors performance and maintains accountability as the highest advisory and decision-making body in Finance, discharging the Secretary's duties under the PGPA Act.

In addition to its usual decision-making role, the Board structures its business to ensure that it undertakes key strategic discussions, considers emerging risks, and receives regular updates from the chairs of the subcommittees.

The Secretary of the Department of Finance chairs the Executive Board, supported by the four deputy secretaries of the department as permanent members. In addition, membership of the board is now offered for a period of nine months on a rotating basis to a first assistant secretary and assistant secretary from across the department.

These arrangements reflect the Executive’s commitment to developing leadership capability, including robust decision-making that incorporates a wide range of perspectives.

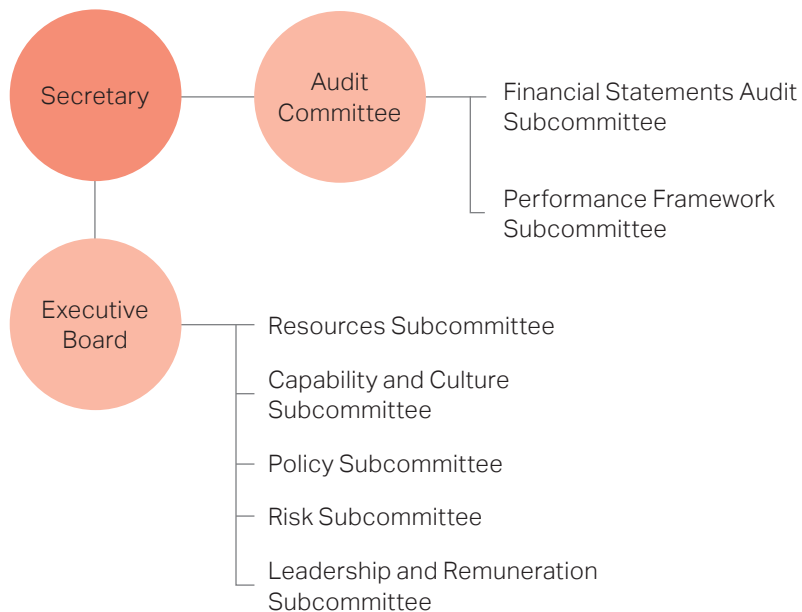
Executive Board subcommittees

During the reporting period, the Executive Board had four subcommittees, each chaired by a deputy secretary:

- Capability and Culture Subcommittee
- Policy Subcommittee
- Resources Subcommittee
- Risk Subcommittee.

In addition, the Leadership and Remuneration Subcommittee of the Executive Board, which is responsible for overseeing and providing advice on people management matters, is chaired by the Secretary and comprises deputy secretary membership.

Figure 3: Finance’s governance structure, at 30 June 2018



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 performance and financial reporting and systems relating to risk and control. It also provides assurance on the adequacy of the Australian Government’s consolidated financial statements production and risk planning process in Finance.

In 2017–18, the Audit Committee had four external members (including the independent chair) and two departmental members. It met five times during the year and representatives from the Australian National Audit Office, the chair of the Risk Subcommittee, the head of Internal Audit, the Chief Financial Officer and the department’s internal audit service provider attended as observers.

The Audit Committee has two subcommittees, chaired by external members, to support it in performing its functions:

- The Financial Statements Audit Subcommittee maintains an ongoing review of the process for preparing the department’s annual financial statements.
- The Performance Framework Subcommittee assists the Audit Committee in meeting its responsibilities under the PGPA Act in relation to performance reporting.

The Audit Committee works closely with the Risk Subcommittee in relation to oversight of the department’s risk management framework, with the Audit Committee chair attending the meetings of that subcommittee.

Table 1 shows Audit Committee membership during 2017–18, and the number of meetings attended by each member during the year.

Table 1: Audit Committee membership, 2017–18

Name and position	Meetings attended in 2017–18		Membership details
Mr Geoff Knuckey (external member) Chair, Audit Committee Chair, Financial Statements Audit Subcommittee (FSASC)	Audit Committee	5	Mr Knuckey joined the committee in October 2010 and was appointed as the committee chair in January 2017.
	FSASC	5	He was appointed chair of the FSASC in October 2010.
Ms Jennifer Clark (external member) Deputy Chair, Audit Committee Chair, Performance Framework Subcommittee (PFSC)	Audit Committee	5	Ms Clark joined the committee in December 2015 and was appointed as the PFSC chair and Audit Committee deputy chair in February and March 2017 respectively.
	PFSC	5	
Mr Ian McPhee AO PSM (external member)	Audit Committee	5	Mr McPhee joined the committee in January 2017. He has previously held the position of Auditor-General at the Australian National Audit Office.
	PFSC	5	Mr McPhee is also a member of the PFSC.

Table 1: Audit Committee membership, 2017–18 (continued)

Ms Gayle Ginnane (external member)	Audit Committee	5	Ms Ginnane joined the committee in January 2017.
Dr Stein Helgeby (departmental member)	Audit Committee	4	Dr Helgeby, Deputy Secretary, Governance and APS Transformation, joined the committee in July 2012.
	PFSC	4	He is also a member of the PFSC, a member of the department's Executive Board, and chair of the Resources Subcommittee.
Ms Stacie Hall (departmental member)	Audit Committee	3	Ms Hall, First Assistant Secretary, Commercial, joined the committee in May 2016.
	FSASC	2	She is also a member of the FSASC and a member of the department's Resources Subcommittee.

Integrated business planning framework

Finance's integrated business planning framework ensures alignment across domains of enterprise decision-making, including:

- strategic review and prioritisation
- enterprise risk framework
- corporate planning
- divisional business planning
- budgeting
- investment and resource planning.

Strategic reviews

In 2017–18, Finance introduced a biannual strategic review of all divisions, providing the Executive Board with a comprehensive picture of departmental priorities, risks and pressures, enabling us to align funding with priorities and focus on how we achieve efficiencies and work effectively across boundaries. It is an essential element of the department's integrated business planning framework.

The strategic review process engages the broader leadership cohort of the department, with the Senior Executive Service in each division able to provide and receive a comprehensive perspective on the department's risks, priorities and opportunities for improvement and innovation.

The strategic reviews have provided the department with greater visibility of enterprise risks and enabled us to set budgets more effectively and identify areas to build capability and mobilise staff to priority areas. The reviews also facilitate improved measurement of progress in delivering business improvements and efficiency initiatives and innovations.

Planning and performance reporting framework

The premise of the planning and performance reporting framework is that, where there is a shared understanding of the department's purposes and priorities—and resources and activities are properly organised and aligned—we will achieve high standards of performance.

The operating model allows Finance to adjust its activities and resourcing to align with government priorities as expressed in the department's Corporate Plan and measured through the annual performance statements. Figure 4 illustrates Finance's approach to planning and reporting.

Figure 4: Finance's planning and performance reporting cycle



Managing risk in Finance

The Secretary and Executive Board have oversight of the department's risk management framework through the Risk Subcommittee. The framework supports the Secretary to meet her duty under the PGPA Act and complies with the Commonwealth Risk Management Policy.

The framework sets out our risk management policy and guides the identification, management and reporting of risks where they may impact on business at the strategic and operational level. Our ability to manage opportunities and risks directly impacts on how we achieve our purpose.

We are continuing to support a positive risk culture throughout the department and embed systematic risk management into business operations. We are doing this by supporting staff to take a more open and proactive approach to managing risk that considers both opportunities and threats. By increasing risk capability at all levels of the organisation, we empower staff to have the knowledge, judgement and confidence to make more informed risk-based decisions. This also ensures that our people are accountable, understand risk and are supported by their managers in accordance with the department's risk appetite.

In 2017–18, the department reviewed the framework and updated the risk appetite statement and key strategic and operational risks. This review not only ensured the framework continues to reflect our dynamic operating environment, but also strengthened the alignment of the framework with our purpose and strategic focus for transformation in the year ahead.

How we manage fraud

The department complies with section 10 of the Public Governance, Performance and Accountability Rule 2014. Our fraud control framework aligns with the Commonwealth Fraud Control Framework and establishes the systems and processes for the prevention, detection, monitoring, evaluation and reporting of fraud matters within the department. The framework includes a fraud control plan informed by fraud risk assessments.

The Risk Subcommittee has oversight of the department's fraud control framework. Within the framework, the head of Internal Audit has responsibility for fraud control and investigation matters. These matters are dealt with in accordance with the Commonwealth Fraud Control Policy, Resource Management Guide No. 201: *Preventing, detecting and dealing with fraud*, and the Australian Government Investigations Standards.

The department maintains a fraud control plan informed by assessments of fraud risk and the implementation of controls and treatment strategies to mitigate fraud risk.

The department has mechanisms to address fraud that are compliant with the Australian Government Investigations Standards and the Commonwealth Fraud Control Framework.

The department has a zero tolerance approach to fraud and has taken reasonable measures to deal with fraud. We recognise the importance of being vigilant in relation to fraud risk and communicate the importance of fraud awareness and prevention to staff.

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.

Business continuity plans are reviewed and tested annually to ensure they meet business requirements.

Significant noncompliance with the finance law

In 2017–18, the department did not report any matters of significant noncompliance with the finance law to the Finance Minister under paragraph 19(1)(e) of the *Public Governance, Performance and Accountability Act 2013*.

External scrutiny

The department's operations are subject to scrutiny from a number of external bodies, among them the Australian National Audit Office, various parliamentary committees, the courts and administrative tribunals, the Australian Information Commissioner, the Australian Privacy Commissioner and the Commonwealth Ombudsman. This section reports on audits, inquiries, reviews and legal actions relevant to Finance in 2017–18.

Judicial and administrative decisions

Judicial decisions

Commonwealth of Australia v. Davis Samuel Pty Ltd & Ors

This matter relates to civil proceedings to recover the \$8.725 million fraudulently transferred from the Commonwealth in 1998, and subsequently distributed to a number of third parties. All criminal proceedings were completed in 2006.

The Commonwealth was successful in its claims against 13 defendants and the \$4.3 billion counterclaim against the Commonwealth was also dismissed.

On 21 November 2014, final orders were delivered. Judgment against the 13 defendants for amounts up to \$18.63 million was made together with the transfer of certain property and costs orders.

Two appeals were made against the final orders. The remaining appeal was struck out by the ACT Court of Appeal on 30 June 2016 for want of prosecution. All further applications to set aside the judgment and final orders have been dismissed, with the latest application seeking special leave to appeal to the High Court refused on 11 October 2017.

The Commonwealth has recovered in excess of \$7.6 million and is continuing its recovery action against the remaining judgment debtors and interests in land.

Liverpool City Council and Canterbury–Bankstown City Council v. Commonwealth of Australia

On 8 February 2017, Liverpool City Council and Canterbury–Bankstown City Council commenced proceedings in the NSW Supreme Court listing the Commonwealth as the defendant in relation to a dispute involving the Voyager Point footbridge.

The project concerned the design and construction of a new footbridge across the Georges River from East Hills to Voyager Point to replace the previously existing footbridge that was closed due to safety issues. On completion, responsibility for the new footbridge was to be transferred to Liverpool City Council and Bankstown City Council.

The proceeding is ongoing and is being defended by the Commonwealth. Directions have been made for various interlocutory steps.

Wilkie & Ors v. The Commonwealth of Australia & Ors; Australian Marriage Equality Ltd & Anor v. Minister for Finance Mathias Cormann & Anor

On 10 August 2017, Wilkie & Ors and Australian Marriage Equality Ltd & Anor separately brought proceedings against the Commonwealth. These proceedings challenged the validity of the Advance to the Finance Minister Determination (No. 1 of 2017–18) (Cth) (the Determination), which increased the departmental appropriation of the Australian Bureau of Statistics to facilitate the Australian Marriage Law Postal Survey.

On 28 September 2017, the High Court ruled in favour of the Commonwealth and held that the Determination was valid and that section 10 of the *Appropriation Act (No. 1) 2017–2018* (Cth) authorised the Finance Minister to make the Determination. Costs orders were made against the defendants.

Stirling v. Minister for Finance

On 7 July 2016, a delegate of the Minister for Finance made a decision to decline an application made by Dr Stirling for a waiver of debt under section 63(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (Cth). Dr Stirling made an application to review the delegate's decision under the *Administrative Decisions (Judicial Review) Act 1977* (Cth).

On 4 August 2017, the Federal Court of Australia ordered that the application be granted, the decision of the Finance Minister's delegate be set aside, the matter be remitted to the respondent for further consideration and determination in accordance with law, and that the respondent pay the applicant's costs of the proceeding.

Administrative tribunal decisions

In 2017–18, there were no decisions of an administrative tribunal that had a significant effect on the operations of the department.

Australian Information Commissioner decisions

In 2017–18, there were no decisions by the Australian Information Commissioner that involved the department or that had, or might have, a significant impact on the department's operations.

Australian Privacy Commissioner decisions

In 2017–18, there were no decisions by the Australian Privacy Commissioner that involved the department or that had, or might have, a significant impact on the department's operations.

Reports by the Auditor-General

In 2017–18, the Australian National Audit Office tabled 12 reports in the parliament, covering nine performance audits, two financial statements audits and one information report involving the department:

- ANAO Report No. 6 – *The Management of Risk by Public Sector Entities*
- ANAO Report No. 7 – *Efficiency of the Australia Council's Administration of Grants*
- ANAO Report No. 11 – *Australia Post's Efficiency of Delivering Reserved Letter Services*
- ANAO Report No. 16 – *Administration of the National Broadband Network Satellite Support Scheme*
- ANAO Report No. 19 – *Australian Government Procurement Contract Reporting*
- ANAO Report No. 23 – *Delivery of the Moorebank Intermodal Terminal*
- ANAO Report No. 24 – *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2017*
- ANAO Report No. 33 – *Implementation of the Annual Performance Statements Requirements 2016–17*
- ANAO Report No. 35 – *Management of Special Appropriations*
- ANAO Report No. 36 – *Corporate Planning in the Australian Public Sector 2017–18*
- ANAO Report No. 41 – *Efficiency through Contestability Programme*
- ANAO Report No. 47 – *Interim Report on Key Financial Controls of Major Entities*

Details of these reports, including the department's response to audit reports, are available on the Australian National Audit Office website.

Parliamentary Committees

Senate Standing Committees on Finance and Public Administration

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

Legislation Committee

Finance appeared before the Legislation Committee at its Senate Estimates hearings on 24 October 2017, 27 February 2018 and 23–24 May 2018.

References Committee

In January 2018, Finance presented a submission to the inquiry into the arrangements for the Australian Marriage Law Postal Survey. It attended the hearing on 7 September 2017. Finance subsequently tabled the government response on 26 June 2018.

Joint Committee of Public Accounts and Audit

The *Public Accounts and Audit Committee Act 1951* constitutes the Joint Committee of Public Accounts and Audit (JCPAA). The Committee initiates inquiries into public administration matters and can conduct inquiries into matters referred to it by either house of parliament. During 2017–18, Finance had a series of engagements with the committee as detailed below. Finance has also provided information to the committee as part of its ongoing relationship, including providing responses to questions taken on notice during public hearings and provided in writing.

- On 16 August 2017, the JCPAA released Report 463: *Commonwealth Financial Statements: Inquiry based on Auditor-General's report 33 (2016–17)*. Finance provided an initial response to the JCPAA report's recommendations on 9 March 2018 and a supplementary response on 14 May 2018.
- 31 January 2018—Finance presented a submission to the Commonwealth Procurement Inquiry, based on the Auditor-General's Report No. 9 (2017–18). The department attended the hearing on 16 February 2018.
- 8 and 16 February 2018—Finance presented submissions to the inquiry into Australian Government contract reporting, based on the Auditor-General's Report No. 19 (2017–18). The department attended hearings on 16 February 2018 and 23 March 2018.
- 14 March 2018—Finance responded to recommendations included in the JCPAA's Report 465: *Commonwealth Procurement*.
- 4 June 2018—Finance responded to recommendations included in the JCPAA's Report 469: *Commonwealth Performance Framework: Inquiry based on Auditor-General's reports 31 (2015–16), 6 and 58 (2016–17)*. Finance also presented a submission to the inquiry on 21 August 2017 and attended the hearing on 6 September 2017.

In addition to the above matters, the Committee has had an ongoing interest in the independent review of the *Public Governance, Performance and Accountability Act 2013* and Rule required under section 112 of the Act.

Other committees

Finance attended hearings or provided submissions to the following other parliamentary committees during 2017–18:

- Joint Standing Committee on the National Capital and External Territories—inquiry into Australia’s Antarctic Territory (attended 15 February 2018)
- Joint Standing Committee on the National Broadband Network (NBN)—on 6 April 2018, Finance presented its submissions, prepared jointly with the Department of Communications and the Arts, to the inquiry into the business case for the NBN and the inquiry into the rollout of the NBN in rural and regional areas (attended 14 June 2018)
- Senate Economics Legislation Committee—inquiry into Medicare Levy Amendment (National Disability Insurance Scheme Funding) Bill 2017 and 10 related bills [provisions] (attended 29 September 2017)
- Senate Economics References Committee—inquiry into the future of Australia’s naval shipbuilding industry (attended 8 September 2017 and 7 June 2018)
- Senate Foreign Affairs, Defence and Trade References Committee—inquiry into the impact of Defence training activities and facilities on rural and regional communities (attended 21 March 2018)
- Joint Select Committee on Government Procurement—in November 2017, Finance tabled the Australian Government response to the report *Buying into Our Future: Review of amendments to the Commonwealth Procurement Rules* (attended 8 May 2017)
- Joint Committee on Intelligence and Security—in August 2017, Finance tabled the Australian Government response to the Review of Administration and Expenditure No. 14 (2014–2015)
- Senate Education and Employment Legislation Committee—submission to the inquiry into the Public Governance, Performance and Accountability Amendment (Executive Remuneration) Bill 2017 (provided 1 February 2018).

Finance’s submissions, responses to questions taken on notice (written and taken during hearings) and the transcripts of committee hearings are available on the Parliament of Australia website.

In addition to attending scheduled hearings, Finance also participated in a number of private briefings with parliamentary committees during the reporting period.

Reports by the Commonwealth Ombudsman

The Commonwealth Ombudsman did not release any reports during 2017–18 that involved the department or that had, or might have, a significant impact on the department’s operations.

Asset management

Finance manages the government's non-Defence domestic property portfolio of some 90 properties, including office buildings, law courts and other special-purpose facilities, heritage assets, vacant land and contaminated sites, with a value of approximately \$1.7 billion (at 30 June 2018). Finance, with its private sector property services provider, manages these assets strategically to ensure that they are efficient and able to meet the government's needs.

In 2017–18, investment in major buildings was focused on improving the quality and amenity of the buildings in line with modern workforce standards. This follows the agreement of new long-term leases, increasing whole-of-government efficiency through full utilisation of major assets.

Administration of the Central Advertising System

Finance administers the Central Advertising System, which consolidates the government's buying power to support the proper use of public resources. A total of \$198.8 million was spent on media through the system in 2017–18:

- Total campaign advertising media expenditure was \$179.7 million, comprising \$157.0 million by non-corporate Commonwealth entities and \$22.7 million by corporate Commonwealth entities, Commonwealth companies and other bodies.
- Total non-campaign advertising media expenditure was \$19.1 million, comprising \$14.5 million by non-corporate Commonwealth entities and \$4.6 million by corporate Commonwealth entities, Commonwealth companies and other bodies.

Procurement

Performance assessment against the Commonwealth Procurement Rules

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.

Information on significant procurements expected to be undertaken in 2018–19 is in the department's annual procurement plan, available on the AusTender website, tenders.gov.au.

Exempt contracts

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*.

Australian National Audit Office access clauses

No contracts of \$100,000 or more (inclusive of GST) were let during 2017–18 that did not provide for the Auditor-General to have access to the contractor's premises.

Initiatives to support small and medium-sized enterprises and Indigenous business

Results of pay-on-time survey

The Department of Finance recognises the importance of ensuring that small businesses are paid on time. The results of the Government Pay On-Time survey, which are available on the Treasury website, treasury.gov.au, show that Finance paid 95.4 per cent of contracts valued under \$1,000,000 within 30 days in 2016–17.

The Department of Finance supports small and medium-sized business participation in the Commonwealth Government procurement market. The small and medium-sized enterprise (SME) participation statistics published on the Department of Finance's website (finance.gov.au) estimate that in 2016–17, 56 per cent of contracts were awarded to SMEs.

The department's support for SMEs includes using the Commonwealth Contracting Suite, where appropriate, for procurements valued under \$1,000,000.

The department supports the goals of the Indigenous Procurement Policy and achieved its 2017–18 target, as reflected on the Department of the Prime Minister and Cabinet website, pmc.gov.au.

Consultants

The department engages consultants when it requires specialist expertise or when independent research, review or assessment is required. Decisions to engage consultants during 2017–18 were made in accordance with the PGPA Act and related regulations, including the Commonwealth Procurement Rules and relevant internal policies. Finance uses consultants to manage discrete one-off projects when specialist expertise is required for a limited time.

During 2017–18, 171 new consultancy contracts were entered into involving total actual expenditure of \$9.4 million. In addition, 100 ongoing consultancy contracts were active during the period, involving total actual expenditure of \$8.9 million (see Table 2).

Table 2: Expenditure on consultancy contracts, 2015–16 to 2017–18

	2015–16 \$ million	2016–17 \$ million	2017–18 \$ million
Total actual consultancy expenditure	30.9	26.2	18.4

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

Environmental performance

This section describes the department's environmental performance, its management of the non-Defence domestic portfolio in line with environmental legislation, and other cross-government environmental activities

Non-defence domestic property portfolio

Finance manages a diverse portfolio of some 90 non-Defence Commonwealth-owned properties in Australia. This portfolio is managed in accordance with the legislative framework for environment and heritage matters, including the *Environment Protection and Biodiversity Conservation Act 1999*. Management is 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. We carry out works to improve environmental performance, including upgrades to heating, ventilation and air-conditioning systems, building management systems, and lighting controls in various buildings.

Departmental activities

During 2017–18, Finance undertook environmental initiatives in areas such as office energy use, transport, resource efficiency and waste management. Table 3 summarises the department's environmental performance in 2017–18 as compared with 2016–17.

Office energy use

The department reduces its consumption of office energy wherever possible, including by 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.

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 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) in all of its tenancies.

Organic waste bins were introduced to Finance's ACT tenancies in November 2016. This initiative has diverted more than eight tonnes of general waste from landfill. The organic waste is collected by a worm-farming company to be recycled into organic fertiliser.

The Finance printing system is designed to purge print jobs that are not completed within a set timeframe. Print jobs totalling more than 300,000 pages of paper were automatically purged in 2017–18. 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.

Cross-government activities

Finance contributes to environmental outcomes in a number of additional areas in line with government policy and relevant legislation. This includes managing the COMCAR vehicle fleet and providing electorate office accommodation for parliamentarians. These activities are additional to those listed in Table 3.

COMCAR

In 2017–18, COMCAR continued to deliver on its strategy of ensuring an environmentally responsible fleet of vehicles. As at 30 June 2018, COMCAR had 139 petrol-powered sedans, 12 LPG sedans and eight diesel-powered people movers in its fleet of 159 vehicles. COMCAR petrol-powered vehicles employ variable cylinder technology, further reducing fuel consumption by using fuel more efficiently, improving fuel consumption and contributing to reductions in CO₂ output. COMCAR uses E10 fuel for its petrol-powered sedans, where available. COMCAR's diesel-powered people movers provide significant improvements in fuel economy and reduced CO₂ output in comparison to the petrol variants.

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

Table 3: Environmental performance summary, 2016–17 and 2017–18

Indicator	2016–17	2017–18
Office energy use^a		
Total office tenant light and power energy consumption (kWh)	1,527,860	1,949,465
Total office tenant light and power energy consumption (MJ)	5,500,294	7,018,074
Office tenant light and power energy use per full-time equivalent (MJ/FTE)	3,521	4,780
Office tenant light and power use per square metre (MJ/m ²)	236	289
Base/central building energy consumption (MJ)	45,567,809	45,304,551
Base/central building energy consumption per square metre (MJ/m ²)	449	446
Greenhouse emissions attributed to office tenant light and power and base/central building energy use (tonnes CO ₂ -e)	9,240	8,709
GreenPower purchased (kWh)	837,186	851,123
Non-office energy use		
Greenhouse emissions attributed to non-office energy use (computer centres, other properties and uses) (tonnes CO ₂ -e)	1,411	970
Vehicle fleet^{b, c}		
Total number of fleet vehicles	29	21
Total fuel purchased (litres)	24,283	17,701
Total distance travelled (kilometres)	236,226	156,387
Average fuel consumption of fleet vehicles (litres/100 kilometres)	10.3	11.32
Total direct greenhouse emissions of fleet (tonnes CO ₂ -e)	57.3	41.42
Greenhouse emissions		
Total greenhouse emissions (tonnes CO ₂ -e)	10,708	9,736
Total greenhouse emissions per full-time equivalent (tonnes CO ₂ -e/FTE)	6.9	6.6
Air travel^c		
Total number of flights	4,157	3,431
Total distance of flights (kilometres)	4,112,248	3,431,781
Potable water consumption^d		
Total potable water use (kilolitres)	12,068	11,290
Potable water use per full-time equivalent (kilolitres/FTE)	7.73	7.69
Potable water use per square metre (kilolitres/m ²)	0.49	0.44

Table 3: Environmental performance summary, 2016–17 and 2017–18 (continued)

Indicator	2016–17	2017–18
Resource efficiency and waste		
Total office paper purchased by full-time equivalent (A4 reams/FTE)	8.7	6.3
Percentage of office paper purchased with recycled content	83.6%	97.8%
Office paper recycled (tonnes)	38.7	43.29
Total waste produced (tonnes)	166.91	163.09
Total waste produced per full-time equivalent (kilograms/FTE)	106.9	111.16
Percentage of waste diverted from landfill	49.5%	50.0%

kWh = kilowatt hour; MJ = megajoule; CO₂-e = carbon dioxide equivalent.

a In 2017–18 Finance further consolidated its property footprint, reducing our sites from seven at the start of 2016–17 to three by the end of 2017–18. During 2016–17, we operated under a number of sub-lease arrangements for which Finance’s energy usage was excluded from the figures above.

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

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

d The water consumption reported applies to Finance-occupied office buildings only. Tenancy-specific water metering is not available in shared buildings, resulting in the use of estimates based on pro rata calculations. The water data is adjusted on a pro rata basis to account for the unavailable information.



Part 4: Our people

Finance Transformation

Workforce planning

Mobility

Workforce diversity

Learning and
development

Workforce statistics

Work health and
safety

Finance Transformation

Finance is leading public sector transformation and is committed to improving the way the department works to deliver government priorities. Building a highly capable and committed workforce that is flexible and able to work in complex policy areas is central to meeting this commitment.

Our people remain Finance's greatest strength. We are committed to the ongoing development of our workforce to ensure we are best placed to achieve our purpose and to further strengthen the skills, capability and leadership of our people to support the complex challenges we face. Finance is committed to increasing internal capability and increasing collaboration and innovation.

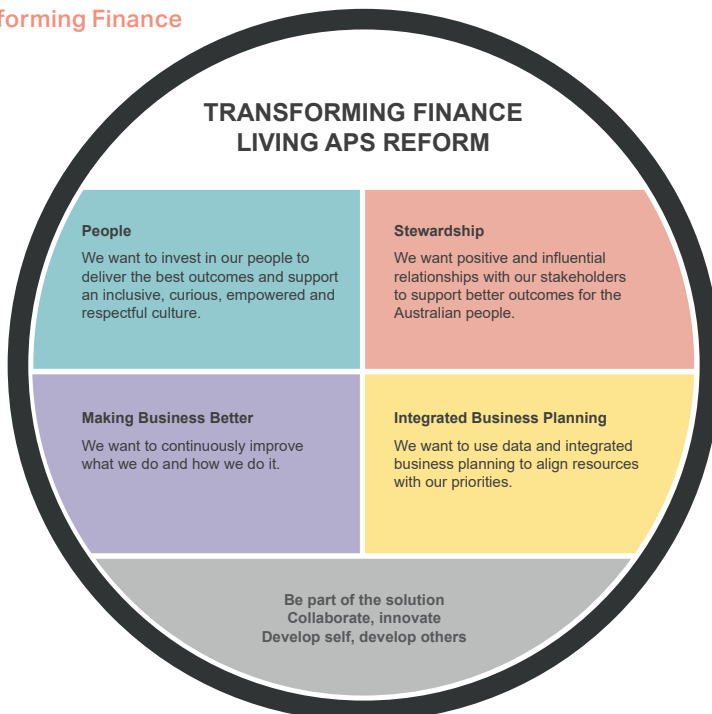
Finance is benefiting from our own internal transformation, which is seeing us become a more agile organisation that is able to adapt and respond quickly to changing priorities, risks and challenges.

Our transformation focuses on four key areas of people, stewardship, making business better and integrated business planning (see Figure 5).

The experience we are gaining from this internal transformation process is contributing to our leadership role in driving transformation across the whole of the Australian Public Service (APS).

We have engaged staff through a series of opt-in sessions where we have explored initiatives to inform our transformation plan, focused on building a culture that is always looking for opportunities to enhance productivity and improve how we deliver, engage with stakeholders, build capability, use data and technology, and support our people.

Figure 5: Transforming Finance



Workforce planning

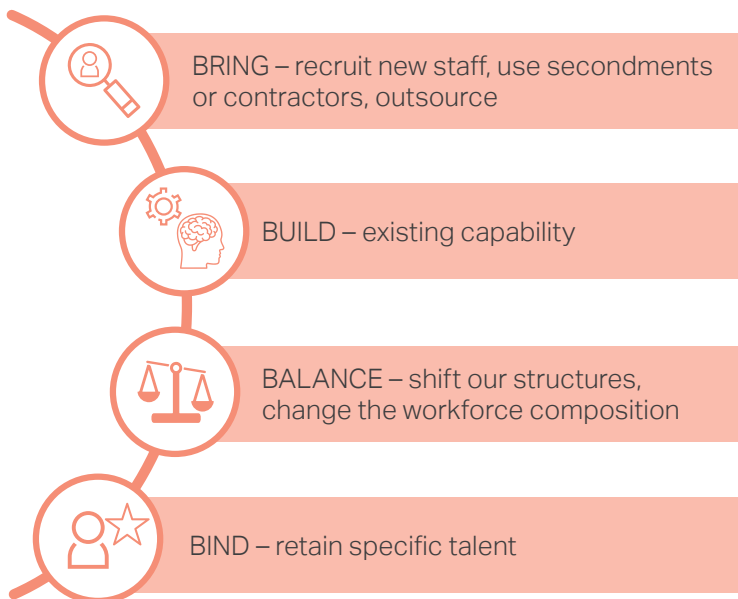
Workforce planning is a key component of the department's integrated business planning process, aligned to the budget process and prioritising our work through strategic reviews. Our integrated business planning process helps us make well-informed decisions around prioritising projects and activities and allocating resources accordingly (see 'Corporate governance' on page 58).

Our workforce planning assists us to understand our current, and shape our future, workforce to respond to emerging government priorities in a changing environment. We consult across the organisation, and beyond, to ensure we have a workforce to meet business outcomes now and into the future. The department's workforce plan is refreshed annually to reflect Finance's current workforce priorities.

Achieving our optimal workforce

There are four key strategy areas within the department's workforce plan, which outlines how the department will achieve its optimal workforce. Within each of these strategy areas are a range of initiatives to address identified workforce gaps, known as the 'four Bs' (see Figure 6).

Figure 6: Finance's workforce planning approach



Mobility

The management of human resources and, in particular, the way the department provides mobility opportunities for staff and undertakes recruitment has resulted in a highly capable and committed workforce that is flexible and able to respond to government priorities.

We recognise that the key to a strong and sustainable mobile workforce is giving staff the chance to build their skills and experience. Finance provides opportunities for mobility to enable staff to work in different roles and undertake different types of work, including project work, ongoing business and surging to high-priority activities. We encourage staff to gain different experiences through temporary or permanent moves within the department and through secondments to other agencies. Providing mobility opportunities supports staff to develop capability in new areas and increases the overall capability of the department.

The department uses a range of mechanisms to promote mobility, as outlined below.

Internal Mobility Register

The Internal Mobility Register enables staff to express their interest in short-, medium- or long-term vacancies within the department. Staff can indicate the areas of the department that are of interest to them. In line with Finance's approach to increase opportunities for flexible working arrangements, staff can also register their interest in job share arrangements.

The Internal Mobility Register is the main tool used by managers to source staff with particular skills, experience and qualifications to address capability gaps. Human Resources supports managers to fill vacancies by first referring to the Internal Mobility Register to identify possible capability and interest within the department before seeking to source externally.

Stream recruitment

Established in 2017, stream recruitment is a whole-of-department initiative focused on future workforce capability needs. Stream recruitment is designed to assist the department's shift from the traditional process-driven approach to a contemporary approach where we focus on candidate care and ensuring that we attract, select and retain the capabilities and behaviours we want to see in Finance staff.

During 2017–18, the department conducted recruitment processes for the following professional streams:

- policy
- accounting and financial management
- program and project management
- enabling services.

Stream recruitment is changing the way the department thinks about recruitment to encompass broader resourcing needs and future workforce capability requirements. Business areas now have the opportunity to collaborate across groups to ensure that roles meet broader needs, while still maintaining control over the selection and placement of individuals in their own work areas. As we become more mature in workforce planning, the approach can be tailored to encompass business areas' existing and forecast resourcing needs, making recruitment more efficient in the longer term. There will continue to be targeted recruitment activities to address technical specialist roles that are not likely to be sourced through the stream recruitment approach.

Surge opportunities

Finance continues to employ its surge model to support a range of additional work associated with the federal Budget, general elections and other peak work priorities across the department. The surge model enables the department to build on its capabilities and provide staff the opportunity to experience different work within the department.

Secondment programs

The department sought nominations from employees from other APS agencies to undertake secondments to support the delivery of the federal Budget. Six staff from five agencies participated in 2017–18.

In 2017–18, two Finance staff members participated in the Jawun APS Secondment Program, where secondees work in an Indigenous business or community.

Consistent with our commitment to stewardship and our support for portfolio entities in 2017–18, we seconded an officer to Australian Naval Infrastructure Pty Ltd to assist with the establishment of the company.

Resource management model

In 2017, Finance established a resource manager role within Human Resources that is responsible for assisting business areas to manage their resource needs. Resource managers have oversight of staff mobility information, recruitment merit pools and the resources available from across the department in order to address vacancies quickly. Resource managers collaborate with business areas to support resource planning and workforce strategy, including strategies to achieve optimal management structures.

Workforce diversity

Finance has progressed our diversity and inclusion agenda during 2017–18 with the implementation of our comprehensive diversity strategy, DIVERSITY@FINANCE. The strategy is supported by an action plan, with a focus on the following diversity groups: gender equality; Aboriginal and Torres Strait Islander employment; disability employment; culturally and linguistically diverse employment; lesbian, gay, bisexual, transgender and intersex (LGBTI) inclusion; and managing an intergenerational workforce. The strategy sets out how we will implement Australian Government strategies, including the APS Gender Equality Strategy 2016–19, the APS Disability Employment Strategy 2016–19 and the Commonwealth Aboriginal and Torres Strait Islander Employment Strategy.

A key factor in the success of our diversity initiatives is our four diversity networks—the Aboriginal and Torres Strait Islander Staff Network, the Ability Network, the Gender Equity Network and the LGBTI+ Network. These networks are each supported by a Senior Executive Service (SES) sponsor and have the endorsement and backing of all senior leaders, including the Secretary and the Diversity Champion. The networks have played an important role in educating Finance staff and promoting the value of a diverse workforce through a range of events and activities during 2017–18.

The following initiatives supported improved diversity outcomes in 2017–18:

- events to raise awareness of diversity, for example, National Reconciliation Week, NAIDOC Week, International Day of People with Disability, International Women’s Day and Harmony Day
- drawing on the expertise offered through memberships with the Australian Network on Disability, the Diversity Council of Australia and Pride in Diversity to develop and refine the department’s approach to diversity and inclusion
- commencement of our first Indigenous Liaison Officer to support Aboriginal and Torres Strait Islander employees and managers
- implementing a flexible working arrangements policy, to encourage an increased uptake of arrangements by female and male employees
- establishment of the Ability Network, which is committed to recognising, supporting and improving opportunities for people with disability and their carers.

Finance has also taken up opportunities during 2017–18 to collaborate with other entities on a range of APS-wide initiatives and will continue this involvement over the next year. Examples include retention and advancement initiatives under the Indigenous employment programs led by the Australian Public Service Commission, and interagency working groups arising from Finance’s involvement in the Secretaries Equality and Diversity Council, the Disability Champions Network and the Indigenous Champions Network.

Learning and development

Finance continues to strengthen its workforce by building organisational capability to encourage retention and enhance ongoing performance. Human Resources works closely with business areas to ensure development opportunities are integrated and, where possible, co-designed with subject matter experts from the business to ensure content aligns to business activities. This approach also ensures development activities are clearly defined to meet the needs of the business and are supported with relevant tools and resources to ensure a blended approach to learning.

In 2017–18, we undertook analysis as part of our workforce planning activities to help us understand the capabilities we require now and in the future to deliver business objectives. As a result of this analysis, a number of initiatives have been implemented:

- creating learning and development solutions for capability focus areas, including stakeholder relationship management, leadership and management, and working with people. These solutions were supported by offerings for foundational skills, including communication skills, change management, performance management, team building, business information technology applications and career management
- supporting managers and employees with a range of tools and resources available electronically through the department's learning management system and online through the intranet. Resources include e-learning programs, articles, videos, tools and templates provided in an interactive, accessible and self-paced learning environment
- continued implementation of targeted talent management initiatives for SES and Executive Level 2 (EL2) cohorts to enhance leadership capability and ensure effective succession planning.

Finance continues to support employees to complete relevant tertiary study to improve their professional skills and knowledge through the Study Assistance Program. In 2017–18, 94 employees received study assistance through paid study leave and financial assistance to undertake tertiary education.

In addition, 13 staff were supported to complete the Graduate Certificate in Public Policy and Finance. This program, purpose-built for the public sector and delivered by the Institute for Governance and Policy Analysis at the University of Canberra, builds capability among emerging leaders at Finance and in the wider APS. Students develop a thorough understanding of the Australian Government budget framework as well as sound financial, strategic and policy development capabilities.

Leadership

In 2017, the Senior Executive Service (SES) leadership group worked together to develop the leadership expectations which they considered to be essential to the department achieving its objectives:

- be part of the solution
- collaborate, innovate
- develop self; develop others.

The leadership expectations were released for adoption by all staff and, since their inception, have been incorporated into a number of departmental initiatives and plans, including the Secretary's Award criteria, Australia Day Award categories and criteria, and the transformation model.

The department continues to invest in developing current and future leaders, through initiatives such as SES career conversations, an EL2 talent identification initiative and participation in various external leadership programs and events.

Career conversations are held annually for SES staff, where strengths and opportunity for further development are identified as a means of actively managing talent and succession planning.

In September 2017, the department commenced a talent initiative pilot for a cohort of high-potential EL2 officers in the department. The initiative aims to gain greater insights into the career potential of participants through engagement of a high-potential identification questionnaire and career conversations to inform the support and investment needed to enable potential to be met.

Entry-level programs

Finance continues to support its entry-level employee cohort to develop their skills, experience and capabilities to become engaged and productive members of the department and the APS. In 2017–18, we engaged 19 graduates, 21 career starters, five cadets through the Indigenous Australian Government Development Program, two apprentices through the Indigenous Apprenticeship Program and four Stepping Into program participants. Each cohort undertakes a development program targeted to their specific needs to enable an effective transition into the workforce and the APS. Aspects of the development programs include induction, formal training to achieve a professional qualification, foundational skills training, mentoring, attendance at APS-wide events, project work, as well as placements in the business to ensure effective on-the-job learning.

Workforce statistics

Tables 4 to 11 show our workforce statistics for 2017–18, including staffing numbers and whether they are ongoing, non-ongoing or casual, their substantive classification and their gender, as well as location and diversity.

Table 4: Employment type by classification and gender, at 30 June 2018

Employment by classification and gender at 30 June 2018									
	Ongoing		Non-Ongoing		Casual		Total		
Classification	Male	Female	Male	Female	Male	Female	Male	Female	Total
SES 3	2	1	–	–	–	–	2	1	3
SES 2	7	7	–	–	–	–	7	7	14
SES 1	30	26	–	–	–	–	30	26	56
EL2	90	91	–	–	–	1	90	92	182
EL1	192	209	2	3	–	–	194	212	406
APS 6	122	171	1	2	–	–	123	173	296
APS 5	81	124	3	2	–	–	84	126	210
APS 4	50	76	5	4	7	3	62	83	145
APS 3	25	38	4	3	1	1	30	42	72
APS 2	9	10	1	–	209	41	219	51	270
APS 1	4	18	–	–	–	–	4	18	22
Total	612	771	16	14	217	46	845	831	1,676

Finance had no staff that are recorded in the human resource information system as Indeterminate, Intersex or Unspecified.

Table 5: Employment type by classification and gender, at 30 June 2017

Employment by classification and gender at 30 June 2017									
	Ongoing		Non-Ongoing		Casual		Total		
Classification	Male	Female	Male	Female	Male	Female	Male	Female	Total
SES 3	3	1	–	–	–	–	3	1	4
SES 2	9	7	–	–	–	–	9	7	16
SES 1	33	23	–	–	–	–	33	23	56
EL2	96	93	1	2	2	1	99	96	195
EL1	196	201	–	5	–	–	196	206	402
APS 6	130	166	1	2	–	–	131	168	299
APS 5	82	127	1	2	–	–	83	129	212
APS 4	41	80	6	8	8	2	55	90	145
APS 3	28	41	2	2	1	2	31	45	76
APS 2	5	13	1	–	234	53	240	66	306
APS 1	11	14	–	–	–	–	11	14	25
Total	634	766	12	21	245	58	891	845	1,736

Finance had no staff that are recorded in the human resource information system as Indeterminate, Intersex or Unspecified.

Table 6: Finance staff by attendance type, at 30 June 2017 and 30 June 2018

Employment type	Full-time		Part-time		Casual		Total	
	2017	2018	2017	2018	2017	2018	2017	2018
Ongoing	1248	1228	152	155	–	–	1,400	1,383
Non-ongoing	31	29	2	1	–	–	33	30
Casual	–	–	–	–	303	263	303	263
Total	1,279	1,257	154	156	303	263	1,736	1,676

Table 7: Employment type by location, at 30 June 2017 and 30 June 2018

Location	Employment type							
	Ongoing		Non-ongoing		Casual		Total	
	2017	2018	2017	2018	2017	2018	2017	2018
ACT	1,359	1,345	31	28	167	142	1,557	1,515
NSW	12	12	–	–	49	47	61	59
NT	1	1	–	–	2	1	3	2
QLD	7	7	–	–	11	19	32	26
SA	4	4	–	–	33	9	15	13
TAS	1	1	1	1	13	1	5	3
VIC	10	8	–	1	25	31	43	40
WA	6	5	1	–	3	13	20	18
Total	1,400	1,383	33	30	303	263	1,736	1,676

Table 8: Ongoing and non-ongoing Aboriginal and Torres Strait Islander staff, at 30 June 2017 and 30 June 2018

Employment type	Staff numbers	
	2017	2018
Ongoing	31	30
Non-ongoing	–	–
Total	31	30

Table 9: Proportion of ongoing staff with disability, at 30 June 2017 and 30 June 2018

Employment type	Staff percentage	
	2017	2018
Ongoing	3.6%	3.7%

Table 10: Proportion of ongoing workforce that are women, at 30 June 2017 and 30 June 2018

Employment type	Staff percentage	
	2017	2018
Ongoing	54.7%	55.7%

Table 11: Proportion of the SES workforce that are women, at 30 June 2017 and 30 June 2018

Employment type	Staff percentage	
	2017	2018
Ongoing	40.8%	46.6%

Employment arrangements

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 subsection 24(1) of the *Public Service Act 1999*. Many of these conditions are aligned with the department's enterprise agreement. Table 12 provides a breakdown of staff under the department's employment instruments.

Table 12: Employment arrangements for SES and non-SES staff, at 30 June 2018

	SES	Non-SES	Total
Enterprise agreement	–	1,603	1,603
Individual flexibility arrangements	–	34	34
Australian workplace agreements	–	–	–
Common law contracts	–	–	–
Determinations under subsection 24(1) of the <i>Public Service Act 1999</i>	73	–	73

Note: Staff on individual flexibility arrangements are also included in the Enterprise Agreement total.

Remuneration

Table 13 shows salary ranges by classification level.

Table 13: Salary ranges by employment classification, at 30 June 2018

APS classification	Minimum (\$)	Maximum (\$)
SES 3	331,887*	349,574*
SES 2	219,168	256,813
SES 1	166,986	204,093
EL 2 (non-SES)	128,835	160,492
EL 1 (non-SES)	105,527	136,141
APS 6 (non-SES)	81,524	106,222
APS 5 (non-SES)	74,101	83,147
APS 4 (non-SES)	66,448	75,841
APS 3 (non-SES)	58,911	67,956
APS 2 (non-SES)	52,997	60,651
APS 1 (non-SES)	46,154	53,229

Note: All figures reflect base salary only and exclude superannuation.

* The Secretary determines the salaries of SES staff.

APS performance pay

Finance does not provide performance pay.

Non-salary benefits

The department offers staff a number of additional benefits that are not included under the provisions of the Enterprise Agreement:

- annual influenza immunisation
- mentoring and coaching programs
- in-house capability development programs
- a confidential employee assistance program for employees and their immediate families
- access to a serious illness register
- study assistance to eligible employees
- access to flexible working arrangements
- contributions to relevant professional memberships.

Performance management

Since the department's revised Performance and Capability Framework was launched in 2016–17, there has been a positive shift in engagement and reporting of performance conversations. The key elements of the framework support:

- regular and meaningful conversations, owned jointly by employees and managers, to encourage high performance with a focus on the future
- mobility and encouraging staff to build their capabilities
- integration of a discussion on individual capabilities and development interests, which would occur, as a minimum, every four months
- working with employees to define the skills, capabilities, knowledge and behaviour they need to have or develop in order to perform and progress their career in Finance
- the ability to seek and document performance feedback from more than one manager and from team members, supporting a more holistic view of performance.

In 2017–18, additional support has been provided to both staff and managers to ensure performance is being effectively managed, through a range of learning and development offerings.

Recognition of outstanding performance

Finance recognises and rewards outstanding performance as a critical element in attracting and retaining the best people. Finance formally recognises exceptional contributions by staff by presenting the Secretary's awards to teams and individuals whose work exemplifies Finance's values and who make significant contributions to the department's outcomes.

Recipients of the 2017 Secretary's awards, as well as staff who received 2018 Finance Australia Day awards and other external awards, are listed in Appendix D.

Machinery-of-Government changes

During 2017–18, one machinery-of-government change affected the department, which resulted in one staff member being transferred to the Department of the Prime Minister and Cabinet.

Work health and safety

This section outlines Finance's work health and safety performance in accordance with Part 4 of the *Work Health and Safety Act 2011* (WHS Act).

Finance recognises that, as part of its aspiration to be a leader in the public sector, it must exemplify good work health and safety (WHS) practices. This includes having responsive and flexible safety and rehabilitation management systems.

As part of Comcare's *Guidelines for Rehabilitation Authorities 2012*, in 2017–18 Finance undertook an audit of its Rehabilitation Management System. As a result, an action plan has been developed to strengthen rehabilitation roles and responsibilities under the *Safety, Rehabilitation and Compensation Act 1988*.

Work health and safety initiatives within Finance

In 2017–18, Finance undertook the following activities to meet its obligations under the WHS Act:

- providing WHS training and information to all staff, including mental health awareness training for managers and staff
- 'flexible by default' working arrangements, including part-time, working from home, job sharing and flexibility with start and end times
- conducting hazard inspections and workstation assessments
- audit of the Rehabilitation Management System
- providing a confidential counselling service through the employee assistance program
- promoting a healthy lifestyle and influenza vaccinations
- continuing to be accredited as a breast-feeding-friendly workplace.

Results of work health and safety initiatives

Finance's 2017–18 WHS initiatives have resulted in:

- an increased staff satisfaction rating for wellbeing in the APS Employee Census
- an increase in the uptake of flexible work arrangements
- a strengthened Rehabilitation Management System
- a reduction in Comcare's compensation premium
- increased staff awareness in identifying and managing mental health in the workplace.

Notifiable incidents

In 2017–18, Finance did not report any notifiable incidents involving Finance staff to Comcare under section 38 of the WHS Act.

Work health and safety investigations

Under the WHS Act, Finance is required to provide statistics for any investigations or notices given at the workplace it manages. No investigations were conducted and no notices were given during 2017–18.

MOP(S) Act employees

Work health and safety initiatives

Finance and parliamentarians share duties under the WHS Act for health and safety in parliamentarians' workplaces. This includes duties to staff employed under the *Members of Parliament (Staff) Act 1984* (MOP(S) Act). Other Commonwealth agencies may also have duties in relation to the health and safety of MOP(S) Act employees.

In 2017–18, Finance's key WHS activities for MOP(S) Act employees were as follows:

- consulting with health and safety representatives through the Work Health and Safety Committee
- implementing an online WHS portal for MOP(S) Act employees to lodge incidents, request services and complete WHS training
- providing face-to-face training sessions delivered by Comcare
- providing a confidential counselling service through the employee assistance program
- conducting workstation and worksite assessments
- administering a work health and safety site officer program to support hazard and incident notification and access to first aid in parliamentarians' workplaces
- administering a Staff Assistance Officer program to support MOP(S) Act employees experiencing bullying and/or harassment.

Notifiable incidents


In 2017–18, Finance reported 35 incidents involving MOP(S) Act employees to Comcare under section 38 of the WHS Act. All of the reported incidents were classified as dangerous incidents under the Act. None involved a serious injury.

Investigations and notices

No investigations were conducted and no notices were given in relation to incidents involving MOP(S) Act employees during 2017–18.

The Comcare premium

Finance's 2017–18 workers compensation premium accounted for 0.75 per cent of its payroll (for both Finance and MOP(S) Act employees), a decrease from the figure of 1.07 per cent of its payroll in the previous year.

A hand holding a pen is positioned over a document featuring several bar charts and graphs. The document is partially obscured by a large orange circle. The background is a blurred office setting.

Part 5: Financial statements

Independent
auditor's report

Financial statements



Auditor-General for Australia



INDEPENDENT AUDITOR'S REPORT

To the Minister for Finance

Opinion

In my opinion, the financial statements of the Department of Finance (Finance) for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of Finance as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of Finance, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Secretary and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Finance in accordance with the relevant ethical requirements for financial statement audits conducted by me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming

my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter

Valuation of the liability for outstanding insurance claims

Refer to Note C1 'General insurance activities'

Finance provides insurance to Australian Government entities. The estimation of outstanding insurance claims liability involves significant judgement given the inherent uncertainty in estimating the expected future payments for claims incurred.

The estimation of the outstanding insurance claims liability is a key audit matter due to:

- the balance being significant relative to Finance's Statement of Financial Position (\$382 million outstanding insurance claims liability as at 30 June 2018);
- the valuation involves complex assumptions about future events, both internal and external to the business, for which small changes in assumptions can result in large fluctuations in the estimate; and
- significant judgement being involved in estimating the period over which claims are expected to settle.

How the audit addressed the matter

To address the key audit matter I:

- evaluated Finance's actuarial methodology with the assistance of an independent actuary;
- assessed whether Finance's actuarial methodologies were consistent with those used in the industry and with prior periods; and
- compared key actuarial assumptions (claim ratios, expected frequency, severity of claims and discount rates applied), with the assistance of an independent actuary, including expectations based on current trends, changes to cases and industry knowledge.

Key audit matter

Valuation of superannuation provisions

Refer to Note C3 'Superannuation'

Finance administers defined benefit schemes that entitle Australian Government employees to retirement benefits based on past service. These schemes remain largely unfunded.

The measurement of the superannuation provisions is a key audit matter due to:

- the balance being significant relative to Finance's Administered Schedule of Assets and Liabilities (\$183 billion as at 30 June 2018); and
- the measurement of the provision being complex, requiring significant professional judgement and estimation in the selection of long-term assumptions (regarding such matters as salary growth and discount rates), to which the valuation of the schemes is highly sensitive.

How the audit addressed the matter

To address the key audit matter I:

- assessed the effectiveness of control processes over the management of defined benefit schemes including management of members' data used in the valuation model;
- assessed, with the assistance of an independent actuary, the reasonableness of the methodology, assumptions and judgements used by Finance's actuary in relation to the estimation of the superannuation provision including comparison against accepted industry benchmarks; and
- tested disclosures of key judgements and estimates made, including the disclosure of the sensitivity analysis over significant judgements.

Key audit matter**Valuation of Properties**

Refer to Note D3 'Non-financial assets'

Finance is responsible for the management of the Australian Government's domestic non-defence property portfolio, including delivery of major capital works projects as directed by the Government.

Finance has estimated the fair value of non-financial assets to be \$376 million for land, \$595 million for buildings and \$783 million for investment properties as at 30 June 2018.

The valuation of Finance's land, buildings and investment properties is a key audit matter due to the valuations being dependent on assumptions that require significant management judgement about capitalisation rates, fair market rents, discount rates and conditions of the use of the properties. Where observable market data is not available, the valuation is subject to a higher level of judgement.

How the audit addressed the matter

To address the key audit matter I:

- evaluated the appropriateness of Finance's methodologies and the reasonableness of its documented basis for key assumptions utilised in the valuation models;
- evaluated the competence, capabilities and objectivity of management's valuers; and
- tested a sample of property valuations and assessed the reasonableness of the significant data inputs underpinning the valuation. This included rental income and capital expenditure for investment properties and market value comparisons for land and building valuations.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of Finance, the Secretary is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Secretary is also responsible for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing Finance's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Secretary is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office



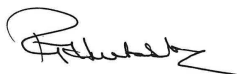
Grant Hehir
Auditor-General
Canberra
27 August 2018

Department of Finance
Financial Statements for the period ended 30 June 2018

Statement by the Secretary and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Department of Finance will be able to pay its debts as and when they fall due.



Rosemary Huxtable PSM
Secretary
Department of Finance

27 August 2018



Steven Momcilovic
Chief Financial Officer
Department of Finance

27 August 2018

Glossary of terms

AAS	Australian Accounting Standards	Investment funds	Administered investment funds managed by the Future Fund Board of Guardians
AASB	Australian Accounting Standards Board	IPEA	Independent Parliamentary Expenses Authority
AMT	Adjusted Market Transactions	JPS	Judges' Pensions Scheme
ANI	Australian Naval Infrastructure Pty Ltd	LSL	Long Service Leave
ARR	Asset Revaluation Reserve	LTCR	Long Term Cost Report 2017
ASC	ASC Pty Ltd	MOP(S) Act	<i>Members of Parliament (Staff) Act 1984</i>
AUD	Australian dollar	MPS	Ministerial and Parliamentary Services
BAF	Building Australia Fund	MRFF	Medical Research Future Fund
BSSA	Business Services Special Account	MRFFICs	Medical Research Future Fund Investment Companies
CEB	Consumed Economic Benefits	NBFs	Nation Building Funds
CCEs	Corporate Commonwealth Entities	NET	Net Assets
CRF	Consolidated Revenue Fund	OCI	Other comprehensive income
CPCSA	Coordinated Procurement Contracting Special Account	OPA	Official Public Account
CPI	Consumer Price Index	PAES	Portfolio Additional Estimate Statements
CSC	Commonwealth Superannuation Corporation	PBR Act	<i>Parliamentary Business Resources Act 2017</i>
CSS	Commonwealth Superannuation Scheme	PBS	Portfolio Budget Statements
DAS	Department of Administrative Services	PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
DCAF	DisabilityCare Australia Fund	PM&C	Department of the Prime Minister and Cabinet
DTA	Digital Transformation Agency	PCSS	Parliamentary Contributory Superannuation Scheme
EIF	Education Investment Fund	PSS	Public Sector Superannuation Scheme
EUR	Euro	PSSap	Public Sector Superannuation accumulation plan
FCCJDDS	Federal Circuit Court Judges Death and Disability Scheme	PWS	Parliamentary Workflow System
FFMA	Future Fund Management Agency	RBA	Reserve Bank of Australia
FRR	<i>PGPA (Financial Reporting) Rule 2015</i>	RCN	Replacement Cost of New Assets
FVPL	Fair value through profit or loss	SDO	Service Delivery Office
GBP	British pound	The Board	Future Fund Board of Guardians
G-GPS	Governor-General Pension Scheme	USD	United States dollar
GST	Goods and Services Tax	VSA	Volume sourcing arrangements
IBNCS	Internet based network connection service	WACC	Weighted average cost of capital
IBNR	Claims incurred but not reported	WoAG	Whole of Australian Government
IBNER	Claims incurred but not enough reported		

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Department of Finance
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2018

Departmental Primary Statements

	Note ref	Actuals		Budget
		30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	E1.1	168,477	168,618	163,910
Supplier expenses				
ICT centralised procurement expense		-	135,945	-
Consultants and contractors	B1	47,383	47,445	61,949
Domestic property portfolio expenses		31,138	38,105	28,735
Communication and information technology		49,072	42,196	35,646
Property operating expenses		3,236	3,933	4,284
Insurance claims	C1.1 B2	97,246	163,993	136,594
Other goods and services		20,393	21,875	19,976
Operating lease rentals		13,730	14,066	13,391
Competitive neutrality	H2	3,638	3,768	3,767
Notional reinsurance expense	C1.1	5,000	5,000	5,000
Depreciation and amortisation	D3.1	44,266	29,424	32,041
Non-financial asset write downs		2,129	2,596	16,729
Impairment of financial assets	D1.3	66	4	-
Grants		988	-	-
Other expenses		132	166	-
Total expenses		486,894	677,134	522,022
Own-source income				
Own-source revenue				
Premium revenue	C1.1	138,344	140,290	142,441
Reinsurance and other recoveries revenue	C1.1	299	1,823	-
ICT centralised procurement revenue		-	135,978	-
Rental income	H2	75,279	67,678	79,332
Resources received free of charge	H2	1,442	1,398	1,385
Rendering of services		69,069	65,372	62,448
Interest revenue	D1.3	3	8	-
Other revenue		8,752	4,885	6,888
Total own-source revenue		293,188	417,432	292,494
Gains				
Gains	B3	60,202	36,760	20,591
Total gains		60,202	36,760	20,591
Total own-source income		353,390	454,192	313,085
Net cost of services		(133,504)	(222,942)	(208,937)
Revenue from Government		262,577	278,357	256,930
Surplus/(deficit) before income tax on continuing operations		129,073	55,415	47,993
Income tax equivalent	H2	2,152	-	887
Surplus/(deficit) after income tax on continuing operations		126,921	55,415	47,106
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserves relating to				
Land, building and leasehold improvements	D3.1 B3	38,758	21,879	-
Total comprehensive income/(loss)		165,679	77,294	47,106

The above statement should be read in conjunction with the accompanying notes

Department of Finance
STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

Departmental Primary Statements

	Note ref	Actuals		Budget
		30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000
Assets				
Financial assets				
Cash and cash equivalents				
	D1.1	16,824	10,780	5,000
	F3.1	755,470	739,018	805,839
	D1.1	4,064	74,299	69,426
	D1.1	5,889	11,770	20,344
Appropriations receivable				
	F3.1	62,589	58,891	-
	F1.2	156,954	152,956	48,975
	C1.3	3,034	5,964	6,383
		3,994	7,365	8,619
	H1	2,640	3,611	4,898
		131	2,643	2,801
Total financial assets		1,011,589	1,067,297	972,285
Non-financial assets				
	D3.1 B3	376,014	387,641	413,298
	D3.1 B3	595,221	589,011	682,471
	D3.1	25,312	26,740	-
	D3.1 B3	783,282	847,703	648,958
	D3.1	26,415	30,867	111,566
	D3.1	89,251	94,387	111,191
		7,989	9,443	11,274
	D3.2	28,154	4,317	12,137
Total non-financial assets		1,931,638	1,990,109	1,990,895
Total Assets		2,943,227	3,057,406	2,963,180
Liabilities				
	D1.1	36,241	49,771	66,124
		16,968	149,183	85,945
	H2 B3	189,823	57,145	65,323
	C1.4 B2	381,912	438,663	352,587
	E1.2	62,479	58,403	67,733
	D1.1	3,736	6,475	10,102
		35,236	37,690	40,144
	D4 B3	20,648	8,815	21,274
		2,490	5,591	3,379
Total liabilities		749,533	811,736	712,611
Net Assets		2,193,694	2,245,670	2,250,569
Equity				
		1,420,938	1,638,593	1,704,354
		534,857	407,936	368,953
	B3	237,899	199,141	177,262
Total Equity		2,193,694	2,245,670	2,250,569

The above statement should be read in conjunction with the accompanying notes

Department of Finance
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2018

Departmental Primary Statements

	Actuals							
	Retained earnings		Asset revaluation reserves		Contributed equity/capital		Total Equity	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Opening balance								
Balance carried forward	407,936	352,521	199,141	177,262	1,638,593	1,618,297	2,245,670	2,148,080
Adjusted opening balance	407,936	352,521	199,141	177,262	1,638,593	1,618,297	2,245,670	2,148,080
Comprehensive income								
Surplus/(deficit) for the period	126,921	55,415	-	-	-	-	126,921	55,415
Other comprehensive income	-	-	38,758	21,879	-	-	38,758	21,879
Total comprehensive income	126,921	55,415	38,758	21,879	-	-	165,679	77,294
Transactions with owners								
Distributions to owners								
Transfer of assets	-	-	-	-	-	(44,086)	-	(44,086)
Return of equity - special accounts	-	-	-	-	(183,077)	(57,145)	(183,077)	(57,145)
Return of equity - other	-	-	-	-	(931)	(2,323)	(931)	(2,323)
Contributions by owners								
Departmental capital budget	-	-	-	-	6,480	-	6,480	-
Equity injection - appropriations & supplementation	-	-	-	-	-	109,808	34,852	109,808
Restructuring	-	-	-	-	(74,979)	14,042	(74,979)	14,042
Total transactions with owners	-	-	-	-	(217,655)	20,296	(217,655)	20,296
Closing balance	534,857	407,936	237,899	199,141	1,420,938	1,638,593	2,193,694	2,245,670
Budget 30 June 2018								
Opening balance	379,286	226,357	177,262	152,129	1,695,121	1,577,718	2,251,669	1,956,204
Total comprehensive income	47,106	18,105	-	-	-	-	47,106	18,105
Total transactions with owners	(57,439)	(77,196)	-	-	9,233	75,593	(48,206)	(1,603)
Closing balance	368,953	167,266	177,262	152,129	1,704,354	1,653,311	2,250,569	1,972,706

The above statement should be read in conjunction with the accompanying notes

	Note ref	Actuals		Budget
		30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000
OPERATING ACTIVITIES				
Cash received				
Rendering of services		73,730	273,407	142,052
Revenue from Government		258,913	306,124	248,908
Insurance premiums		138,344	140,301	142,441
Reinsurance and other recoveries		3,229	2,266	-
Interest and dividends		3	8	-
Rent received		75,279	67,678	-
Net GST received		2,386	415	-
Other		9,746	8,515	6,888
Total cash received		561,630	798,714	540,289
Cash used				
Employees		165,193	175,502	161,478
Suppliers		184,569	337,210	197,495
Insurance claims		153,583	76,726	136,594
Net special account receipts transferred to OPA		-	-	97,439
Total cash used		503,345	589,438	593,006
Net cash received/(used) for operating activities		58,285	209,276	(52,717)
INVESTING ACTIVITIES				
Cash received				
Proceeds from sale of land and buildings		4,853	18,725	-
Proceeds from sale of financial investments		1,035	1,175	-
Proceeds from sale of investment properties	B3	127,553	2,905	57,028
Total cash received		133,441	22,805	57,028
Cash used				
Purchase of land and buildings		19,678	88,949	25,953
Purchase of leasehold improvements		313	620	4,900
Purchase of investment properties		17,414	30,629	1,364
Purchase of plant and equipment		3,866	8,126	41,377
Purchase of intangibles		17,866	18,830	10,011
Other		-	40,000	-
Total cash used		59,137	187,154	83,605
Net cash received/(used) for investing activities		74,304	(164,349)	(26,577)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		37,300	125,284	79,294
Total cash received		37,300	125,284	79,294
Cash used				
Return of contributed equity	H2	51,330	67,646	-
Restructuring		96,063	-	-
Total cash used		147,393	67,646	-
Net cash received/(used) for financing activities		(110,093)	57,638	79,294
Net increase/(decrease) in cash held		22,496	102,565	-
Cash and cash equivalents at the beginning of the reporting period		749,798	647,233	5,000
Cash and cash equivalents at the end of the reporting period	D1.1	772,294	749,798	5,000

The above statement should be read in conjunction with the accompanying notes

Department of Finance
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME
for the period ended 30 June 2018

Administered Primary Schedules

	Note ref	Actuals		Budget
		30 June	30 June	30 June
		2018	2017	2018
		\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	E 1.1	298,736	195,099	258,906
Superannuation expense	C3.1 B4	8,459,462	8,961,212	7,990,255
Supplier expenses				
Office expenses		43,742	38,106	36,232
Travel expenses		717	43,534	1,153
Operating lease rentals		38,526	39,842	43,984
Communication and information technology		22,396	24,681	27,409
Property operating expenses		12,585	11,565	13,503
Outsource provider expenses		2,854	5,467	2,631
Superannuation administration costs		9,308	9,924	9,662
COMCAR operating expenses		3,491	3,171	3,210
Other goods and services		17,040	16,598	18,788
Investment funds - other expenses	C2.1	26,736	22,294	38,249
Distribution to portfolio special accounts	C2.1 B5	129,897	83,469	661,547
Depreciation and amortisation	D3.1	17,196	11,965	20,691
Investment funds - foreign exchange losses	C2.1 B5	225,700	6,925	-
Non-financial asset write downs	D3.1	218	2,215	-
Impairment of financial assets	D1.3	1	13	2
Grants		2,935	2,526	2,941
Other expenses		768	1,578	3,995
Total expenses administered on behalf of Government		9,312,308	9,480,184	9,133,158
Income				
Non- taxation revenue				
Interest	D1.3	29,841	30,193	9,110
Investment funds - interest on term deposits	C2.1 B5	140,885	91,566	426,212
Dividends	D1.3	16,100	19,700	9,800
Investment funds - dividends	C2.1 B5	36,716	13,228	-
Rendering of services		3,815	3,339	3,839
Superannuation contributions	C3.1	1,214,038	1,274,957	1,203,510
Resources received free of charge	H2	4,455	4,368	4,335
Other revenue		9,604	18,230	14,831
Total revenue		1,455,454	1,455,581	1,671,637
Gains				
Gains from sale of financial assets	D1.3	-	1	-
Gains from sale of non-financial assets		3	2	-
Investment funds - gains on financial investments	C2.1 B5	763,532	439,306	46,543
Other gains		424	196	-
Total gains		763,959	439,505	46,543
Total income administered on behalf of Government		2,219,413	1,895,086	1,718,180
Net cost of services		(7,092,895)	(7,585,098)	(7,414,978)
Surplus/(deficit)		(7,092,895)	(7,585,098)	(7,414,978)

The above schedule should be read in conjunction with the accompanying notes

	Note ref	Actuals		Budget
		30 June	30 June	30 June
		2018	2017	2018
		\$'000	\$'000	\$'000
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Movement in carrying amount of superannuation	C3.1	(6,787,862)	21,728,419	-
Changes in asset revaluation reserves relating to				
Infrastructure, plant and equipment	D3.1	2,797	1,461	-
Leasehold improvements	D3.1	-	8,672	-
Items subject to subsequent reclassification to net cost of services				
Gains/(losses) on				
Available for sale financial assets	D1.3	51,951	77,963	-
Total other comprehensive income/(loss)		(6,733,114)	21,816,515	-
Total comprehensive income/(loss)		(13,826,009)	14,231,417	(7,414,978)

The above schedule should be read in conjunction with the accompanying notes

Department of Finance
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES
as at 30 June 2018

Administered Primary Schedules

	Note ref	Actuals		Budget
		30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000
Assets				
Financial assets				
Cash and cash equivalents	D1.1	1,731,032	937,956	-
Trade receivables	D1.1	1,826	721	1,283
Investment funds - loans and receivables	C2.2 B5	7,979,610	6,501,484	-
State and Territory Government loans	D1.1	133,121	139,752	133,119
Accrued revenue	D1.1	9,583	2,213	1,554
Government securities	D1.1	-	1,472	551
Commonwealth corporate entities	D1.1	904,868	573,417	962,759
Investment funds - financial assets at FVPL	C2.2 B5	21,844,193	16,190,822	13,550,092
Lease incentive assets		27	58	-
Other financial assets		17,259	14,119	-
Total financial assets		32,621,519	24,362,014	14,649,358
Non-financial assets				
Leasehold improvements	D3.1	26,025	24,889	12,138
Infrastructure	D3.1	69,716	69,997	66,625
Plant and equipment	D3.1	6,655	4,157	-
Intangible assets	D3.1	668	1,071	1,518
Prepayments		3,297	3,491	3,556
Total non-financial assets		106,361	103,605	83,837
Total Assets		32,727,880	24,465,619	14,733,195
Liabilities				
Trade creditors and accruals	D1.1	12,141	12,418	11,654
Investment funds - financial liabilities	C2.2 B5	91,032	99,915	-
Investment funds - derivative liabilities	C2.2 B5	157,327	13,405	-
Overnight cash balance payable	H2	1,326,409	1,422,029	-
Employee provisions	E1.2	235,865	237,009	312,501
Superannuation provisions	C3.1 B4	183,067,033	172,352,268	113,965,453
Other provisions	D4	17,350	18,314	10,963
Other payables		48,991	66,895	10,487
Total liabilities		184,956,148	174,222,253	114,311,058
Net Assets		(152,228,268)	(149,756,634)	(99,577,863)

The above schedule should be read in conjunction with the accompanying notes

	Note ref	Actuals	
		30 June 2018	30 June 2017
		\$'000	\$'000
Opening assets less liabilities		(149,756,634)	(172,858,314)
Net (cost of)/contribution by services		(7,092,895)	(7,585,098)
Other comprehensive income/(loss)		(6,733,114)	21,816,515
Reserves transferred to Schedule of Comprehensive Income		-	-
Transfers (to)/from the Australian Government			
Appropriation transfers from OPA			
Annual appropriations		269,966	298,706
Administered assets and liabilities appropriations		301,354	1,779
Special appropriations	F2.1	6,757,242	6,560,096
Transfers to OPA		(3,289,054)	(3,475,849)
Transfers from OPA		356	109
Equity (distribution)/injection		2,769	41,266
Contributions from government to the investment funds	F3.2	6,437,661	5,441,672
OPA WoAG transfers			
Transfers from other entities	H2	688,314,580	633,491,286
Transfers to other entities	H2	(687,440,499)	(633,488,802)
Closing assets less liabilities		(152,228,268)	(149,756,634)

The above schedule should be read in conjunction with the accompanying notes

Department of Finance
ADMINISTERED CASH FLOW STATEMENT
for the period ended 30 June 2018

Administered Primary Schedules

	Actuals		Budget
	30 June	30 June	30 June
	2018	2017	2018
Note ref	\$'000	\$'000	\$'000
OPERATING ACTIVITIES			
Cash received			
Rendering of services	2,710	3,995	3,839
Superannuation contributions - employers	1,204,374	1,270,538	1,190,812
Superannuation funds contributions - members	2,028,753	2,132,494	1,884,657
Net gains from sale of financial instruments	327,848	257,301	-
Interest and dividends	218,112	148,429	439,809
Realised exchange gains	31,194	208,954	-
Net GST received	-	802	-
Other	10,032	18,396	8,331
Total cash received	3,823,023	4,040,909	3,527,448
Cash used			
Employees	297,132	268,977	258,844
Suppliers	179,499	210,806	194,408
Investment Funds distribution	129,897	83,469	661,547
Superannuation payments	6,561,312	6,380,557	6,571,480
Realised exchange losses	6,614	-	-
Grants	2,935	1,800	2,941
Net GST paid	419	-	-
Other	730	612	4,448
Total cash used	7,178,538	6,946,221	7,693,668
Net cash received/(used) for operating activities	(3,355,515)	(2,905,312)	(4,166,220)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of financial investments	32,682,672	19,960,339	12,326,829
Proceeds from sale of plant and equipment	-	17	-
Repayments of advances and loans	11,945	11,600	12,865
Matured government securities	1,472	-	-
Total cash received	32,696,089	19,971,956	12,339,694
Cash used			
Purchase of financial investments	39,495,417	25,866,742	7,176,397
Equity injections - CCEs	290,500	-	-
Purchase of leasehold improvements	12,929	5,756	7,973
Purchase of infrastructure	1,224	1,352	-
Purchase of plant and equipment	3,257	1,405	3,398
Purchase of intangibles	157	57	-
Total cash used	39,803,484	25,875,312	7,187,768
Net cash received/(used) for investing activities	(7,107,395)	(5,903,356)	5,151,926

The above statement should be read in conjunction with the accompanying notes

Department of Finance
ADMINISTERED CASH FLOW STATEMENT
for the period ended 30 June 2018

Administered Primary Schedules

	Actuals		Budget
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000
	Note ref		
FINANCING ACTIVITIES			
Cash received			
Contributed equity	<u>8,767,768</u>	<u>7,575,945</u>	<u>6,244,700</u>
Total cash received	<u>8,767,768</u>	<u>7,575,945</u>	<u>6,244,700</u>
Cash used			
Equity distribution	<u>-</u>	<u>3,189</u>	<u>11,627,035</u>
Total cash used	<u>-</u>	<u>3,189</u>	<u>11,627,035</u>
Net cash received/(used) for financing activities	<u>8,767,768</u>	<u>7,572,756</u>	<u>(5,382,335)</u>
Net increase/(decrease) in cash held	<u>(1,695,142)</u>	<u>(1,235,912)</u>	<u>(4,396,629)</u>
Cash and cash equivalents at the beginning of the reporting period	<u>937,956</u>	<u>1,059,534</u>	<u>-</u>
OPA (WoAG)			
Transfers to other entities	<u>(687,536,119)</u>	<u>(633,627,520)</u>	<u>-</u>
Transfers from other entities	<u>688,314,580</u>	<u>633,491,395</u>	<u>-</u>
Total cash from/(to) OPA	<u>778,461</u>	<u>(136,125)</u>	<u>-</u>
Finance administered transfers			
Cash to OPA - appropriations	<u>(3,289,054)</u>	<u>(3,475,849)</u>	<u>(720,375)</u>
Cash from OPA - appropriations	<u>4,998,811</u>	<u>4,726,308</u>	<u>5,117,004</u>
Total cash from/(to) OPA	<u>1,709,757</u>	<u>1,250,459</u>	<u>4,396,629</u>
Cash and cash equivalents at the end of the reporting period	D1.1 <u>1,731,032</u>	<u>937,956</u>	<u>-</u>

The above statement should be read in conjunction with the accompanying notes

A. About This Report

The Department of Finance (Finance) is an Australian Government controlled not-for-profit entity, its purposes for 2017-18 being: to assist the Australian Government to achieve its fiscal and policy objectives by advising on expenditure, managing sustainable public sector resourcing, driving public sector transformation and delivering efficient, cost-effective services to, and for, the government.

Finance is structured to fulfil its purpose through three outcomes, as set out in the 2017-18 Portfolio Budget Statements (PBS).

Outcome/Program	How outcomes are achieved	Net contribution / (cost) of services ¹	
		30 June 2018	30 June 2017
Outcome 1: Support sustainable Australian Government finances through providing high quality policy advice and operational support to the government and Commonwealth entities to maintain effective and efficient use of public resources.			
1.1 Budget and Financial Management	<ul style="list-style-type: none"> Advising the Finance Minister and Expenditure Review Committee (ERC) on fiscal and economic policies and related matters; Supporting the Finance Minister in meeting his financial reporting responsibilities; and Supporting the delivery of the Budget. 	Departmental (\$103.1m)	Departmental (\$84.5m)
Outcome 2: Support an efficient and high-performing public sector through providing leadership to Commonwealth entities in ongoing improvements to public sector governance, including through systems, frameworks, policy, advice, and service delivery.			
2.1 Public Sector Governance	<ul style="list-style-type: none"> Developing and maintaining the public sector resource management framework; Improving the standard of governance, performance and accountability; and Undertaking shareholder oversight of Government Business Enterprises (GBEs) and other commercial entities. 	Administered \$37.7m Departmental (\$35.1m)	Administered \$50.3m Departmental (\$33.1m)
2.2 Transforming Government	<ul style="list-style-type: none"> Providing leadership in the development and delivery of reforms and initiatives that support the modernisation of government; and increase public sector productivity. 	Departmental (\$45.1m)	Departmental (\$46.7m)
2.3 Property and Construction	<ul style="list-style-type: none"> Providing policy advice, guidance and support on managing Commonwealth property, land and public works across the government; and Managing specified major capital works projects and the government's non-Defence property portfolio within Australia. 	Departmental \$59.4m	Departmental \$20.0m
2.4 Insurance and Risk Management	<ul style="list-style-type: none"> Providing general insurance services and promoting risk management across the government through the Comcover Special Account. 	Departmental \$29.2m	Departmental (\$35.0m)
2.5 Technology and Procurement Services	<ul style="list-style-type: none"> Providing timely and relevant procurement policy advice; Providing advice to the government on advertising; Establishing and maintaining Whole of Australian Government (WoAG) procurement arrangements for common goods and services; and Establishing, developing and maintaining whole of government and cross-entity information and communication technology (ICT) infrastructure, platforms, systems and services. 	Departmental \$6.0m	Departmental \$2.9m
2.6 Service Delivery Office	<ul style="list-style-type: none"> Providing certain corporate services to client Australian Government entities. 	Departmental (\$14.0m)	Departmental (\$4.7m)

2.7 Public Sector Superannuation	<ul style="list-style-type: none"> Advising the government on managing the Future Fund, the stability of the government's unfunded superannuation liabilities and its associated administered expense items and superannuation arrangements for government employees. This includes the administration and management of superannuation arrangements for parliamentarians, as well as current and former Governors-General, Federal Judges and Federal Circuit Court Judges. 	Administered (\$7.3b) Departmental (\$4.6m)	Administered (\$7.7b) Departmental (\$6.5m)
2.8 Australian Government Investment Funds	<ul style="list-style-type: none"> Providing advice on investment mandates and governance arrangements for the government's Investment Funds, to maximise the value of the funds to the Government. This includes advice on credit of amounts to the Funds and payments from the Funds. 	Administered \$558.8m	Administered \$431.4m
Outcome 3: Support for Parliamentarians and others as required by the Australian Government through the delivery of, and advice on, work expenses and allowances, entitlements and targeted programs.			
3.1 Ministerial and Parliamentary Services	<ul style="list-style-type: none"> Providing advice on, access to and payment of parliamentary and post-parliamentary work expenses, allowances and entitlements and targeted programs. 	Administered (\$441.1m) Departmental (\$26.3m)	Administered (\$376.4m) Departmental (\$35.3m)

¹ Net cost of services includes depreciation and amortisation expense, the write-down and impairment of assets (or the reversal) and gains/losses from the sale of assets. It excludes revenue from government, income tax expense and other items recognised in other comprehensive income.

Finance's activities are classified as either Departmental or Administered. Departmental activities involve the use of assets, liabilities, incomes and expenses controlled or incurred by Finance in its own right.

Administered items are controlled by the government and managed or overseen by Finance on behalf of the government. These items are distinguished from Departmental items using shading.

In some areas of this financial report, Departmental and Administered items are included in the same section, this is for presentation purposes only and these balances should not be compared.

The continued existence of Finance in its present form and with its present programs is dependent on government policy and on continued funding by Parliament.

Basis of preparation

Finance's financial statements are required by section 42 of the PGPA Act. The financial statements are general purpose financial statements that have been prepared in accordance with the *PGPA (Financial Reporting) Rule 2015 (FRR)* and Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period. Finance has applied the Reduced Disclosure Requirements issued by the AASB as a minimum and has included additional disclosures for financial instruments, fair value and superannuation as required under subsection 18(3) of the FRR.

Basis of accounting

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets and liabilities at fair value.

All assets have been assessed for impairment at the end of the reporting period, and no impairment indicators exist unless otherwise stated.

Notes to and forming part of the financial statements

A. About This Report

How to read this report

The following pages set out the notes to the financial statements, which include further information required to understand the financial statements. This has been assessed against materiality and relevance to the operations, financial position and performance of Finance. All amounts are presented in Australian dollars (AUD) and are in whole dollars unless otherwise specified.

Key judgements and estimates

In applying Finance's accounting policies, management has made a number of judgements and applied estimates and assumptions to future events. Judgements and estimates that are material to the financial statements are found in the following notes:

- C1: General insurance activities
- C2: Investment funds
- C3: Superannuation
- D1: Financial instruments
- D3: Non-financial assets
- E1: Employee benefits

With the exception of judgements and estimates applied in the above notes, no allowance is made for the effect of changing prices on the results or the financial position.

New Australian Accounting Standards (AAS)*Future AAS requirements*

The Australian Accounting Standards Board (AASB) has issued a number of new standards, amendments to standards and interpretations that are effective for future reporting periods. These new standards are not expected to have an impact on Finance's financial statements except for:

- **AASB 9 Financial Instruments** (effective 1 July 2018) applies a single approach for the classification and measurement of financial assets based on cash flow characteristics and the business model used for the management of financial instruments. It also introduces an expected credit loss model for the impairment of financial assets which replaces the incurred loss model used in AASB 139. Finance does not consider that the application of the new standard will have a material impact on the carrying balance of its financial instruments.
- **AASB 16 Leases** (effective 1 July 2019) will require lessees to recognise a right-of-use asset and a lease liability on the balance sheet for all leases with a term of more than 12 months, unless the underlying asset is of low value. Finance has forward year operating lease commitments of \$351.1m for Departmental expenses and \$152.1m for Administered expenses (refer to Note G1 for further information). Lessor accounting under AASB 16 remains substantially unchanged and lessors will continue to classify leases as operating or finance, and account for those two types of leases differently. Disclosures relating to the domestic property portfolio that Finance manages as lessor will require amendment including improved information about risk exposure.
- **AASB 15 Revenue from Contracts with Customers** (effective 1 July 2019) requires revenue to be recognised in accordance with the satisfaction of performance obligations under a contract. Depending on whether certain criteria are met, revenue is recognised either over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. Certain costs to fulfil a contract or incremental costs of obtaining a contract may qualify for capitalisation under the new standard. A five-step model is applied to determine when to recognise revenue, and at what amount. There will be minimal impact for the department when applying the new standard. Additional disclosures are required for qualitative and quantitative information on Finance's contracts with customers, significant judgements and any asset recognised.

B. Budgetary Variance Reporting

The following are explanations of events that have impacted on Finance's operations and activities for the year that were not provided for in the budget or otherwise included against relevant note disclosures. Users should note that a number of these items have been included in subsequent budgets. Budget numbers are sourced from Finance's PBS for 2017-18 and are provided to the right of primary statements in italics to clearly distinguish them from actual results. Budgeted numbers are not audited.

Major variances are those deemed relevant or most significant to an analysis of Finance's performance by management, not focussed merely on numerical differences between the actual and budgeted amounts. A note reference is included against the relevant primary statement/schedule line item which corresponds to the explanations provided below and elsewhere in the financial statements.

When providing explanations, Finance has identified the financial impact in relation to those key aggregates relevant to Finance's performance. Users should be aware that there will be consequential impacts on related statements i.e. a variance in the Statement of Comprehensive Income is likely to have consequential impacts in the Statement of Financial Position and the Cash Flow Statement.

The Statement of Financial Position budget for 2017-18 was prepared based on 2015-16 financial results, with adjustments for predicted or known movements at that time.

Note Reference	Affected line Items	Variance Reporting
B1: Consultants and contractors	Consultants and contractors	Budget variances due to the deferral of expenditure relating to new policy proposals for major infrastructure projects including delivering Inland Rail and Western Sydney Airport, and departmental investment activity from the Public Service Modernisation Fund.
B2: General insurance activities	Insurance claims expense Outstanding insurance claims	Insurance liabilities are subject to uncertainty in the estimation process as the ultimate outcome of claims is subject to events that have not yet occurred. Finance takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures, with estimates and judgements regularly updated based on historical experience and other factors. Lower claims expenses for 2017-18 is due to the absence of large Property claims where the budget is set with a long term view and is not indicative of a loss in an individual year.
B3: Property	Gains Land Buildings Investment properties Return of equity - special accounts Other provisions Asset revaluation reserves Proceeds from sale	The Commonwealth's domestic property portfolio has budget variances due to: <ul style="list-style-type: none"> • revaluation gains for land, buildings mainly due to the Commonwealth Law Courts; • revaluation gains in investment properties (some write-downs were expected but did not eventuate); • gains from the divestment of properties in the Parliamentary triangle, with the proceeds returned to the Consolidated Revenue Fund (CRF) (reflected in 'Return of equity - special accounts'); • reclassification of assets as held for sale resulting from the Commonwealth's continued divestment strategy; • transfer of the Prime Minister's official establishments to the Department of the Prime Minister and Cabinet (PM&C); and • new policy for remediation work on the Wagait shire tip site.

Notes to and forming part of the financial statements

B. Budgetary Variance Reporting

B4: Superannuation	Superannuation expense Superannuation Provision	<p>Budget variances are due to differences in the discount rates used for budgeting and financial reporting.</p> <p>The budgeted superannuation provision and expense use the discount rate in the Long Term Cost Reports to reduce volatility that would occur if the long-term government bond rate, which is required by Australian Accounting Standards for financial reporting, was applied.</p> <p>Any change in the rates used for budget and financial reporting purposes significantly impacts on the superannuation provisions and superannuation expense.</p>
B5: Investment Funds	Distribution to portfolio special accounts Investment fund earnings ¹ Net assets ²	<p>Due to the volatile nature of investment markets it is difficult to predict the final outcomes and values of some individual line items such as foreign exchange gains and loss. For budgeting of net asset balances, earnings and expenditure, Finance forecasts at an aggregated level.</p> <p>The net asset balance for the investment funds are higher than originally budgeted for due to:</p> <ul style="list-style-type: none"> • ongoing negotiations on the National Partnership Agreement for the DisabilityCare Australia Fund. As a consequence, only partial reimbursements were provided to States in 2017-18 and no reimbursement was provided to the Commonwealth; • cessation of the Building Australia Fund and Education Investment Fund not occurring due to delays in the passage of the enabling legislation through Parliament; and • better than expected financial performance of the funds.

¹ Comprised of Investment funds - interest on term deposits, Investment fund - dividends, Investment funds - gain on financial instruments offset by Investment funds - foreign exchange losses.

² Comprised of Investment funds - loans and receivables, Investment funds - financial assets at FVPL offset by Investment funds - financial liabilities and derivative liabilities.

C. General Business Disclosures

This section includes disclosures for operations which are significant in size and/or nature for Finance. In 2017-2018, these areas include general insurance activities, the investment funds and superannuation.

C1 : General insurance activities

Finance provides insurance and risk management services to Australian General Government Sector entities. The classes of business cover include: Liability, Property, Motor Vehicle, and Personal Accident and Travel.

These services are funded from the Comcover Special Account (refer to Note F3.1).

Policy and measurement

Premium revenue

Premium revenue includes amounts charged but excludes GST. Premiums are recognised as revenue over the period insured which is from 1 July to 30 June each year.

Notional reinsurance expense

Finance pays a notional reinsurance charge of \$5.0 million to the Official Public Account (OPA) which is recognised as an expense when paid.

Reinsurance and other recoveries

Reinsurance and other recoveries received or receivable in respect of gross claims paid and movements in reinsurance and other recovery assets are recognised as revenue in the year they occur.

Reinsurance and other recovery assets are actuarially assessed as the present value of the expected future receipts, calculated on the same basis as the outstanding claims liability.

Claims expense and outstanding claims liabilities

Claims expense represents claims payments and the movement in the gross outstanding claims liability.

The outstanding claims liability is actuarially assessed and measured at the central estimate of the present value of expected future payments of claims incurred at the reporting date with an additional risk margin to allow for inherent uncertainty in the central estimate. The expected future payments include those in relation to unpaid reported claims; claims incurred but not reported (IBNR); claims incurred but not enough reported (IBNER); and indirect expenses that are expected to be incurred in settling these claims. Changes in claims estimates are recognised in the surplus/deficit in the year in which the estimates are changed.

Assets backing general insurance liabilities

The balance of the Comcover Special Account and receivables from insurance activities are held to back general insurance liabilities. For further information in relation to the Comcover Special Account, refer to Note F3.1.

Key judgements and estimates

Finance takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. The claim estimates and judgements are regularly evaluated and updated based on historical experience and other factors. However, given the uncertainty in the estimation process, it is likely that the final outcome will prove to be different from the original liability established.

Finance's activities are classified into two main categories: **Property** (Property, Motor Vehicle, and Personal Accident and Travel) and **Liability**. Different actuarial methods and assumptions are applied at a more granular level taking into account the characteristics of the class of business, claim type and the extent of the development of each past accident period.

The estimation of IBNR and IBNER are generally subject to a greater degree of uncertainty where claims notification and settlement may not happen for many years after the event giving rise to the claim. For this reason, Liability classes of business typically display greater variability between the initial estimates and final outcomes.

Notes to and forming part of the financial statements

C. General Business Disclosures

Key actuarial assumptions

The key actuarial assumptions for the determination of the outstanding claims liabilities are set out in the table below:

	30 June 2018		30 June 2017	
	Property	Liability	Property	Liability
Average discount rate	2.0%	2.2%	1.9%	2.0%
Average inflation rate	2.4%	3.4%	2.2%	3.5%
Average weighted term to settlement (years)	1.6	2.7	1.5	2.1
Expense rate	1.4%	1.6%	1.8%	1.5%
Risk margin	16.0%	19.0%	16.4%	13.4%

Process used to determine actuarial assumptions

Discount rate	To allow for the time value of money, projected payments are discounted at a risk free rate derived from market yields on Commonwealth Government securities at the reporting date.
Inflation rate	Claims inflation is incorporated into the resulting projected payments to allow for both expected levels of economic inflation and superimposed inflation. Economic inflation is based on economic indicators such as the consumer price index (CPI) and/or increases in average weekly earnings. Superimposed inflation is past claims inflation in excess of wage inflation. A review of past claims reveals no evidence of superimposed inflation.
Average weighted term to settlement	The average weighted term to settlement is based on historic payment patterns.
Expense rate	Claims handling expenses are calculated by reference to Finance's claims handling remuneration agreements for direct expenses and internal costs for indirect expenses.
Risk Margin	The risk margin is assessed by examining the historical variability of the claims experience, considering industry studies and benchmarks, and applying actuarial judgement, especially in respect of uncertainties not reflected in the claims data. This assessment is performed for each class of business. Diversification benefit is allowed for, with consideration given to industry studies and benchmarks.

Sensitivity analysis

Finance has conducted a sensitivity analysis to quantify the impact of changes in the key underlying assumptions on the surplus/(deficit). The sensitivity analysis has been performed for each variable independently of all other changes and is net of reinsurance and other recoveries. The table below describes how a change in each assumption will affect the surplus/(deficit).

Assumption	Movement	30 June 2018		30 June 2017	
		Property \$'000	Liability \$'000	Property \$'000	Liability \$'000
Average discount rate	+1%	2,415	6,360	1,607	6,776
	-1%	(2,319)	(6,048)	(1,647)	(6,987)
Average inflation rate	+1%	(2,485)	(6,601)	(1,627)	(6,818)
	-1%	2,539	6,810	1,618	6,744
Average weighted term to settlement (years)	+1 year	(626)	(2,490)	(291)	(4,755)
	-1 year	261	2,078	347	4,894
Expense rate	+1%	(1,438)	(2,324)	(1,071)	(3,246)
	-1%	1,438	2,324	1,071	3,246
Risk margin	+1%	(1,257)	(1,984)	(937)	(2,907)
	-1%	1,257	1,984	937	2,907

The movements are the absolute movement in the assumption (e.g. +1% increase in the expense rate for Property from 1.8% to 2.8%).

Insurance risk management

Finance is exposed to insurance risk, which is discussed below.

Objectives, policies and processes for managing insurance risk

Finance provides insurance and risk management services to deliver a net benefit to the Australian Government over the longer term. The transfer of insurance risk from participating general government sector entities offers the most comprehensive and cost effective approach to the management of risk exposures. The provision of a captive fund focuses on improving risk identification and management in entities and increases in transparency and accountability to the Australian Government and the public.

Key processes to manage insurance risk include:

- Detailed risk exposure surveys and benchmarking tools identifying insurable risks;
- Actuarial modelling of claims history, exposures and industry experience to provide an estimate of expected claims costs for the insured year and to assist in the determination of the annual premium collection;
- Claim management and investigation processes;
- Appointment of an independent actuary for valuation services of the outstanding claims liability;
- WoAG policy development and risk management education to improve risk awareness and capability of fund members; and
- Governance frameworks within Finance.

Concentration of insurance risk

No reinsurance policies were placed in 2017-2018 (2016-2017: nil), reflecting the capacity of the Australian Government to cost-effectively self-insure against infrequent large claims.

C1.1 Underwriting result

	Departmental	
	30 June	30 June
	2018	2017
	\$'000	\$'000
Direct premium revenue		
Premium revenue	138,344	140,290
Premium revenue eliminated on consolidation	1,181	1,176
Total direct premium revenue	139,525	141,466
Notional reinsurance expense	(5,000)	(5,000)
Net premium revenue	134,525	136,466
Net incurred claims		
Insurance claims	(97,246)	(163,993)
Reinsurance and other recoveries revenue	299	1,823
Total net claims	(96,947)	(162,170)
Other underwriting expenses	(8,282)	(9,248)
Underwriting result	29,296	(34,952)
Revenue from government	8,004	9,067
Operating surplus/(deficit)	37,300	(25,885)

Notes to and forming part of the financial statements

C. General Business Disclosures

C1.2 Net claims incurred

	30 June 2018			30 June 2017		
	Current	Prior	Total	Current	Prior	Total
	year	years		year	years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross claims incurred						
Undiscounted	110,459	(15,748)	94,711	103,563	59,764	163,327
Discount and discount movement	(6,262)	4,857	(1,405)	(5,658)	2,180	(3,478)
Gross claims incurred discounted	104,197	(10,891)	93,306	97,905	61,944	159,849
Reinsurance and other recoveries						
Undiscounted	(678)	454	(224)	(472)	(1,380)	(1,852)
Discount and discount movement	2	(77)	(75)	2	27	29
Reinsurance and other recoveries discounted	(676)	377	(299)	(470)	(1,353)	(1,823)
Net claims incurred	103,521	(10,514)	93,007	97,435	60,591	158,026
Claims handling expense			3,940			4,144
Total net claims			96,947			162,170

The \$10.5 million decrease in prior years net claims incurred is due to valuation releases arising from overall favourable claims experience in the Liability and Property claims categories.

C1.3 Reinsurance and other recoveries receivable

	Departmental	
	30 June	30 June
	2018	2017
	\$'000	\$'000
Reinsurance and other recoveries		
Reinsurance and other recoveries	3,363	6,368
Discount to present value	(329)	(404)
Total reinsurance and other recoveries	3,034	5,964

C1.4 Outstanding claims liability

	Departmental	
	30 June	30 June
	2018	2017
	\$'000	\$'000
Gross claims liability - undiscounted	335,740	393,671
Discount to present value	(16,456)	(15,363)
Gross claims liability - discounted	319,284	378,308
Claims handling expense	4,860	6,062
Gross central estimate	324,144	384,370
Risk margin	57,768	54,293
Outstanding claims liability	381,912	438,663
Risk margin adopted	17.8%	14.1%
Probability of adequacy of the risk margin	75%	75%

Reconciliation of the movement in discounted outstanding claims liability

	30 June 2018			30 June
	Property \$'000	Liability \$'000	Total \$'000	Total \$'000
Net outstanding claims liability at the beginning of the financial year	108,671	324,028	432,699	346,204
Incurring claims	43,462	60,059	103,521	97,435
Claims payments	(23,357)	(123,471)	(146,828)	(71,531)
Unwinding of discount	1,370	3,673	5,043	4,209
Risk margin release	(2,415)	(5,454)	(7,869)	(10,372)
Changes in assumptions and experience	17,641	(25,329)	(7,688)	66,754
Net outstanding claims liability at the end of the financial year	145,372	233,506	378,878	432,699
Reinsurance and other recoveries	496	2,538	3,034	5,964
Gross outstanding claims liability at the end of the financial year	145,868	236,044	381,912	438,663

Notes to and forming part of the financial statements

C. General Business Disclosures

C1.5 Claims development table

The following table shows the development of the estimated undiscounted outstanding claims relative to the ultimate expected claims for the 10 most recent accident years.

	Prior	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of net ultimate claims costs												
At end of accident year		45,062	50,778	121,801	61,550	66,779	114,162	102,138	91,686	86,286	93,055	
One year later		43,312	48,922	108,067	70,345	63,441	106,114	119,144	87,813	91,391		
Two years later		48,191	47,317	100,453	67,843	65,399	96,653	218,627	96,971			
Three years later		45,043	70,257	91,789	66,396	62,028	89,631	215,052				
Four years later		46,681	65,808	84,123	67,312	58,498	82,685					
Five years later		47,758	65,956	82,395	62,705	55,203						
Six years later		44,336	51,423	80,279	59,872							
Seven years later		44,757	49,163	80,399								
Eight years later		44,909	48,760									
Nine years later		45,057										
Estimate of net ultimate claims costs		45,057	48,760	80,399	59,872	55,203	82,685	215,052	96,971	91,391	93,055	
Cumulative payments		(44,896)	(48,196)	(78,000)	(50,895)	(47,361)	(53,427)	(153,105)	(33,659)	(21,566)	(10,553)	
Net claims liability -												
undiscounted	6,137	161	564	2,399	8,977	7,842	29,258	61,947	63,312	69,825	82,502	332,924
Discount to present value	(168)	(2)	(12)	(58)	(244)	(217)	(1,111)	(2,352)	(3,095)	(3,723)	(5,214)	(16,196)
Net claims liability - discounted	5,969	159	552	2,341	8,733	7,625	28,147	59,595	60,217	66,102	77,288	316,728
Claims handling expense												4,860
Net central estimate												321,588
Net risk margin												57,290
Total net outstanding claims liability												378,878
Reinsurance and other recoveries												3,034
Total gross outstanding claims liability												381,912

The claims development table discloses amounts net of reinsurance and other recoveries to give the most meaningful insight into the impact on surplus/(deficit).

C2 : Investment funds

Finance provides advice on investment mandates and governance arrangements for the investment funds. This includes advice on the credit of amounts to and debits of amounts from the investment funds. The Future Fund Board of Guardians (the Board), supported by the Future Fund Management Agency (FFMA), is responsible for the management and investment of the assets of the investment funds. The investment funds consist of the following:

- **Building Australia Fund (BAF)** - an investment fund established by the *Nation-building Funds Act 2008* to make payments in relation to the creation or development of transport, communication, eligible national broadband network, energy and water infrastructure. The BAF is expected to be closed by 31 December 2018, subject to the passage of legislation.
- **Education Investment Fund (EIF)** - an investment fund established by the *Nation-building Funds Act 2008* to make payments in relation to the creation or development of higher education, research, vocational education and training, and eligible education infrastructure and to make transitional Higher Education Endowment Fund payments. The EIF is expected to be closed by 31 December 2018, subject to the passage of legislation.
- **DisabilityCare Australia Fund (DCAF)** - an investment fund established by the *DisabilityCare Australia Fund Act 2013* to reimburse the Commonwealth, States and Territories for costs incurred in relation to the *National Disability Insurance Scheme Act 2013*.
- **Medical Research Future Fund (MRFF)** – an investment fund established under the *Medical Research Future Fund Act 2015* to support medical research and innovation into the future.

Key judgements and estimates

In applying Finance's accounting policies, management has made a number of judgements and applied estimates and assumptions to future events. Judgements and estimates which are material to the financial statements are located throughout the investment funds disclosure.

Policy and measurement

Investment Mandates were issued by the responsible Ministers on 14 July 2009 for the BAF and EIF and on 1 July 2014 for the DCAF. The Investment Mandates set a target benchmark return of the Australian three month bank bill swap rate + 0.3% per annum calculated on a rolling 12 month basis (net of fees). The Investment Mandates also require the Board to invest in such a way as to minimise the probability of capital losses over a 12 month horizon.

The Investment Mandate for the MRFF was issued by the responsible minister on 8 November 2015. This mandate states that the Board is to adopt an average return of at least the Reserve Bank of Australia Cash Rate target + 1.5 to 2.0% per annum, net of investment fees, over a rolling 10 year term as the benchmark return on the Fund. In targeting the benchmark return, the Board must determine an acceptable but not excessive level of risk measured in terms such as the probability of losses in a particular year.

All investments are designated as financial assets at fair value through profit or loss (FVPL) on acquisition. Subsequent to initial recognition, all investments held at FVPL are measured at fair value with changes in their fair value recognised in the Schedule of Comprehensive Income. Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Investments are initially measured at fair value, net of transaction costs that are directly attributable to acquisition or issue of the investment. Investments in collective investment vehicles are recorded at fair value on the date which consideration is provided to the contractual counterparty under the terms of the relevant subscription agreement. Any associated due diligence costs in relation to these investments are expensed when incurred.

The following methods are adopted by the investment funds in determining the fair value of investments:

- Listed securities, exchange traded futures and options and investments in listed managed investment schemes are recorded at the quoted market prices on relevant stock exchanges.
- Unlisted managed investment schemes and collective investment vehicles are re-measured by the investment funds based on the estimated fair value of the net assets of each scheme or vehicle at the reporting date. In determining the fair value of the net assets of unlisted managed investment schemes and collective investment vehicles, reference is made to the underlying unit price provided by the manager (where available), capital account statements and the most recent audited financial statements of each scheme or vehicle.

Manager valuation reports are reviewed to ensure the underlying valuation principles are materially compliant with AAS and applicable industry standards including International Private Equity and Venture Capital Valuation Guidelines as endorsed by the Australian Private Equity and Venture Capital Association Limited.

- Derivative instruments including forward foreign exchange contracts, interest rate swaps, credit default swaps and futures are recorded at their fair value on the date the contract is entered into and are subsequently re-measured to their fair values at each reporting date. Further disclosures regarding the use of derivatives by the investment funds is presented in Note C2.3.
- Asset backed securities, bank bills, negotiable certificates of deposit, mortgaged backed securities, government securities and corporate debt securities which are traded in active markets are valued at the quoted market prices. Securities for which no active market is observable are valued at current market rates using broker sourced market quotations and/or independent pricing services as at the reporting date.

MRFF Investment Companies (MRFFICs)

Whilst all investments are held by the Board in respect of the relevant investment fund, some investments are indirectly held through wholly owned investment holding companies, MRFFICs. The MRFFICs are funded primarily via loan arrangements from the MRFF and each respective MRFFIC. These loans are designated as financial assets and measured at fair value with changes in their fair value recognised in the Schedule of Comprehensive Income. Loan assets are repayable on demand. Interest rates are set on the loans having regard to the 10-year government bond rate in the market in which the underlying investment is made. As the MRFFICs hold a material portion of the investments of the investment funds, these are recorded on a net assets basis in Finance's primary schedules. For risk management purposes these are disclosed by the underlying investment held by the MRFFICs as this provides users with more relevant information in relation to the investment portfolio and Finance's exposure.

C2.1 Investment funds operating results						
	BAF	EIF	DCAF	MRFF	Total	Total
	30 June	30 June	30 June	30 June	30 June	30 June
	2018	2018	2018	2018	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Gains on financial investments						
Realised foreign exchange gains	2,226	4,248	24,720	-	31,194	208,955
Net unrealised foreign exchange gains	-	-	-	-	-	48,056
Bank bills and negotiable certificates of deposit	30,103	23,433	71,468	29,733	154,737	105,913
Mortgage backed securities	9,380	8,084	28,125	9,573	55,162	43,241
Corporate debt securities	12,403	16,022	19,865	19,337	67,627	81,388
Government debt securities	399	613	674	2,965	4,651	4,471
Asset backed securities	2,940	3,016	11,025	7,353	24,334	11,577
MRFFICs loans	-	-	-	13,849	13,849	5,084
Other income	1,056	1,461	1,253	3,718	7,488	5,625
Realised gains (losses)	(4,020)	(1,102)	(32,152)	42,125	4,851	100,192
Unrealised gains (losses)	34,948	44,831	118,070	201,790	399,639	(175,196)
Total net gains on financial investments	89,435	100,606	243,048	330,443	763,532	439,306
Interest	23,568	23,362	79,683	14,272	140,885	91,566
Dividends and distribution income	-	-	-	36,716	36,716	13,228
Total revenue	113,003	123,968	322,731	381,431	941,133	544,100
Expenses						
Net realised foreign exchange losses	-	-	-	6,614	6,614	-
Net unrealised foreign exchange losses	28,633	41,672	99,891	48,890	219,086	6,925
Suppliers expenses	3,776	4,113	7,016	11,831	26,736	22,294
Total expenses	32,409	45,785	106,907	67,335	252,436	29,219
Net investment funds return	80,594	78,183	215,824	314,096	688,697	514,881
Distributions to portfolio special accounts	-	-	129,897	-	129,897	83,469
Net surplus	80,594	78,183	85,927	314,096	558,800	431,412

Notes to and forming part of the financial statements

C. General Business Disclosures

C2.2 Investment funds financial position						
	BAF	EIF	DCAF	MRFF	Total	Total
	30 June	30 June	30 June	30 June	30 June	30 June
	2018	2018	2018	2018	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets						
Financial assets designated at FVPL						
<i>Interest bearing securities</i>						
Bank bills	-	-	-	303,649	303,649	185,648
Negotiable certificates of deposit	1,564,098	1,391,211	6,515,630	1,257,224	10,728,163	8,066,177
Corporate debt securities	585,047	759,813	1,119,867	596,962	3,061,689	2,899,882
Mortgage backed securities	359,426	324,304	1,465,570	312,855	2,462,155	1,624,999
Government debt securities	28,011	43,785	71,803	40,348	183,947	329,593
Asset backed securities	139,601	145,144	471,165	338,702	1,094,612	887,668
Other fixed income securities	53,580	81,778	54,392	210,455	400,205	201,769
<i>Other investment</i>						
MRFFICs equities	-	-	-	135,348	135,348	92,306
MRFFICs loans	-	-	-	778,840	778,840	404,765
Listed equities and managed investment schemes	-	-	-	1,099,917	1,099,917	436,821
Collective investment vehicles	-	-	69,527	1,343,251	1,412,778	827,275
Restricted cash	15,876	23,222	53,435	57,386	149,919	116,312
<i>Derivatives</i>						
Currency contracts	2,454	3,658	2,852	18,471	27,435	116,873
Interest rate swap agreements	875	1,781	-	14	2,670	731
Credit default swaps	-	-	-	2,866	2,866	3
Total financial assets designated at FVPL	2,748,968	2,774,696	9,824,241	6,496,288	21,844,193	16,190,822
Loans and receivables						
Cash and cash equivalents	1,133,609	1,113,864	4,904,162	749,432	7,901,067	6,465,976
Interest receivable	1,672	1,646	5,430	289	9,037	9,322
Dividends and distribution receivables	-	-	-	4,066	4,066	1,833
Unsettled sales	7,970	-	37,082	9,995	55,047	20,409
Imputation credits refundable	-	-	-	10,393	10,393	3,944
Total loans and receivables	1,143,251	1,115,510	4,946,674	774,175	7,979,610	6,501,484
Total assets	3,892,219	3,890,206	14,770,915	7,270,463	29,823,803	22,692,306
Liabilities						
Financial liabilities designated at FVPL						
<i>Derivatives</i>						
Currency contracts	16,253	22,707	51,307	53,355	143,622	8,474
Interest rate swap agreements	1,240	2,350	-	-	3,590	1,305
Credit default swaps	-	-	-	10,115	10,115	3,626
Total financial liabilities designated at FVPL	17,493	25,057	51,307	63,470	157,327	13,405
Financial liabilities measured at amortised cost						
Trade creditors and accruals	976	1,073	2,060	3,193	7,302	5,896
Unsettled purchases	7,968	-	37,075	38,687	83,730	94,019
Total financial liabilities measured at amortised cost	8,944	1,073	39,135	41,880	91,032	99,915
Total liabilities	26,437	26,130	90,442	105,350	248,359	113,320
Net assets	3,865,782	3,864,076	14,680,473	7,165,113	29,575,444	22,578,986

Collective investment vehicles

The investment funds, directly and via the MRFFICs, have committed to provide capital to various collective investment vehicles. Collective investment vehicles are entities that enable investors to pool their money and invest the pooled funds, rather than buying securities directly. Collective investment vehicles are used to invest in private equity funds, hedge funds, debt funds, listed equity funds, infrastructure funds and property funds and are usually structured as interests in limited partnerships and limited liability companies. The total of these commitments at balance date is \$386 million (2017: \$95 million). The investment fund's commitments, being capital calls, are set out in the various underlying subscription documents. While the actual timing of the capital calls to be made by the managers of these vehicles is uncertain, as it is dependent on the managers sourcing suitable investment opportunities, the investment funds have recorded the commitments as being current in accordance with the underlying legal documents. The investment funds have appropriate liquidity planning in place to ensure a suitable allocation of resources will be available to cover these future commitments of capital.

The table below provides more detailed information on the commitments and outstanding calls of collective investment vehicles held directly by the MRFF, DCAF and via MRFFICs at balance date:

Description of underlying Strategy	Capital committed as at 30 June 2018 local currency	Outstanding	Net capital cost	Fair value as at
		commitments as at 30 June 2018 AUD equivalent \$'000	as at 30 June 2018 AUD equivalent \$'000	30 June 2018 AUD equivalent \$'000
Directly held by MRFF and DCAF				
Alternatives	AUD 982,500	-	948,951	957,829
Debt	AUD 400,000	-	400,010	396,086
Debt	USD 40,000	21,655	31,375	33,367
Global infrastructure	USD 50,000	67,673	-	-
Listed equities	AUD 25,000	-	25,000	25,205
Property	AUD 25,187	33,836	241	291
Total		123,164	1,405,577	1,412,778
Via MRFFICs				
Alternatives	AUD 378,443	-	396,511	379,399
Alternatives	USD 161,492	15,423	198,379	203,756
Private equity	AUD 101,275	59,078	41,481	42,290
Private equity	EUR 52,682	14,905	39,985	52,569
Private equity	USD 234,075	144,201	136,274	178,503
Property	AUD 24,813	29,334	4,070	4,292
Total		262,941	816,700	860,809

C2.3 Managing financial risk

The investment funds have entered into derivative contracts to manage their exposure to foreign exchange risk, interest rate risk, equity market risk and credit risk. The investment funds also use derivatives to gain indirect exposure to market risks. The use of derivative financial instruments by the investment funds is governed by the *Nation-building Funds Act 2008*, the *DisabilityCare Australia Fund Act 2013* and the *Medical Research Future Fund Act 2015*.

C2.3.1 Market risk

Market risk is the risk of loss arising from movements in the prices of various assets flowing from changes in interest rates and foreign currency.

Notes to and forming part of the financial statements

C. General Business Disclosures

Interest rate risk				
<i>Interest rate risk exposure</i>				
The investment funds are exposed to risk of loss arising from movement in the prices of various assets flowing through interest rate changes. The total exposure for each class of financial asset is set out below.				
Financial assets exposed to interest rate risk	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
2018	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	7,901,067	-	-	7,901,067
Interest bearing securities	5,680,397	12,603,583	-	18,283,980
Other financial assets	-	-	3,638,755	3,638,755
Total investment	13,581,464	12,603,583	3,638,755	29,823,802
Total interest rate swaps (notional amount)				
Pay	(310,252)	(213,668)	-	
Receive	213,668	310,252	-	
2017				
Cash and cash equivalents	6,465,976	-	-	6,465,976
Interest bearing securities	3,772,130	10,423,606	-	14,195,736
Other financial assets	-	-	2,030,594	2,030,594
Total investment	10,238,106	10,423,606	2,030,594	22,692,306
Total interest rate swaps (notional amount)				
Pay	(245,922)	(114,428)	-	
Receive	114,428	245,922	-	
<i>Interest rate derivative contracts</i>				
The investment funds had open positions in exchange traded interest rate futures contracts and interest rate swap agreements at the reporting date. Interest rate derivatives contracts are used by the investment fund's managers to manage the exposure to interest rate risk and to ensure it remains within approved limits. The notional value of the open contracts and their fair value are set out below.				
	Notional value	Fair market value	Notional value	Fair market value
	30 June 2018	30 June 2018	30 June 2017	30 June 2017
	\$'000	\$'000	\$'000	\$'000
Open contracts				
Buy domestic interest rate futures contracts	379,080	2,625	243,344	(2,591)
Sell domestic interest rate futures contracts	(1,187,986)	(474)	(180,967)	443
Buy international interest rate futures contracts	531,321	3,219	1,221,606	(4,108)
Sell international interest rate futures contracts	(2,221,695)	(1,690)	(2,852,079)	79,650
Receiver (fixed) interest rate swap agreements	310,252	(1,642)	245,922	(200)
Payer (fixed) interest rate swap agreements	(213,668)	722	(114,428)	(374)
Total open contracts		2,760		72,820

Interest rate sensitivity analysis

The impact of a change in interest rates is disclosed in the table below, with all other variables held constant. The table demonstrates the impact on the operating result of a 20 basis point (2017: 30 basis point) change in bond yields with all other variables held constant. It is assumed that the 20 basis point change occurs as at the reporting date and there are concurrent movements in interest rates and parallel shifts in the yield curves. A 20 basis point movement would impact on the debt portfolios' (including derivatives) contribution to the investment funds' operating result. The impact on the operating result includes the increase/(decrease) in interest income on floating rate securities from the basis point change.

Sensitivity by year	Risk variable	Change in risk variable %	Net cost of services \$'000
2018	Discount rate	+0.2%	21,257
		-0.2%	(21,230)
2017	Discount rate	+0.3%	28,426
		-0.3%	(25,210)

Foreign currency risk

The investment funds undertake certain transactions denominated in foreign currencies and are therefore exposed to the effects of exchange rate fluctuations. Exchange rate exposures are managed utilising forward foreign exchange contracts. The exposure in AUD equivalents to foreign currency risk at reporting date is as follows.

Financial assets exposed to currency risk	USD \$'000	EURO \$'000	GBP \$'000	Other \$'000	Total \$'000
2018					
Cash and cash equivalents	142,278	91,625	8,409	11,167	253,479
Interest bearing securities	2,705,853	869,000	1,114,505	828,299	5,517,657
Listed equities	447,992	62,082	31,704	286,987	828,765
Collective investment vehicles	420,209	52,569	-	-	472,778
Other investments	(6,971)	(305)	154	(1,025)	(8,147)
Receivables	52,820	2,733	163	1,184	56,900
Payables	(67,906)	(9,027)	-	(6,723)	(83,656)
Total physical exposure	3,694,275	1,068,677	1,154,935	1,119,889	7,037,776
Forward exchange contracts					
Buy foreign currency	968,692	296,923	236	19,556	1,285,407
Sell foreign currency	(3,844,478)	(1,379,591)	(1,160,985)	(740,684)	(7,125,738)
Total derivative exposure	(2,875,786)	(1,082,668)	(1,160,749)	(721,128)	(5,840,331)
Net exposure	818,489	(13,991)	(5,814)	398,761	1,197,445
2017					
Cash and cash equivalents	166,145	145,664	17,409	2,664	331,882
Interest bearing securities	2,588,045	786,828	935,295	487,845	4,798,013
Listed equities	176,180	35,579	18,735	57,021	287,515
Collective investment vehicles	359,017	62,149	-	-	421,166
Other investments	(3,843)	(184)	86	(203)	(4,144)
Receivables	10,202	393	105	72	10,772
Payables	(62,422)	(1,909)	(5,169)	(12,766)	(82,266)
Total physical exposure	3,233,324	1,028,520	966,461	534,633	5,762,938
Forward exchange contracts					
Buy foreign currency	644,388	222,139	2,369	179,289	1,048,185
Sell foreign currency	(3,219,690)	(1,256,797)	(966,600)	(591,455)	(6,034,542)
Total derivative exposure	(2,575,302)	(1,034,658)	(964,231)	(412,166)	(4,986,357)
Net exposure	658,022	(6,138)	2,230	122,467	776,581

Notes to and forming part of the financial statements

C. General Business Disclosures

Foreign currency sensitivity analysis

The sensitivity analysis table below demonstrates the impact on the operating result of a movement in the value of the AUD relative to the actual net exposures as at year end, with all other variables held constant.

Sensitivity by year	Risk variable	Change in risk variable %	Net cost of services \$'000
2018	Exchange rate	+9.2%	266,457
		-9.2%	(266,457)
2017	Exchange rate	+10.2%	168,120
		-10.2%	(168,120)

Other price risk

The MRFF and MRFFICs are exposed to price risk arising from equity investments. The equity price risk is the risk that the value of the MRFF equity portfolio will decrease as a result of changes in the levels of equity indices and the price of individual stocks. The MRFF and MRFFICs are held at FVPL. The exposure to equity price risk at the reporting date was as follows:

	30 June 2018 \$'000
Domestic equities and managed investment schemes	271,152
International equities and managed investment schemes	828,765
Total equity price risk exposure	1,099,917

Equity derivative contracts

Equity futures are used to manage the exposure to equity price risk. The notional value and fair value of the MRFF open positions at 30 June 2018 are set out in the following table.

	Notional value 30 June 2018 \$'000	Fair market value 30 June 2018 \$'000
Buy domestic equity futures contracts	2,459	49
Sell domestic equity futures contracts	(8,915)	(105)
Buy international equity futures contracts	250,019	(8,217)
Total equity derivative contracts	243,563	(8,273)

Equity price sensitivity analysis

The analysis below demonstrates the impact of the following movements on the MRFF and MRFFIC's operating result.

- +/- 20% on Australian equities
- +/- 15% on International equities

The sensitivity analysis has been performed to assess the direct risk of holding equity instruments. The analysis is undertaken on the base currency values of the underlying exposures.

Impact on operating results	30 June 2018 \$'000
20% increase in Australian equities	64,685
15% increase in International equities	250,036
Total	314,721
20% decrease in Australian equities	(64,796)
15% decrease in International equities	(250,053)
Total	(314,849)

C2.3.2 Liquidity risk

Liquidity risk is the risk that the investment funds will not be able to meet their obligations as they fall due. The Nation Building Funds (NBFs) and DCAF are currently invested in cash and cash like instruments under the current Investment Mandate. Accordingly, the risk of these funds not being able to meet their obligations is low. The MRFF must be in a position to meet the distribution payments required of it up to the amount periodically declared as distributable by the Board, which is managed under the Short-term Liquidity Risk Policy. This includes a short-term crash test which is applied to the portfolio to ensure it is able to meet its immediate cash flow obligations under a plausible but very severe market dislocation.

C2.3.3 Credit risk management

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitments in full and on time, or from losses arising from the change in value of a traded financial instrument as a result of changes in credit risk on that instrument. The Board sets limits on the credit ratings of debt investments when appointing investment managers. These limits are reflected in the underlying investment mandates and are monitored by the FFMA with compliance reported to the Board. The investment fund's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the investment fund's financial position.

	30 June 2018 \$'000	30 June 2017 \$'000	
Interest bearing securities issued by			<i>As at 30 June 2018, the investment funds had an exposure of greater than 58% of its net assets to interest bearing securities issued by domestic banks and cash deposits held with banks.</i>
Commonwealth Bank of Australia	7,397,106	5,129,916	
Westpac Banking Corporation	1,679,351	2,176,750	
National Australia Bank	3,228,698	2,329,367	<i>Exposures to individual counterparties greater than 5% of the net assets of the investment funds are identified in this table.</i>
Australia and New Zealand Banking Group	4,824,166	4,066,284	
Total	17,129,321	13,702,317	

Credit exposure by credit rating

	30 June 2018 \$'000	30 June 2017 \$'000	
Long-term rated securities			<i>The investment funds use Moody's and Standard & Poors credit rating scales to report exposure to credit risk. The long term credit risk exposures range from 'AAA' (extremely strong capacity to meet financial commitments) to 'below investment grade/not rated'. The investments classified as below investment grade are held in debt mandates. This table provides information regarding the credit risk exposures of the debt instruments held by the investment funds at reporting date according to the credit ratings of the underlying debt instruments.</i>
AAA	3,578,802	2,412,711	
AA	8,165,458	6,719,131	
A	2,481,610	2,673,234	
BBB	161,697	48,901	
Below investment grade/not rated	588,923	300,483	
Short-term rated securities			
A-1+	10,988,986	8,251,826	
A-2	42,826	-	
Other			
US Government Guaranteed	176,746	255,427	
Total debt securities held	26,185,048	20,661,713	
Other non-debt financial assets	3,638,755	2,030,593	
Total financial assets	29,823,803	22,692,306	

Notes to and forming part of the financial statements

C. General Business Disclosures

Credit risk derivatives

The investment funds managers utilise credit default swaps to gain exposure to, and to hedge, credit risk. The investment funds transact in credit default swaps in the form of centrally cleared over-the-counter contracts. Centrally cleared transactions are cash margined at least daily. Managers are required to fully cash back all sold credit protection positions. Outstanding positions are marked to market and collateralisation of out of the money positions is required by the central clearing exchange.

	Notional value	Fair market value	
	30 June	30 June	
	2018	2018	
	\$'000	\$'000	
Buy credit protection	175,123	(10,115)	<i>The notional value of the open credit default swap positions, the impact on increasing or reducing credit exposures and their fair value are set out in this table for the MRFF.</i>
Sell credit protection	(186,980)	2,866	
Total	(11,857)	(7,249)	

C3 : Superannuation**C3.1 Overview of schemes**

Finance administers the following defined benefit superannuation schemes on behalf of the government:

- Commonwealth Superannuation Scheme (CSS), including the 1922 Scheme;
- Public Sector Superannuation Scheme (PSS);
- Parliamentary Contributory Superannuation Scheme (PCSS);
- Governor-General Pension Scheme (G-GPS);
- Judges' Pensions Scheme (JPS), and
- Federal Circuit Court Judges Death and Disability Scheme (FCCJDDS).

The CSS, PSS and PCSS are closed to new members.

Finance recognises an administered liability for the present value of the Australian Government's expected future payments arising from the PCSS, JPS, G-GPS and FCCJDDS and the unfunded components of the 1922 Scheme, CSS and PSS. These liabilities are based on an annual actuarial assessment. The funded components of these schemes are reported in the financial statements of the respective schemes. Finance also has the responsibility to record the Australian Government's transactions in relation to the above schemes.

Policy and measurement

Actuarial gains or losses are recognised in equity in the year in which they occur. Interest on the net defined benefit liability is recognised in the surplus/(deficit); the return on plan assets excluding the amount included in interest income is recognised in equity.

Superannuation liabilities are calculated annually as the present value of future benefit obligations less the fair value of scheme assets. The rate used to discount future benefits is determined by reference to the government bond rate at the reporting date.

Amounts recognised in the Schedule of Comprehensive Income and Schedule of Assets and Liabilities

	CSS \$'000	PSS \$'000	Other				Total \$'000
			PCSS \$'000	G-GPS \$'000	JPS \$'000	FCCJDDS \$'000	
30 June 2018							
Revenues	87,592	1,125,818	628	-	-	-	1,214,038
Expenses	2,551,579	5,777,690	45,821	744	82,735	893	8,459,462
OCI	(1,379,037)	(5,248,775)	(25,436)	(957)	(134,461)	804	(6,787,862)
Liabilities	82,895,248	97,480,728	1,167,342	22,188	1,500,165	1,362	183,067,033
30 June 2017							
Revenues	102,724	1,171,578	655	-	-	-	1,274,957
Expenses	2,449,306	6,381,040	40,642	577	88,722	925	8,961,212
OCI	2,625,127	18,929,411	102,364	(851)	71,762	606	21,728,419
Liabilities	82,539,357	87,317,499	1,138,463	22,036	1,333,185	1,728	172,352,268

C3.2 Scheme information

The funding arrangements for the various schemes are as follows:

Scheme	Funding arrangements
1922 Scheme	Unfunded. There are no longer any members contributing under this Act. Benefits are paid to members from the Consolidated Revenue Fund (CRF).
CSS and PSS	Partially funded. Contributions generally comprise basic member contributions and employer productivity (up to three per cent) contributions. Benefits are paid to members from the CRF.
PCSS	Unfunded. Member contributions are a fixed percentage of: parliamentary allowance; salary for Ministers of State; and allowance by way of salary for office holders, which is paid into the CRF. Benefits are paid to members from the CRF.
G-GPS, JPS and FCCJDDS	Unfunded. Members are not required to contribute towards the cost of their benefit during their term of appointment. Benefits are paid to members from the CRF.

The nature of the benefits provided under the schemes are as follows:

Scheme	Benefits Paid
1922 Scheme	<ul style="list-style-type: none"> The benefit payable is a lifetime indexed pension (indexed in January and July) in line with changes in the CPI. The payments and liabilities in respect of these members are included in the CSS amounts.
CSS	<ul style="list-style-type: none"> The types of benefits payable are a lifetime indexed pension (indexed in January and July) in line with changes in the CPI, a lifetime non-indexed pension and a lump sum payment. The main retirement benefit is the employer-financed indexed pension that is calculated by a set formula based on a member's age, years of contributory service and final salary. Where a member has preserved their benefit in the scheme, when the benefit becomes payable the employer financed indexed pension is calculated by applying age-based factors to the amount of two and a half times the member's accumulated basic member contributions and interest. Member's basic contributions, employer productivity contributions and interest can be taken as a lump sum or an additional non-indexed lifetime pension. This benefit is determined by the value of contributions and investment returns, and in the case of the non-indexed pension by applying age-based factors.
PSS	<ul style="list-style-type: none"> The types of benefits payable are a lifetime indexed pension (indexed in January and July in line with changes in the CPI) and lump sum. On retirement a lump sum benefit is payable which is calculated based on the member's length of contributory membership, their rate of member contributions and final average salary (average of a member's superannuation salary on their last three birthdays). Where a member preserves their benefit in the scheme, generally the member's lump sum benefit at that time is crystallised with the funded component of the benefit accumulating with interest and the unfunded component accumulating with changes in the CPI, until the benefit becomes payable. Generally members can convert 50 per cent or more of their lump sum to a lifetime indexed pension. The indexed pension is calculated by applying age-based factors to the amount of lump sum to be converted to a pension.
PCSS	<ul style="list-style-type: none"> The benefit payable is a lifetime pension or lump sum depending on length of service and additional offices held. Where a retiring member has sufficient parliamentary service to meet the pension qualification period for a lifetime pension (which is payable as set out in the Act), pension benefits are expressed

	<p>as a percentage of the superannuation salary applicable for the PCSS and are indexed by movements in that superannuation salary.</p> <ul style="list-style-type: none"> • A PCSS member who qualifies for a pension can also elect to convert up to half of their benefit to a lump sum. Lump sum benefits are payable to PCSS members who do not have sufficient parliamentary service to qualify for a lifetime pension.
G-GPS	<ul style="list-style-type: none"> • The benefit payable is a lifetime pension equal to 60% of the salary of the Chief Justice of the High Court of Australia. • There is no minimum qualification period.
JPS	<ul style="list-style-type: none"> • The benefit payable is a lifetime pension equal to 60% of the judicial salary, payable where a judge has 10 or more years' service and is 60 years of age or older. • Provisions are made for part pension (pro-rated based on length of service) where a judge retires on reaching the maximum retirement age with at least 6 years but less than 10 years service.
FCCJDDS	<ul style="list-style-type: none"> • Federal Circuit Court Judges who retire due to permanent disability are provided with a pension equal to 60% of the salary the Judge would have received if they had not retired, and is payable until the earlier of the Judge attaining age 70, or his/her death. • In addition, a Judge continues to receive employer superannuation contributions in respect of this pension until they reach age 65.

Generally, benefits may also be payable to any surviving eligible spouse and children on the death of a member or pensioner.

Regulatory Framework

The following table details the enabling legislation for each of the individually disclosed defined benefit schemes and whether the scheme must comply with the requirements of the *Superannuation Industry (Supervision) Act 1993*, as well as a number of other Acts.

Scheme	Enabling Act	Period open to new members	Regulatory requirement
CSS	<i>Superannuation Act 1976</i>	1 July 1976 to 30 June 1990	Compliance with the <i>Superannuation Industry (Supervision) Act 1993</i> required for these schemes.
PSS	<i>Superannuation Act 1990</i>	1 July 1990 to 30 June 2005	
1922 Scheme	<i>Superannuation Act 1922</i>	1 July 1922 to 30 June 1976	These schemes are exempt from <i>Superannuation Industry (Supervision) Act 1993</i> .
PCSS	<i>Parliamentary Contributory Superannuation Act 1948</i>	Up to 8 October 2004	
G-GPS	<i>Governor-General Act 1974</i>	To present	
JPS	<i>Judges' Pensions Act 1968</i>	To present	
FCCJDDS	<i>Federal Circuit Court of Australia Act 1999</i>	To present	

Governance

The Commonwealth Superannuation Corporation (CSC) was established under the *Governance of Australian Government Superannuation Schemes Act 2011* and is the trustee for the CSS and PSS. CSC is responsible for:

- providing administration services for each scheme;
- management and investment of scheme assets;
- compliance with superannuation taxation and other applicable laws; and
- compliance with relevant legislation including the *Governance of Australian Government Superannuation Schemes Act 2011*.

CSC is supported by a custodian and other specialist providers.

The PCSS is administered by the Department of Finance on behalf of the Minister for Finance. The Parliamentary Retiring Allowances Trust (the Trust) has responsibility for matters where discretion has been given under the *Parliamentary Contributory Superannuation Act 1948*. The Trust consists of five trustees - the Minister for Finance (or a

Minister authorised by the Minister for Finance) who is the presiding trustee, plus two Senators and two Members of the House of Representatives appointed by their respective Houses.

The enabling Acts for the 'other' defined benefit superannuation schemes confer certain powers to the Secretary of Finance in relation to administration of each scheme. Day-to-day administration of the schemes is undertaken by Finance.

C3.3 Risks and assumptions

The schemes are exposed to interest rate risk, investment risk, longevity risk and salary risk. The following pages identify and explain the amounts reported in these financial statements and detail the principal actuarial assumptions underpinning each of the major schemes, including an analysis of the sensitivity of changes in these assumptions to the amounts reported in the financial statements.

Composition of scheme assets

The fair value of scheme assets for CSS and PSS at 30 June 2018 is \$21.5 billion (30 June 2017 was \$20.4 billion). The assets are diversified in the following sectors: Australian equity 24%; International equity 25%; Property 8%; Private capital 6%; Infrastructure 3%; Corporate bonds 4%; Alternative strategies 15% and Cash and sovereign bonds 15%. This includes \$345.3 million (2017: \$287.1 million) of Commonwealth Government Bonds.

Key judgements and estimates

Principal actuarial assumptions are as follows:

	2018	2017
Discount rate		
CSS and 1922 scheme	2.9%	3.0%
PSS and Other Schemes	3.1%	3.5%
Expected salary growth rate (CSS/PSS)	2.0%pa to June 2022 3.5%pa thereafter +promotional increase	2.0%pa to June 2019 3.5%pa thereafter +promotional increase
Expected pension increase rate (CPI)	2.5%	2.5%

Other material assumptions

CSS, PSS, and PCSS

Assumptions have been made regarding rates of retirement, death (for active, preserved and pension members), mortality improvements, invalidity, resignation, retrenchment, retention and take up rates of pensions in the scheme. Assumptions have also been made for the ages of spouses and rates of member contributions. These assumptions are consistent to those used within the 2017 Long Term Cost Reports (LTCRs).

Membership data as at 30 June 2017 has been rolled forward to 30 June 2018 by making allowance for estimated investment earnings, contributions, salary increases, benefit payments and benefit accruals, using the actuarial assumptions from the LTCRs where other information is not available. The defined benefit obligation calculated is based on the rolled forward membership data that was then adjusted to reflect the difference between expected benefit payments and actual benefit payment to 30 June 2018.

The fair value of scheme assets as at 30 June 2018 (CSS and PSS only) were estimated using the unaudited net scheme assets available to pay benefits at 31 May 2018 rolled forward to 30 June 2018 with cash flow items provided by the CSC. An estimate of the actual rate of investment return earned by the scheme during June 2018 was used in determining the fair value of scheme assets.

Other Schemes – G-GPS, JPS and FCCJDDS

Membership data as at 31 May 2018 has been rolled forward to 30 June 2018. Other actuarial assumptions are consistent to those used within the 2017 LTCRs.

Sensitivity analysis for significant actuarial assumptions

The impact of a change in the defined benefit obligation reported as at 30 June 2018 under several scenarios is presented below. The defined benefit obligation has been recalculated by changing the assumptions as outlined below, whilst retaining all other assumptions.

Assumption	Impact on defined benefit obligation					
	0.5% increase Movement in \$'000			0.5% decrease Movement in \$'000		
	CSS	PSS	Other	CSS	PSS	Other
Discount rate ¹	(5,055,026)	(10,401,332)	(185,991)	5,602,173	11,988,381	208,045
Salary growth rate	91,525	2,425,198	198,619	(86,385)	(2,276,857)	(179,675)
Pension increase rate	4,945,957	8,563,797	n/a	(4,519,458)	(7,681,024)	n/a

¹ An increase in the discount rate between financial years generates a decrease in the provision and a gain in other comprehensive income. Conversely, a decrease in the discount rate between financial years causes an increase in the defined benefit obligation (liability) and a loss to other comprehensive income.

C3.4 Commonwealth Superannuation Scheme (CSS)

Employer productivity contributions

The expected employer productivity contribution for 2019 is \$10.4 million (2018 actual \$12.3 million).

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13.0 years for CSS 1976 and 7.2 years for CSS 1922.

Reconciliation of the:	Present value of the defined benefit obligation		Fair value of the scheme assets		Net defined benefit liability	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
	Value at beginning of the year	85,330,627	89,197,538	2,791,270	3,072,920	82,539,357
Current service cost	137,970	177,183	-	-	137,970	177,183
Interest cost	2,490,486	2,344,345	-	-	2,490,486	2,344,345
Interest income	-	-	76,877	72,222	(76,877)	(72,222)
Total expense	2,628,456	2,521,528	76,877	72,222	2,551,579	2,449,306
Actual return on scheme assets less interest income	-	-	154,293	162,175	(154,293)	(162,175)
<i>Actuarial (gains) / losses adjusted in other comprehensive income arising from</i>						
Changes in demographic assumptions	161,056	-	-	-	161,056	-
Changes in financial assumptions	945,300	(3,031,074)	-	-	945,300	(3,031,074)
Liability experience	426,974	568,122	-	-	426,974	568,122
Total other comprehensive income	1,533,330	(2,462,952)	154,293	162,175	1,379,037	(2,625,127)
Contributions by scheme participants	43,528	56,426	43,528	56,426	-	-
Productivity contributions	12,319	14,041	12,319	14,041	-	-
Net appropriation from CRF	-	-	3,574,725	3,409,440	(3,574,725)	(3,409,440)
Benefits paid	(4,031,319)	(3,993,754)	(4,031,319)	(3,993,754)	-	-
Taxes, premiums and expenses paid	(1,934)	(2,200)	(1,934)	(2,200)	-	-
Value at end of the year	85,515,007	85,330,627	2,619,759	2,791,270	82,895,248	82,539,357

Notes to and forming part of the financial statements

C. General Business Disclosures

The fair value of scheme assets relates to investments in the Pooled Superannuation Trust (PST). These are disclosed as level 2 in the fair value hierarchy, where the net market value is derived from observable inputs (other than quoted prices) such as prices or derived from prices.

C3.5 Public Sector Superannuation Scheme (PSS)

Employer productivity contributions

The expected productivity contributions for 2019 is \$162.6 million (2018 actual \$182.6 million).

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 20.4 years.

Reconciliation of the:	Present value of the defined benefit obligation		Fair value of the scheme assets		Net defined benefit liability	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Value at beginning of the year	104,949,301	117,145,347	17,631,802	16,532,797	87,317,499	100,612,550
Current service cost	2,746,886	3,672,212	-	-	2,746,886	3,672,212
Interest cost	3,639,645	3,147,248	-	-	3,639,645	3,147,248
Interest income	-	-	608,841	438,420	(608,841)	(438,420)
Total expense	6,386,531	6,819,460	608,841	438,420	5,777,690	6,381,040
Actual return on scheme assets less interest income	-	-	1,018,529	1,056,557	(1,018,529)	(1,056,557)
<i>Actuarial (gains) / losses adjusted in other comprehensive income arising from</i>						
Changes in demographic assumptions	(947,376)	-	-	-	(947,376)	-
Changes in financial assumptions	6,750,306	(20,058,075)	-	-	6,750,306	(20,058,075)
Liability experience	464,374	2,185,221	-	-	464,374	2,185,221
Total other comprehensive income	6,267,304	(17,872,854)	1,018,529	1,056,557	5,248,775	(18,929,411)
Contributions by scheme participants	551,536	520,909	551,536	520,909	-	-
Productivity contributions	182,610	172,842	182,610	172,842	-	-
Net appropriation from CRF	-	-	863,236	746,680	(863,236)	(746,680)
Benefits paid	(1,919,616)	(1,810,227)	(1,919,616)	(1,810,227)	-	-
Taxes, premiums and expenses paid	(27,650)	(26,176)	(27,650)	(26,176)	-	-
Value at end of the year	116,390,016	104,949,301	18,909,288	17,631,802	97,480,728	87,317,499

The fair value of scheme assets relates to investments in the PST. These are disclosed as level 2 in the fair value hierarchy, where the net market value is derived from observable inputs (other than quoted prices) such as prices or derived from prices.

C3.6 Other Schemes								
For the purposes of disclosure, the smaller schemes have been grouped under "other":								
	PCSS		G-GPS		JPS		FCCJDDS	
	\$'000		\$'000		\$'000		\$'000	
Expected benefit payments for 2019	42,784		1,612		53,819		662	
Maturity profile of defined benefit obligation	Years		Years		Years		Years	
	15.6		9.2		14.6		1.5	
Reconciliation of the:	Present value of the defined benefit obligation		Fair value of the scheme assets		Net defined benefit liability			
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Value at beginning of the year	2,495,412	2,630,370	-	-	2,495,412	2,630,370		
Current service cost	44,515	61,087	-	-	44,515	61,087		
Interest cost	85,678	69,779	-	-	85,678	69,779		
Total expense	130,193	130,866	-	-	130,193	130,866		
<i>Actuarial (gains) / losses adjusted in other comprehensive income arising from</i>								
Changes in demographic assumptions	16,165	-	-	-	16,165	-		
Changes in financial assumptions	150,415	(210,924)	-	-	150,415	(210,924)		
Liability experience	(6,530)	37,043	-	-	(6,530)	37,043		
Total other comprehensive income	160,050	(173,881)	-	-	160,050	(173,881)		
Net appropriation from CRF	-	-	94,599	91,943	(94,599)	(91,943)		
Benefits paid	(94,599)	(91,943)	(94,599)	(91,943)	-	-		
Value at end of the year	2,691,056	2,495,412	-	-	2,691,056	2,495,412		

Notes to and forming part of the financial statements

C. General Business Disclosures

C4 : Restructuring						
	DTA¹	PM&C²	IPEA³	DTA¹	IPEA⁴	IPEA⁴
	30 June	30 June	30 June	30 June	30 June	30 June
	2018	2018	2018	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
FUNCTIONS RELINQUISHED						
Assets relinquished						
Cash and cash equivalents	96,063	-	-	-	-	-
Trade receivables	68,937	28	-	3,443	1,027	107
Accrued revenue	174	-	-	-	-	-
Land	-	44,000	-	-	-	-
Buildings	-	5,811	-	-	-	-
Total assets relinquished	165,174	49,839	-	3,443	1,027	107
Liabilities relinquished						
Payables	9,590	-	-	807	-	3,945
Unearned revenue	130,416	-	-	-	-	-
Employee provisions	-	28	2,769	2,636	1,027	617
Total liabilities relinquished	140,006	28	2,769	3,443	1,027	4,562
Net assets/(liabilities) relinquished						
	25,168	49,811	(2,769)	-	-	(4,455)

¹ Whole of Australian Government Information and Communications Technology (WoAG ICT) policy, procurement and strategy-related functions transferred to the Digital Transformation Agency (DTA) following an administrative arrangements order on 27 October 2016. Relevant staff, appropriations, assets and liabilities were transferred in 2016-17, with a final transfer of assets and liabilities occurring on 1 July 2017 following the establishment of the *DTA ICT Coordinated Procurement Special Account*.

² Ownership and property management of the Prime Minister's official establishments transferred to the Department of Prime Minister and Cabinet (PM&C) following an administrative arrangements order on 30 November 2017.

³ Administration of the *Parliamentary Retirement Travel Act 2002* (formerly the *Members of Parliament (Life Gold Pass) Act 2002*) transferred to the Independent Parliamentary Expenses Authority (IPEA) on 1 January 2018 following commencement of the *Parliamentary Business Resources Act 2017*.

⁴ Finance transferred functions for: auditing, reporting, providing advice and processing claims relating to travel expenses and allowances of parliamentarians and MOP(S) Act staff to IPEA following a restructure of administrative arrangements on 3 April 2017.

Functions Assumed

There were no functions assumed in 2017-18. In 2016-17, Finance recognised net assets of \$14 million for the transfer of shared services from the Education and Training and Employment portfolios.

D. Operating Resources

This section provides further information about major assets and liabilities held or administered by Finance, significant estimates and judgements made and the management of risk in relation to these items.

D1 : Financial instruments

Policy and measurement

A financial instrument is a contract between entities that gives rise to a financial asset of one entity and a financial liability or equity instrument of the other entity. Generally, financial instruments are recognised and derecognised on 'trade date' which is the date that the risks and rewards of ownership are transferred to the 'buyer'. Finance classifies its financial instruments in the following categories:

- **Loans and receivable assets:** includes cash and cash equivalents which are readily convertible to cash, trade receivables, loans and other receivables with fixed or determinable payments that are not quoted in an active market.
- **Held-to-maturity investments:** non-derivative financial assets with fixed or determinable payments and fixed maturities that an entity has a positive intention and ability to hold to maturity.
- **Available-for-sale financial assets:** non-derivative financial assets that are either designated in this category or are not classified in any other category.
- **Financial assets/liabilities FVPL:** assets and liabilities held for trading, or portions of an identified portfolio of financial instruments that are managed together and have a recent actual pattern of short term profit taking. Derivatives are classified as held for trading unless they are designated as hedges.
- **Financial liabilities held at amortised cost:** includes suppliers and other payables with a fixed or determinable amount to be paid that are not quoted in an active market.

All financial assets and liabilities are initially recognised at fair value (usually transaction price). For financial instruments not at FVPL, transaction costs are also added to the initial value.

Measurement	Type of financial instrument	Impairment (assessed annually)
At fair value, with all movements captured in the surplus/(deficit).	<ul style="list-style-type: none"> • Loans and receivables (short term). • Financial assets/liabilities at FVPL including any interest paid or earned. 	N/A
At amortised cost using effective interest method, any valuation movement is recognised in the surplus/(deficit).	<ul style="list-style-type: none"> • Loans and receivables (long term). • Held-to-maturity investments. • Financial liabilities measured at amortised cost (supplier and other payables). • Interest and foreign exchange gains/losses on available for sale financial assets. 	Impairment loss is measured as the difference between the carrying amount and the present value of discounted estimated future cash flows. Any asset impairment is shown as a reduction in the value of the asset by way of an allowance account, with the loss being recorded in the surplus/(deficit).
At fair value, with any valuation movement taken to equity (reserves).	<ul style="list-style-type: none"> • Available-for-sale financial assets, with the exception of interest and foreign exchange movements. 	Any difference between the cost less principal repayments and amortisation, and the current fair value less any previous impairment loss, is transferred from equity to the surplus/(deficit).

In the following note disclosure, Departmental and Administered items are included together for presentation purposes only and these balances should not be compared.

Notes to and forming part of the financial statements

D. Operating Resources

D1.1 Categories of financial instruments

	Note ref	Departmental		Administered	
		30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Financial Assets					
<i>Loans and receivables</i>					
Cash and cash equivalents					
OPA balance	H2	-	-	1,730,174	936,797
Special account cash held by Finance	F3.1	15,244	9,162	-	-
Operating cash balance		1,580	1,618	858	1,159
Special account cash held in OPA	F3.1	755,470	739,018	-	-
Trade receivables		4,064	74,299	1,826	721
Investment funds - loans and receivables	C2.2	-	-	7,979,610	6,501,484
State and Territory Government loans		-	-	133,121	139,752
Accrued revenue		5,889	11,770	9,583	2,213
Total loans and receivables		782,247	835,867	9,855,172	7,582,126
<i>Held-to-maturity investments</i>					
Government securities					
		-	-	-	1,472
Total held-to-maturity investments		-	-	-	1,472
<i>Available-for-sale financial assets</i>					
Commonwealth corporate entities					
		-	-	904,868	573,417
Total available-for-sale financial assets		-	-	904,868	573,417
<i>Financial assets designated at FVPL</i>					
Investment funds - financial assets at FVPL					
	C2.2	-	-	21,844,193	16,190,822
Total financial assets designated at FVPL		-	-	21,844,193	16,190,822
Total financial assets		782,247	835,867	32,604,233	24,347,837
Financial Liabilities					
<i>Financial liabilities measured at amortised cost</i>					
Trade creditors and accruals					
		36,241	49,771	12,141	12,418
Investment funds - financial liabilities	C2.2	-	-	91,032	99,915
Finance leases		3,736	6,475	-	-
Total financial liabilities measured at amortised cost		39,977	56,246	103,173	112,333
<i>Financial liabilities designated at FVPL</i>					
Investment funds - derivative liabilities					
	C2.2	-	-	157,327	13,405
Total financial liabilities designated at FVPL		-	-	157,327	13,405
Total financial liabilities		39,977	56,246	260,500	125,738

Key judgements and estimates***Loans to state and territory governments***

Concessional loan balances receivable from states and territories are measured at amortised cost and no security is held for these. Repayments are based on a reducing balance method. The amortised cost differs from fair value which has been disclosed under Note D1.2.

Investments in Commonwealth corporate entities (CCEs)

CCEs are wholly owned by the Commonwealth and managed by Finance on behalf of the Commonwealth. CCEs are not controlled by Finance and have been reported as investments and measured at fair value.

The following are details of Finance's CCEs:

- CSC is a trustee and administrator of Commonwealth superannuation schemes. The value of CSC has been measured using the net assets (NET) reported in its financial statements. A change in the net assets would result in an equal change in reported fair value.
- Australian Naval Infrastructure (ANI) Pty Ltd has begun the redevelopment of the Osborne South Shipyard and is in the process of establishing its long term leasing/access arrangements for the critical infrastructure in its ownership. The value of ANI has been measured using the net assets (NET) reported in its financial statements. A change in the net assets would result in an equal change in reported fair value.
- ASC Pty Ltd (ASC) provides ongoing capability for the through life support of the Collins class submarine and is the shipbuilder for the Air Warfare Destroyer and Offshore Patrol Vessel programs. ASC has been measured using reporting date value of the future cash flows of the company sourced from the 2018-23 Corporate Plan and an extended forecast model out to 2027 based on information in the ASC internal valuation.
 - On 29 June 2018, the Government announced plans for the construction of anti-submarine warfare frigates (Future Frigate program – Hunter Class frigates). The frigates will be built by ASC Shipbuilding, which is currently wholly owned by the Commonwealth (through ASC Pty Ltd) and will become a subsidiary of BAE Systems during the construction phase. Details in relation to the transfer of ASC Shipbuilding to BAE Systems are currently being determined. Cash flows in relation to ASC Shipbuilding have been excluded from the valuation.
 - ASC's cash flows have been discounted using the weighted average cost of capital (WACC). The WACC is calculated based on a number of inputs derived from either professional judgement or observable historical market data of comparable entities. The impact of WACC changes is included as part of Market Risk analysis in Note D2.1.

Notes to and forming part of the financial statements

D. Operating Resources

D1.2 Fair value information by financial asset class

The following table sets out the fair value, valuation techniques and inputs used for Administered financial instruments. The techniques used to value financial instruments have not changed during the year.

Financial instruments have been valued using inputs under the following fair value hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that Finance can access at measurement date.
- Level 2: observable inputs that are derived from prices in active markets.
- Level 3: inputs that are not observable and involve significant judgement.

Fair value measurements at the end of the reporting period

	Level	Inputs used	Valuation technique	Administered	
				30 June 2018	30 June 2017
				\$'000	\$'000
Financial assets					
State and Territory Government loans	2	N/A	Income approach	215,893	231,180
Investments in CCEs	3	NET	Cost approach	597,405	318,616
Investments in CCEs	3	WACC	Income approach	307,463	254,801
<i>Investment funds - financial assets at FVPL</i>					
Investment funds- other investments	1	N/A	Market approach	1,248,694	553,207
Investment funds- interest bearing securities	2	PI ¹	Market approach	18,129,857	14,195,737
Investment funds- derivative assets	2	N/A	Market approach	32,971	117,607
Investment funds - other investments	2	N/A	Market approach	-	2,875
		Earnings			
Investment funds- interest bearing securities	3	multiple	Market approach	154,124	-
Investment funds- other investments	3	NET	Market approach	2,274,729	1,321,396
Total financial assets				22,961,136	16,995,419
Financial liabilities					
Investment funds - derivative liabilities	2	N/A	Market approach	157,327	13,405
Total financial liabilities				157,327	13,405
¹ Price Index (PI) values based on observable market data relating to prices, industry accepted pricing models and broker/dealer quotes					
<i>Movements of recurring level 3 financial assets</i>					
				Administered	
				30 June 2018	30 June 2017
				\$'000	\$'000
Opening balance of investments in CCEs				573,417	400,454
Equity injections				279,500	95,000
Total gains/(losses) recognised in other comprehensive income				51,951	77,963
Closing balance of investments in CCEs				904,868	573,417
Opening balance of investment funds - financial assets at FVPL				1,321,396	697,575
Purchase				1,274,101	656,697
Sales				(206,253)	(30,379)
Total gains/(losses) recognised in net cost of services				44,172	(2,128)
Transfers into level 3				(4,563)	(369)
Closing balance of investment funds - financial assets at FVPL				2,428,853	1,321,396

D1.3 Net gains or losses on financial assets

	Note ref	Departmental		Administered	
		30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Loans and receivables					
Interest revenue earned on:					
OPA deposits		-	-	15,215	14,877
Housing agreements		-	-	4,500	5,515
State and Territory Government loans		-	-	10,079	9,707
Other interest revenue		3	8	-	-
Impairment of financial assets		(66)	(4)	(1)	(13)
Net gains/(losses) on loans and receivables		(63)	4	29,793	30,086
Held-to-maturity investments					
Interest revenue earned on Government Securities		-	-	47	94
Net gain/(losses) on held-to-maturity investments		-	-	47	94
Available-for-sale financial assets					
Dividends		-	-	16,100	19,700
Investment funds - dividends	C2.1	-	-	36,716	13,228
Gain/(loss) recognised in equity	D1.2	-	-	51,951	77,963
Gains from sale of financial assets					
Sale proceeds		-	-	-	1
Net gains/(losses) from available-for-sale financial assets		-	-	104,767	110,892
Financial assets designated as FVPL					
Investment funds - foreign exchange losses	C2.1	-	-	(225,700)	(6,925)
Investment funds - interest on term deposits	C2.1	-	-	140,885	91,566
Investment funds - gains on financial investments	C2.1	-	-	763,532	439,306
Net gains/(losses) on financial assets designated as FVPL		-	-	678,717	523,947
Net gains/(losses) on financial assets		(63)	4	813,324	665,019

Policy and measurement

Foreign exchange gains/losses

All foreign currency transactions during the period are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency items at reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in the surplus/(deficit) in the period in which they arise.

Notes to and forming part of the financial statements

D. Operating Resources

D2 : Managing financial risk

Finance is generally exposed to a low level of risk in relation to its financial instruments with the exception of the investment funds which are exposed to a moderate level of risk commensurate with the types of financial instruments held and the markets in which those instruments are traded. These risks are discussed as part of the investment funds (Note C2). Non-investment fund risks are discussed below.

D2.1 Market risk

Market risk refers to the risk that a change in market parameters will impact on assets held by Finance. Other than balances held by the investment funds, investments in CCEs and the OPA which are exposed to interest rate risk and foreign currency risk, Finance holds basic financial instruments that are not exposed to market risks. The following table discloses market risks in relation to the OPA and investments in CCEs. Disclosures in relation to the investment funds are included as part of Note C2.3.1.

Sensitivity analysis of interest rate risk exposure

2018	Risk variable	Change in risk variable %	Effect on	
			Surplus/ (deficit) \$'000	Equity \$'000
Overnight cash deposits with the RBA	Deposit rate	+0.2%	2,435	-
		-0.2%	(2,435)	-
Investments in CCEs	Discount rate	+0.2%	-	1,907
		-0.2%	-	(1,874)
2017		%	\$'000	\$'000
Overnight cash deposits with the RBA	Deposit rate	+0.3%	3,521	-
		-0.3%	(3,521)	-
Investments in CCEs	Discount rate	+0.3%	-	(2,313)
		-0.3%	-	2,374

D2.2 Liquidity risk

Liquidity risk is the risk that an entity will be unable to pay its debts when they fall due. As Finance is appropriation funded, the risk of Finance not meeting its obligations associated with financial liabilities is highly remote. Internal policies and procedures are also in place to ensure there are appropriate resources available to meet obligations. Finance's credit terms for goods and services are payment within 30 days. Disclosures in relation to the investment funds are included as part of Note C2.3.2.

D2.3 Credit risk

Credit risk is the risk that entities owing debts to Finance will not pay those debts as and when they fall due. Finance is exposed to a moderate level of credit risk in relation to the investment fund's assets; all other financial assets are considered to be low risk. Trade and other receivables (excluding State and Territory Government loans) have standard 30 days terms. Additional disclosures for the investment funds credit risk are included in Note C2.3.3.

Gross exposure to all credit risk and credit quality of financial assets

	Note ref	Departmental		Administered	
		30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Financial assets					
Not past due nor impaired					
Cash and cash equivalents		772,294	749,798	1,731,032	937,956
Trade receivables		3,089	47,265	1,446	182
Investment funds - loans and receivables	C2.2	-	-	7,979,610	6,501,484
Investment funds - financial assets at FVPL	C2.2	-	-	21,844,193	16,190,822
State and Territory Government loans		-	-	133,121	139,752
Accrued revenue		5,889	11,770	9,583	2,213
Government securities		-	-	-	1,472
Total not past due nor impaired		781,272	808,833	31,698,985	23,773,881
Past due or impaired					
Trade receivables		975	27,034	380	539
Total past due or impaired		975	27,034	380	539
Total financial assets		782,247	835,867	31,699,365	23,774,420
<i>Ageing of financial instrument assets that were past due or impaired</i>					
0 to 30 days		236	26,911	117	10
31 to 60 days		185	18	21	8
61 to 90 days		64	7	19	94
90+ days		490	98	223	427
Total past due but not impaired		975	27,034	380	539

D3 : Non-financial assets**Policy and measurement**

Non-financial assets (excluding assets held for sale) are not expected to be sold or realised within the next 12 months.

Asset recognition threshold

Purchases of property, plant and equipment, and intangibles are recognised where they meet an individual asset recognition threshold of \$5,000. All purchases under this threshold are expensed in the year of acquisition, other than when they form part of a group of similar items which are significant in total in which case they are recognised on a group basis.

Finance has a number of asset classes. The recognition and measurement policy for each is included below:

Asset class (includes work in progress)	Initial Recognition	Subsequent Recognition	Revaluation Frequency	Fair value measured at
Land	At cost.	Fair value.	Assessed annually by management to determine whether it is likely that the carrying amount is materially different from fair value. If likely, revaluations are conducted by independent valuers and revaluation adjustments are made on a class basis.	Market selling price or discounted cash flows.
Buildings				Market selling price, discounted cash flows or current replacement cost.
Leasehold improvements				Current replacement cost.
Infrastructure, plant and equipment				Market selling price or current replacement cost.
Investment property	At cost, except where acquired at nominal cost, then fair value.	Fair value.	Annually.	Market selling price or discounted cash flows.
Intangibles (including internally developed and externally acquired software)	At cost.	Cost less accumulated amortisation and accumulated impairment losses.	N/A	N/A

Revaluations

Revaluation adjustments are made on a class basis. For property, plant and equipment, revaluation increments are credited to equity under the heading of asset revaluation reserve except to the extent it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

Gains or losses arising from changes in the fair value of investment properties are recognised in the surplus/deficit in the year in which they arise.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset is restated to the revalued amount.

Decontamination, restoration and decommissioning costs

Obligations relating to the dismantling, removal, remediation and restoration are recognised in the cost of property, plant and equipment where reliability estimated, with a corresponding provision for remediation costs.

Depreciation/amortisation

Depreciable assets are written down to their estimated residual values over their estimated useful lives to Finance using the straight line method of depreciation. Depreciation rates are based on the following useful lives:

Asset class	2018 & 2017 (no change)
Buildings on freehold land	3 to 100 years
Leasehold improvements	Lesser of useful life or lease term
Intangibles	3 to 7 years
Infrastructure, plant and equipment	1 to 45 years

This policy is reviewed at each reporting date. If a change is deemed necessary, these are made in the current and future reporting periods as appropriate.

Assets held for sale

Assets held for sale includes properties that have been fully prepared for sale, are being actively marketed at fair value and are likely to settle within the next 12 months. Also included are properties that are currently under offer or contract (contract issued or exchanged but not yet settled) as at the end of the reporting period.

D3.1 Property, infrastructure, plant and equipment and intangibles

	Land \$'000	Buildings \$'000	Departmental		Plant and equip- ment \$'000	Intang- ible assets \$'000	Total \$'000
			Leasehold improve- ments \$'000	Invest- ment property \$'000			
As at 1 July 2017							
Gross book value	387,641	589,011	28,336	847,703	30,867	148,236	2,031,794
Accumulated depreciation, amortisation and impairment	-	-	(1,596)	-	-	(53,849)	(55,445)
Opening balance as at 1 July 2017	387,641	589,011	26,740	847,703	30,867	94,387	1,976,349
<i>Additions</i>							
Purchase or internally developed	13,659	19,679	313	17,414	3,866	17,866	72,797
<i>Items recognised in equity</i>							
Revaluations	35,394	3,364	-	-	-	-	38,758
<i>Items recognised in NCOS</i>							
Revaluations	-	14,050	-	12,015	-	-	26,065
Depreciation/amortisation expense	-	(13,272)	(1,735)	-	(8,318)	(20,941)	(44,266)
Transfers to assets held for sale	(14,930)	(11,800)	-	-	-	-	(26,730)
<i>Disposals</i>							
Transfers to agencies/restructuring	(44,000)	(5,811)	-	-	-	-	(49,811)
Write-offs	-	-	(6)	-	-	(2,061)	(2,067)
Reclassification	-	-	-	-	-	-	-
Other disposals	(1,750)	-	-	(93,850)	-	-	(95,600)
Closing balance as at 30 June 2018	376,014	595,221	25,312	783,282	26,415	89,251	1,895,495
Total as at 30 June 2018 represented by							
Gross book value							
Fair value (gross)	376,014	519,256	28,238	777,104	33,850	-	1,734,462
Internally developed software	-	-	-	-	-	137,778	137,778
Purchased software	-	-	-	-	-	13,624	13,624
Work in progress - at fair value	-	75,965	76	6,178	871	-	83,090
Work in progress - at cost	-	-	-	-	-	12,103	12,103
Accumulated depreciation, amortisation and impairment	-	-	(3,002)	-	(8,306)	(74,254)	(85,562)
Total as at 30 June 2018	376,014	595,221	25,312	783,282	26,415	89,251	1,895,495

Further information**Domestic property portfolio**

Finance provides policy advice, guidance and support on managing Commonwealth property, land and public works across the government; and managing specified major capital works projects and the government's non-Defence property portfolio within Australia.

The government's non-defence domestic property portfolio currently has approximately 90 Commonwealth-owned properties across Australia. These include office buildings, law courts, special purpose facilities, heritage assets, vacant land and contaminated sites that have been classified as either investment properties, land, buildings, or assets held for sale.

Notes to and forming part of the financial statements

D. Operating Resources

Other assets

Other assets include leasehold improvements, office equipment, information technology and finance lease assets in relation to the electronic work environment.

	Administered				Total \$'000
	Leasehold improve- ments \$'000	Infrastructure \$'000	Plant and equipment \$'000	Intangible assets \$'000	
As at 1 July 2017					
Gross book value	25,011	69,997	4,157	3,239	102,404
Accumulated depreciation, amortisation and impairment	(122)	-	-	(2,168)	(2,290)
Opening balance as at 1 July 2017	24,889	69,997	4,157	1,071	100,114
<i>Additions</i>					
By purchase	12,929	1,224	3,257	157	17,567
<i>Items recognised in equity</i>					
Revaluations	-	727	2,070	-	2,797
<i>Items recognised in the surplus/(deficit)</i>					
Depreciation/amortisation expense	(11,703)	(2,232)	(2,701)	(560)	(17,196)
<i>Disposals</i>					
Write-offs	(90)	-	(128)	-	(218)
Closing balance as at 30 June 2018	26,025	69,716	6,655	668	103,064
Total as at 30 June 2018 represented by					
Gross Book Value					
Fair value (gross)	39,434	69,716	7,759	-	116,909
Internally developed software	-	-	-	1,173	1,173
Purchased software	-	-	-	276	276
Work in progress - at fair value	1,818	-	1,787	-	3,605
Work in progress - at cost	-	-	-	-	-
Accumulated depreciation, amortisation and impairment	(15,227)	-	(2,891)	(781)	(18,899)
Total as at 30 June 2018	26,025	69,716	6,655	668	103,064
Further information					
Non-financial assets include the Intra Government Communication Network (ICON), leasehold improvements and IT assets for electoral and state offices, and other information technology assets to support Administered outcomes.					

D3.2 Fair value information by non-financial asset class

Key judgements and estimates

Where possible, assets are valued based upon observable inputs to the extent it is available. Where this information is not available, valuation techniques rely on unobservable inputs.

Independent valuations are obtained annually for land, buildings and investment properties. These valuations include calculations of estimated market cash flows which are adjusted to take into account physical, economic and external factors such as sale prices of comparable assets, replacement cost, expected useful life and adjustments for obsolescence. For investment properties, judgements include income and expenditure, as well as average vacancy periods and costs of establishing a new tenant, as leases become due for renewal and properties become vacant.

Within the property portfolio, there are a small number of properties where the highest and best use differs from the current use, being:

- 7 vacant blocks which have a highest and best use of 'office buildings';
- 1 vacant block which has a highest and best use of 'rural residential';
- 1 property with an unusable building which has a highest and best use of 'community use'; and
- 1 property with an unusable building which has a highest and best use of 'conservation'.

While the fair values for these properties has been measured in the financial statements using the highest and best use for each, they are not being utilised at their highest and best use as Finance is not in the business of development.

Leasehold improvements, and plant and equipment is subject to a formal independent valuation at least once every three years dependent upon an annual risk assessment. In years where a formal valuation is not undertaken, assets are subject to a desktop review. Leasehold improvements for One Canberra Avenue were valued on acquisition in 2016. An independent valuation in relation to all other leasehold improvements and plant and equipment was undertaken as at 30 June 2017.

Finance reviews all reports received from independent valuers to ensure valuations align with its own assumptions and understanding of the respective assets and their circumstances.

Fair value measurements

Finance only holds non-financial assets in the following two levels of the fair value hierarchy:

- Level 2: observable inputs (other than quoted prices in active markets) are used to calculate the fair value of the asset; and
- Level 3: inputs used to calculate the fair value are not observable.

The following tables set out (by asset class) the valuation technique, inputs used, and the level of the fair value hierarchy per *AASB 13 Fair Value Measurement*.

Notes to and forming part of the financial statements

D. Operating Resources

Technique / inputs used / level	Departmental						
	Land	Buildings	Leasehold improvements	Investment property	Plant and equipment	Assets held for sale	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Market Approach / AMT / 2	135,910	18	-	70,104	13,049	12,254	231,335
Cost Approach / RCN; CEB / 3	-	-	25,312	-	13,366	-	38,678
Cost Approach / RCN / 2	-	297,404	-	-	-	-	297,404
Income Approach / AMT / 2	240,104	297,799	-	713,178	-	15,900	1,266,981
Total assets at fair value 30 June 2018	376,014	595,221	25,312	783,282	26,415	28,154	1,834,398
Market Approach / AMT / 2	174,997	6,105	-	63,590	13,490	4,317	262,499
Cost Approach / RCN; CEB / 3	-	-	26,740	-	17,377	-	44,117
Cost Approach / RCN / 2	-	284,706	-	-	-	-	284,706
Income Approach / AMT / 2	212,644	298,200	-	784,113	-	-	1,294,957
Total assets at fair value 30 June 2017	387,641	589,011	26,740	847,703	30,867	4,317	1,886,279

Technique / inputs used / level	Administered				Total
	Leasehold improvements	Infrastructure	Plant and equipment		
	\$'000	\$'000	\$'000	\$'000	
Cost Approach / RCN; CEB / 3	26,025	69,716	-	95,741	
Market Approach / AMT / 2	-	-	3,713	3,713	
Cost Approach / AMT; CEB / 3	-	-	2,942	2,942	
Total assets at fair value 30 June 2018	26,025	69,716	6,655	102,396	
Cost Approach / RCN; CEB / 3	24,889	69,997	-	94,886	
Market Approach / AMT / 2	-	-	2,575	2,575	
Cost Approach / AMT; CEB / 3	-	-	1,582	1,582	
Total assets at fair value 30 June 2017	24,889	69,997	4,157	99,043	

Inputs used

Replacement Cost of New Assets (RCN): the amount a market participant would pay to acquire or construct a new substitute asset of comparable utility.

Consumed Economic Benefits (CEB): obsolescence of assets, physical deterioration, functional or technical obsolescence and conditions of the economic environment specific to the asset.

Adjusted Market Transactions (AMT): market transactions of comparable assets, adjusted to reflect differences in price sensitive characteristics.

Recurring level 3 fair value measurements

There has been \$0.9 million transferred from level 2 to level 3 for Plant & Equipment and Leasehold improvements.

There has been \$9.1 million transferred from level 2 to level 3 for Plant & Equipment and Leasehold improvements.

D4 : Other provisions**Policy and measurement**

Finance recognises a provision when it has a legal or constructive obligation to make a payment, it is probable that payment will be made and the amount to be paid can be reliably measured.

In the following note disclosure, Departmental and Administered items are included together for presentation purposes only and these balances should not be compared.

	Departmental		Administered	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Property				
Excess lease space	-	203	496	1,513
Provision for remediation costs	20,648	8,612	6,310	5,509
Other				
Act of Grace	-	-	9,015	9,825
Same Sex Relationships Act	-	-	1,529	1,467
Total other provisions	20,648	8,815	17,350	18,314
Movements of other provisions				
Opening balance	8,815	24,774	18,314	18,173
Additional provisions made	13,773	4,291	1,916	3,169
Amounts used	(1,473)	(20,250)	(2,457)	(2,832)
Amounts reversed	(467)	-	(423)	(196)
Closing balance	20,648	8,815	17,350	18,314

Further information**Remediation**

Finance currently has agreements for the leasing of premises which have provisions requiring Finance to restore the premises to their original condition at the conclusion of the lease.

The domestic property portfolio managed by Finance has a small number of properties with potential remediation issues that are currently the subject of further investigation. A provision has been raised in relation to remediation of three properties.

Excess lease space

Finance has reviewed the leasing of all premises for surplus space and has recognised a provision in relation to five Administered premises. Finance has made a provision to reflect the present value of this surplus space.

Act of Grace

The Act of Grace mechanism is a discretionary power found in section 65 of the PGPA Act, which allows payments to be made if it is appropriate and a decision maker considers there are special circumstances. In most cases these relate to pension payments to spouses of former members of the Commonwealth defined benefit superannuation schemes.

Same Sex Relationships Act

The *Same Sex Relationships (Equal Treatment in Commonwealth Laws – General Reform) Act 2008* removes discrimination against same-sex couples and their dependent children from a wide range of Commonwealth laws and programs. These relate to pension payments to partners of former members of the Commonwealth defined benefit superannuation schemes.

E. Our People

This section describes the employment and post-employment benefits provided to our people and our relationships with other key people.

Finance provides salary and related benefits to:

- staff employed by current and former Members of Parliament under the *Members of Parliament (Staff) Act 1984* (MOP(S) Act); and
- Parliamentarians' under the *Parliamentary Business Resources Act 2017* (PBR Act).

Finance provides post-employment benefits to former Prime Ministers under the PBR Act.

Superannuation payments made to former Commonwealth employees which are also administered by Finance on behalf of the Government are not included in the tables below. These are disclosed in Note C3: Superannuation.

In the following note disclosures, Departmental and Administered items are included together for presentation purposes only and these balances should not be compared.

E1 : Employee benefits

Policy and measurement

Liabilities for short term employee benefits and termination benefits expected within twelve months of the end of the reporting period are measured at their nominal amounts.

Other long term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period.

Leave

The liability for employee benefits includes provision for annual leave and long service leave.

The liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including Finance's superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out at termination.

Separation and redundancy

Provision is made for separation and redundancy benefit payments. Finance recognises a provision for restructuring when it has a detailed formal plan for the restructuring and has informed those employees affected that it will carry out the restructuring.

Superannuation

Finance's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes of the Australian Government. The PSSap is a defined contribution scheme. The liability for defined benefits is recognised in Finance's administered statements and reported in Note C3: Superannuation.

Finance makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. Finance accounts for the contributions as if they were contributions to defined contribution plans.

Key judgements and estimates**Leave**

The liability for long service leave has been determined by reference to standard parameters issued by the Department of Finance. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Leave liabilities for employees engaged under the MOP(S) Act are calculated with reference to an actuarial assessment. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

A provision for severance payments is made for employees engaged under the MOP(S) Act in the event their employment is terminated, other than through resignation. These are measured as the defined benefit obligation adjusted for future salary increases discounted back to present value using yields on Government bonds.

Post-employment benefits

Provision is made for certain entitlements for former Prime Ministers, including staff, office and vehicle costs. The liability is calculated with reference to an actuarial assessment for each former Prime Minister individually where future recurrent expenditure assumptions are set having regard to historical data adjusted for inflation.

E1.1 Employee benefit expenses

	Departmental		Administered	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Wages and salaries ¹	121,933	127,734	223,568	187,882
Superannuation expense				
Defined contribution plans	10,848	13,991	33,569	30,247
Defined benefit plans	12,575	10,714	5,677	7,562
Leave and other entitlements	15,580	12,538	20,021	17,870
Increase (decrease) in post-employment benefits liability	-	-	(3,934)	(75,596)
Separations and redundancies	7,312	2,952	5,315	10,296
Other employee expenses	229	689	14,520	16,838
Total employee expenses	168,477	168,618	298,736	195,099

¹ Includes salaries and related benefits for Parliamentarians' from 1 January 2018. Prior to this payments were administered by the Australian Public Service Commissioner (APSC).

E1.2 Employee provisions

	Departmental		Administered	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Employee provisions				
Leave	56,468	58,403	41,744	36,185
Separation and redundancies	6,011	-	23,475	24,070
Post-employment benefits	-	-	170,646	176,754
Total employee provisions	62,479	58,403	235,865	237,009

Notes to and forming part of the financial statements

E. Our People

E2 : Key management personnel remuneration

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of Finance. Finance has determined the KMP to be the Finance Minister, the Assistant Minister for Finance and the members of the Finance Executive Board which includes the Secretary, Deputy Secretaries and two SES on a rotational basis. KMP remuneration is reported in the table below.

	Departmental	
	30 June 2018	30 June 2017
	\$	\$
<i>Short-term employee benefits</i>		
Salary	2,200,814	2,392,122
Executive vehicle scheme	163,016	197,523
Other benefits	7,193	7,520
Total short-term employee benefits	2,371,023	2,597,165
<i>Post-employment benefits</i>		
Superannuation	424,803	427,551
Total post-employment benefits	424,803	427,551
<i>Other long-term benefits</i>		
Annual leave	299,350	266,823
Long service leave	104,303	225,281
Total other long-term benefits	403,653	492,104
Total termination benefits	-	-
Total key management personnel remuneration¹	3,199,479	3,516,820
Number of key management personnel included in the table above ²	10	10

¹ The above KMP remuneration excludes the remuneration and other benefits of the Finance Minister and the Assistant Minister for Finance whose remuneration and other benefits are set by the Remuneration Tribunal and are not paid by Finance.

² Represents the total number of persons who held a KMP position during the year, or part thereof.

E3 : Related parties

Finance is an Australian Government controlled entity. Related parties to Finance are KMP including the Minister for Finance, the Assistant Minister for Finance, the Finance Executive Board and other Australian Government entities. KMP remuneration for members of the Executive Board is disclosed in Note E2.

Transactions with related parties

Finance undertakes a number of functions on behalf of the Australian government, as detailed in the financial statements. In performing these functions, Finance transacts with all other Australian Government controlled entities for normal day-to-day business operations provided under normal terms and conditions or on a cost recovery basis. This includes the payment of workers compensation and insurance premiums and collection of rental income. They are not considered significant individually to warrant separate disclosure as related party transactions.

F. Funding

Amounts appropriated for Departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue from Government when Finance gains control of the appropriation. Appropriations receivable is recognised at the nominal amounts.

Administered appropriations are not recognised as revenue in the Schedule of Comprehensive Income. They are included in the Administered Reconciliation Schedule once they are recognised, which is the date the amounts are drawn down to Finance's bank account for payment against the appropriation for annual and special appropriations, or the date stated in the determination for other Administered amounts.

In the following note disclosure, Departmental and Administered items are included together for presentation purposes only and these balances should not be compared.

F1 : Annual appropriations

F1.1 Annual appropriations ('recoverable GST exclusive')

	Departmental		Administered	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Ordinary annual services				
Annual Appropriation				
Ordinary annual services	262,782	283,961	273,579	304,384
Capital budget	6,480	-	4,983	4,919
Section 74 receipts of PGPA Act	71,726	56,305	224	2,952
Section 75 transfers of PGPA Act ¹	(205)	614	-	(9,221)
Total	340,783	340,880	278,786	303,034
Appropriation applied ²	(334,338)	(351,978)	(266,148)	(298,468)
Variance	6,446	(11,098)	12,638	4,566
Other services				
Annual appropriation				
Equity injection	74,853	69,808	-	-
Assets and liabilities	-	-	512,546	1,890
Total	74,853	69,808	512,546	1,890
Appropriation applied ²	(27,991)	(127,968)	(292,338)	(1,779)
Variance	46,862	(58,160)	220,208	111

¹ An amount of \$0.2 million was transferred to PM&C under a section 75 determination following an Administrative Arrangements Order on 30 November 2017. For further information, refer to the Restructuring Note at C4.

² Appropriation applied includes cash payments made from current and prior year appropriations.

The following entities spent money from the CRF on behalf of Finance: CSC and the Department of Parliamentary Services (DPS). The money spent has been included in the table above.

Departmental and Administered capital budgets are appropriated through Appropriation Acts (No.1, 3, 5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Notes to and forming part of the financial statements

F. Funding

F1.2 Unspent annual appropriations ('recoverable GST exclusive')

	Departmental		Administered	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Appropriation Act (No. 2) 2012-13	-	90	-	847
Appropriation Act (No. 2) 2013-14	-	1,246	-	8,153
Appropriation Act (No. 2) 2014-15	-	-	-	16
Appropriation Act (No. 2) 2015-16	-	7,260	218	218
Supply Act (No. 2) 2016-17	17,190	20,207	-	697
Appropriation Act (No. 2) 2016-17	32,254	40,969	-	975
Appropriation Act (No.2) 2017-18	64,202	n/a	221,956	n/a
Appropriation Act (No. 4) 2012-13	-	-	-	5,000
Appropriation Act (No. 4) 2015-16	-	2,226	153	153
Appropriation Act (No. 4) 2016-17	-	-	-	218
Appropriation Act (No. 4) 2017-18	3,878	n/a	142	n/a
Appropriation Act (No. 1) 2013-14	-	7,064	-	480
Appropriation Act (No. 1) 2014-15	-	-	-	174
Appropriation Act (No. 1) 2015-16 ¹	30	3,168	105	105
Appropriation Act (No. 1) 2016-17 ¹	16,591	100,006	3,936	24,653
Appropriation Act (No. 1) 2017-18 ²	79,263	n/a	39,566	n/a
Appropriation Act (No. 3) 2014-15	-	-	-	2,720
Appropriation Act (No. 3) 2015-16 ¹	-	-	1,847	1,847
Appropriation Act (No. 3) 2016-17	2,955	2,955	-	11,194
Appropriation Act (No. 3) 2017-18	4,107	n/a	-	n/a
Appropriation Act (No. 1) 2014-15 - Capital	-	-	-	3,166
Appropriation Act (No. 1) 2015-16 - Capital ¹	-	-	3,189	3,189
Appropriation Act (No.1) 2016-17 - Capital	474	474	428	2,869
Supply Act (No.1) 2016-17 - Capital	474	474	-	1,602
Appropriation Act (No.1) 2017-18 - Capital	2,689	n/a	4,983	n/a
Total unspent appropriations	224,107	186,139	276,523	68,276

Reconciliation to appropriations receivable (other departmental undrawn)

The above unspent appropriations balance includes quarantined amounts and amounts reported elsewhere in the financial statements which are not considered to be available to Finance. In order to reconcile to the closing appropriations receivable balance, unspent amounts considered unavailable to Finance have been removed below:

	Departmental	
	30 June 2018 \$'000	30 June 2017 \$'000
Total unspent appropriations	224,107	186,139
<i>Adjustments:</i>		
Moorebank reallocation and terminated superannuation reforms measure	-	(405)
Strategic Reviews hand back	-	(802)
Cash at bank - 30 June	(1,690)	(1,560)
Expected GST refund outstanding at year end	(1,283)	(1,588)
Recorded against special accounts receivable in ledger	(1,591)	(3,675)
Recorded against capital receivable for special account in ledger	(62,589)	(58,891)
Transfer of function to PM&C (withheld under s. 51 of the PGPA Act)	-	(6,262)
Supplementation	-	40,000
Closing appropriations receivable balance	156,954	152,956

Other quarantined amounts and adjustments

These balances meet the definition of a receivable and therefore do not need to be adjusted out of unspent appropriations to reconcile to appropriations receivable.

¹ The balance remaining in these appropriations have been withheld under s.51 of the PGPA Act as they are 2015-16 and 2016-17 Administered appropriations that are no longer required (the former s.11 process).

² The balance includes cash at bank as at 30 June 2018 of \$1.7 million plus expected GST refund of \$1.3 million (2017: cash at bank \$1.1 million, GST refund \$1.6 million).

F2 : Special appropriations

F2.1 Special appropriations ('recoverable GST exclusive')

	Appropriations applied	
	30 June 2018 \$'000	30 June 2017 \$'000
Administered		
<i>Commonwealth of Australia Constitution Act s.66 (Ministers of State Act 1952 s.5)</i>	(5,032)	(5,016)
<i>Federal Circuit Court of Australia Act 1999</i>	(456)	(616)
<i>Governance of Australian Government Superannuation Schemes Act 2011</i>	(470)	(1,208)
<i>Governor-General Act 1974</i>	(1,549)	(1,561)
<i>Judges' Pensions Act 1968</i>	(50,216)	(47,101)
<i>Medibank Private Sale Act 2006</i>	(55)	(474)
<i>Parliamentary Business Resources Act 2017</i>	(94,497)	-
<i>Parliamentary Contributory Superannuation Act 1948</i>	(42,409)	(42,665)
<i>Parliamentary Entitlements Act 1990</i>	(91,513)	(162,243)
<i>Parliamentary Retirement Travel Act 2002 formerly Members of Parliament (Life Gold Pass) Act 2002</i>	(240)	(564)
<i>Parliamentary Superannuation Act 2004</i>	(7,111)	(6,932)
<i>Public Governance, Performance and Accountability Act 2013 (PGPA Act)</i>	(356)	(109)
<i>Same-Sex Relationships (Equal Treatment in Commonwealth Laws – Superannuation) Act 2008</i>	(61)	(60)
<i>Superannuation Act 1922</i>	(74,160)	(81,985)
<i>Superannuation Act 1976</i>	(4,348,600)	(4,291,400)
<i>Superannuation Act 1990</i>	(2,057,933)	(1,936,684)
Total special appropriations applied¹	(6,774,658)	(6,578,618)

¹ The difference between 'total special appropriations applied' and the special appropriations reported in the Administered Reconciliation Schedule represents superannuation payments made that are yet to be reimbursed by entities who adopt a reimbursement basis to the Australian Government.

Superannuation Act 1976 and *Superannuation Act 1990*: Payments include amounts that are not an additional cost to the Australian Government and are funded from a return of superannuation benefit funded component associated with retirements of scheme members and reimbursements from the emerging cost entities.

Governor-General Act 1974: Administered by Finance and PM&C.

Same-Sex Relationships (Equal Treatment in Commonwealth Laws – Superannuation) Act 2008 and *Federal Circuit Court of Australia Act 1999*: Administered by Finance and the Attorney General's Department.

Commonwealth of Australia Constitution Act s.66 (Minister of State Act 1952 s.5): For the 2017-18 reporting period this appropriation was limited to \$5.1 million, the money spent has been included in the table above.

CSC drew from the special appropriation authorised by the *Superannuation Act 1922*, the *Superannuation Act 1976*, the *Superannuation Act 1990*, the *Governance of Australian Government Superannuation Schemes Act 2011*, PGPA Act, s.77 and the *Same-Sex Relationships (Equal Treatment in Commonwealth Laws - Superannuation) Act 2008*. The money spent has been included in the table above.

The Department of the House of Representatives and the Department of the Senate drew from the special appropriation authorised by the *Parliamentary Superannuation Act 2004* and *Commonwealth of Australia Constitution Act s.66 (Ministers of State Act 1952)*. The money spent has been included in the table above.

The Attorney-General's Department, the Department of Defence, the Department of Foreign Affairs and Trade, the Department of Parliamentary Services, the Department of the House of Representatives and the

Notes to and forming part of the financial statements

F. Funding

Department of the Senate drew from the special appropriation authorised by the *Parliamentary Entitlements Act 1990*. From 1 January 2018 the *Parliamentary Entitlements Act 1990* was repealed and replaced by the *Parliamentary Business Resources Act 2017* (PBR Act). The same entities have access to the PBR Act and the money spent has been included in the table above.

The Fair Work Commission drew from the special appropriation authorised by the *Judges Pension Act 1968*. The money spent has been included in the table above.

Finance has the following special appropriations that were not drawn upon in the current or prior year: *ACT Government Loan Act 2014*, *AICD Sale Act 1997*, *Airports (Transitional) Act 1996*, *Lands Acquisition Act 1989*, *Loans Securities Act 1919*, *Moomba-Sydney Pipeline System Sale Act 1994*, *Parliamentary Retiring Allowances (Increases) Act 1967*, *Parliamentary Retiring Allowances (Increases) Act 1971*, *Public Accounts and Audit Committee Act 1951*, *Public Governance, Performance and Accountability (Consequential and Transitional Provisions) Act 2014*, *Public Works Committee Act 1969*, *Superannuation Legislation (Consequential Amendments and Transitional Provisions) Act 2011*, *Transferred Officers' Allowances Act 1948*.

No investments were made under s.58 of PGPA Act however investments were made for the investment funds (under the *Nation-Building Funds Act 2008* s.32 & s.151), the MRFF (under the *Medical Research Future Fund Act 2015* s.37) and the DCAF (under the *DisabilityCare Australia Fund Act 2013* s.27). Please refer to note C2 for further information.

F2.2 Disclosure by agent in relation to annual and special appropriations ('recoverable GST exclusive')

The following table discloses appropriations Finance drew on behalf of other agencies:

	Relationship	Appropriations applied	
		30 June 2018 \$'000	30 June 2017 \$'000
Attorney-General's Department			
Total receipts		451	441
Total payments	Solicitors-General pension payments	(451)	(441)

F2.3 Compliance with statutory conditions for payments from the consolidated revenue fund

Section 83 of the Constitution provides that no amount may be paid out of the CRF except under an appropriation made by law. Finance in its central agency role provided information to all agencies in 2011 regarding the need for specific risk assessments in relation to section 83. It is impossible to fully remove the potential for section 83 breaches for all payments. In the vast majority of cases Finance relies on information provided by its clients to pay appropriate entitlements.

No breaches were identified in 2017-18.

F3 : Special accounts

A special account is an appropriation mechanism that notionally sets aside an amount within the CRF to be expended for specific purposes. The type of appropriation provided by a special account is a special appropriation. The appropriation mechanism remains available until the special account is abolished. The amount of appropriation that may be drawn from the CRF, via a special account, is limited to the balance of the particular special account.

Finance has been appropriated under the PGPA Act, s.78 (Departmental) and s.80 (Administered) for expenditure up to the balance of each of the following special accounts.

F3.1 Departmental special accounts

	Comcover	Property	BSSA	CPCSA	Total
	30 June	30 June	30 June	30 June	30 June
	2018	2018	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening cash held by Finance	1,914	2,367	-	4,881	9,162
Opening cash in OPA	494,359	122,238	-	122,421	739,018
Opening capital appropriation receivable ¹	-	58,891	-	-	58,891
Balance brought forward	496,273	183,496	-	127,302	807,071
Appropriations credited	8,004	81,522	-	1,201	90,727
Other receipts	142,755	209,251	-	23,008	375,014
Payments made	(166,565)	(158,326)	-	(114,618)	(439,509)
Balance carried forward	480,467	315,943	-	36,893	833,303
Balance represented by					
Cash held by Finance	1,526	13,697	-	21	15,244
Cash held in OPA	478,941	239,657	-	36,872	755,470
Capital appropriation receivable ¹	-	62,589	-	-	62,589
Special account balance	480,467	315,943	-	36,893	833,303

	Comcover	Property	BSSA	CPCSA	Total
	30 June	30 June	30 June	30 June	30 June
	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening cash held by Finance	1,478	198	-	412	2,088
Opening cash in OPA	433,065	156,676	5,856	48,315	643,912
Opening capital appropriation receivable ¹	-	82,420	-	-	82,420
Balance brought forward	434,543	239,294	5,856	48,727	728,420
Appropriations credited	9,067	123,375	-	4,151	136,593
Other receipts	143,758	93,141	-	241,756	478,655
Payments made	(91,095)	(272,314)	(5,856)	(167,332)	(536,597)
Balance carried forward	496,273	183,496	-	127,302	807,071
Balance represented by					
Cash held by Finance	1,914	2,367	-	4,881	9,162
Cash held in OPA	494,359	122,238	-	122,421	739,018
Capital appropriation receivable ¹	-	58,891	-	-	58,891
Special account balance	496,273	183,496	-	127,302	807,071

¹ These amounts have been specifically appropriated for the purposes of the Property Special Account but remain undrawn against Appropriation Acts 2 and 4.

Comcover Special Account

Establishing Instrument: *Financial Management and Accountability Determination 2009/05 — Comcover Special Account Establishment 2009*. Purpose: For receipts and expenditure relating to the promotion of risk management to General Government Sector entities; to administer the Commonwealth's general insurance fund; and to make payments in respect of any uninsured superannuation liability claims against an insured Commonwealth entity. This account is non-interest bearing. The special account determination sunsets on 1 April 2019.

Notes to and forming part of the financial statements

F. Funding

Property Special Account 2014Establishing Instrument: *PGPA Act (Property Special Account 2014 – Establishment) Determination 04*. Purpose:

Facilitates the management of the Commonwealth's non-Defence domestic property portfolio. This account is non-interest bearing. The special account determination sunsets on 1 April 2025.

Business Services Special Account (BSSA)Establishing Instrument: *Financial Management and Accountability Determination 2006/64 – Business Services Special**Account Establishment 2006*. Purpose: For expenditure relating to sentencing and disposing of records associated with the former Department of Administrative Services (DAS), managing and settling any personal injury and other legal claims arising from activities associated with the former DAS, and to conclude any other activity arising from the former DAS. This account is non-interest bearing. The special account ceased on 1 April 2017.**Coordinated Procurement Contracting Special Account (CPCSA)**Establishing Instrument: *Financial Management and Accountability Determination 2008/08 – Coordinated Procurement**Contracting Special Account Establishment 2008*. Purpose: For expenditure relating to the Whole of Australian Government (WoAG) contract for providing fleet management and leasing services, centralised government advertising activities, and other co-coordinated procurement contracts for the benefit of government entities. The account is non-interest bearing. The special account determination sunsets on 1 October 2018.

F3.2 Administered special accounts					
	BAF	EIF	DCAF	MRFF	Total
	30 June	30 June	30 June	30 June	30 June
	2018	2018	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward	-	-	-	-	-
Increase					
Contribution from Government	-	-	4,195,461	2,242,200	6,437,661
Investment realised	4,045,965	4,477,315	16,168,876	9,019,804	33,711,960
Other receipts	78,300	79,414	203,245	137,480	498,439
Total increase	4,124,265	4,556,729	20,567,582	11,399,484	40,648,060
Decrease					
Purchase of investment	(4,120,536)	(4,552,665)	(20,431,354)	(11,388,410)	(40,492,965)
Other payments	(3,729)	(4,064)	(136,228)	(11,074)	(155,095)
Total decrease	(4,124,265)	(4,556,729)	(20,567,582)	(11,399,484)	(40,648,060)
Balance carried forward	-	-	-	-	-
	BAF	EIF	DCAF	MRFF	Total
	30 June	30 June	30 June	30 June	30 June
	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward	-	-	-	-	-
Increase					
Contribution from Government	-	-	4,164,314	1,277,358	5,441,672
Investment realised	3,149,128	4,175,785	7,697,048	5,584,742	20,606,703
Other receipts	120,755	142,409	217,805	176,708	657,677
Total increase	3,269,883	4,318,194	12,079,167	7,038,808	26,706,052
Decrease					
Purchase of investment	(3,266,263)	(4,291,746)	(12,073,738)	(6,968,436)	(26,600,183)
Other payments	(3,620)	(26,448)	(5,429)	(70,372)	(105,869)
Total decrease	(3,269,883)	(4,318,194)	(12,079,167)	(7,038,808)	(26,706,052)
Balance carried forward	-	-	-	-	-

Building Australia Fund (BAF) Special Account

Establishing Instrument: *Nation-building Funds Act 2008*, s.13. Purpose: For making payments in relation to transport infrastructure, communications infrastructure (including the National Broadband Network), energy infrastructure and water infrastructure. The balance of the special account is invested by the Future Fund Board of Guardians. The Future Fund Board of Guardians may invest amounts standing to the credit of the special account in financial assets, although the special account itself is non-interest bearing.

Education Investment Fund (EIF) Special Account

Establishing Instrument: *Nation-building Funds Act 2008*, s.132. Purpose: For making payments in relation to higher education infrastructure, research infrastructure, vocational education and training infrastructure, and any other eligible education infrastructure. The balance of the special account is invested by the Future Fund Board of Guardians. The Future Fund Board of Guardians may invest amounts standing to the credit of the special account in financial assets, although the special account itself is non-interest bearing.

DisabilityCare Australia Fund (DCAF) Special Account

Establishing Instrument: *DisabilityCare Australia Fund Act 2013*, s.11. Purpose: For making reimbursements to State, Territory and Commonwealth Governments in relation to expenditure incurred under the *National Disability Insurance Scheme Act 2013*. The balance of the special account is invested by the Future Fund Board of Guardians. The Future Fund Board of Guardians may invest amounts standing to the credit of the special account in financial assets, although the special account itself is non-interest bearing.

Medical Research Future Fund (MRFF)

Establishing Instrument: *Medical Research Future Fund Act 2015*, s.14. Purpose: For making payments in relation to medical research and medical innovation. The balance of the special account is invested by the Future Fund Board of Guardians. The Future Fund Board of Guardians invests amounts standing to the credit of the special account, although the special account itself is non-interest bearing.

The following Special Accounts have not been used during the current and comparative years:***Lands Acquisition Special Account***

Establishing Instrument: *Lands Acquisition Act 1989*, s.89A. Purpose: For holding amounts of compensation due to be paid to a person in respect of compulsory acquisition of land where the amount of compensation payable to the person has been determined under the *Lands Acquisition Act 1989*, but after three months the amount remains unpaid due to default or delay on the part of the claimant. To date there have not been any transactions through this account.

Services for Other Entities and Trust Moneys (SOETM) Special Account – Department of Finance

Establishing Instrument: Financial Management and Accountability (Establishment of SOETM Special Account – Finance) Determination 2012/08. Purpose: For the receipt of moneys temporarily held in trust for other persons other than the Commonwealth and for the payment to a person other than the Commonwealth, on behalf of the Government, that are not PGPA Act agencies, or as permitted by an Act. The account is non-interest bearing. This special account was established on 26 June 2012 and the determination will sunset on 1 October 2022.

G. Managing Other Uncertainties

This section includes additional information about commitments and other events that may have an impact on future financials. These amounts have not been recorded elsewhere in the statements.

In the following disclosures, Departmental and Administered items are included together for presentation purposes only and these balances should not be compared.

G1 : Commitments

Commitments are defined as:

- Intentions to create liabilities or assets for the receiving entity, as evidenced by undertakings or agreements to make/obtain future payments to/from other entities; and
- Are executory contracts that are not recognised under *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* (i.e. not onerous); but
- Do not include future appropriations.

Commitments are disclosed per requirements of *AASB 117 Leases, AASB 138 Intangible Assets* and *AASB 116 Property, Plant and Equipment*.

	Departmental		Administered	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
BY TYPE				
Commitments receivable				
Domestic property portfolio - rent receivable ¹	745,546	983,098	-	-
Subleasing - rent receivable ²	9,464	11,170	-	-
Net GST recoverable	37,529	38,512	12,699	12,730
Total commitments receivable	792,539	1,032,780	12,699	12,730
Commitments payable³				
Capital commitments				
Land and buildings ⁴	42,298	40,206	185	105
Intangible assets development	14,076	5,089	-	-
Infrastructure, plant & equipment	142	1,215	3,299	-
Total capital commitments	56,516	46,510	3,484	105
Other commitments				
Operating leases ⁵	351,129	377,122	152,137	140,125
Finance leases ⁶	5,481	7,075	-	-
Net GST payable	67,777	89,373	-	-
Total other commitments	424,387	473,570	152,137	140,125
Total commitments payable	480,903	520,080	155,621	140,230
Net commitments by type	311,636	512,700	(142,922)	(127,500)
BY MATURITY				
Commitments receivable				
Within 1 year	73,040	78,114	3,582	3,271
Between 1 to 5 years	277,465	397,162	6,838	7,725
More than 5 years	442,034	557,504	2,279	1,734
Total commitments receivable	792,539	1,032,780	12,699	12,730
Commitments payable				
Capital commitments				
Within 1 year	48,466	38,911	3,484	105
Between 1 to 5 years	8,050	7,599	-	-
Total capital commitments	56,516	46,510	3,484	105
Operating lease commitments				
Within 1 year	15,729	17,482	37,784	36,059
Between 1 to 5 years	67,752	90,864	82,637	84,988
More than 5 years	267,648	268,776	31,716	19,078
Total operating lease commitments	351,129	377,122	152,137	140,125
Finance lease commitments				
Within 1 year	3,245	3,190	-	-
Between 1 to 5 years	2,236	3,885	-	-
Total finance lease commitments	5,481	7,075	-	-

	Departmental		Administered	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Other commitments				
Within 1 year	5,925	6,461	-	-
Between 1 to 5 years	23,879	34,440	-	-
More than 5 years	37,973	48,472	-	-
Total other commitments	67,777	89,373	-	-
Total commitments payable	480,903	520,080	155,621	140,230
Net commitments by maturity	311,636	512,700	(142,922)	(127,500)

¹ Domestic property portfolio rent receivable includes rent to be received from the Australian Government's non-Defence Commonwealth owned property portfolio within Australia.

² Subleasing rent receivable arrangements exist with the Department of Human Services for One Canberra Avenue.

³ Commitments relating to goods and services contracts for current and prior years are not required to be disclosed.

⁴ Land and buildings mainly represent outstanding contractual commitments for construction projects.

⁵ Operating leases mainly comprise office accommodation for Finance business operations (Departmental) and electorate offices for parliamentarians, Commonwealth Parliament Offices and COMCAR depots (Administered).

⁶ Finance leases represent outstanding contractual commitments relating to IT equipment and software.

G2 : Contingencies

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset, or represent a liability or an asset in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain, and contingent liabilities are recognised when settlement is greater than remote.

Finance does not have any significant quantifiable contingent assets or liabilities, nor does it have any unquantifiable contingent assets.

Unquantifiable contingent liabilities

In the normal course of business (including the Property and Insurance functions), Finance has a number of matters that are unquantifiable or subject to litigation. At the date of this report, Finance does not consider the outcome of any such matters likely to have a significant effect on its operations or financial position.

G3 : Subsequent events

There were no subsequent events after the reporting period.

H. Other Information

This section includes additional financial information which is considered relevant to assist users in understanding the financial statements.

H1 : Investments in joint ventures

	Departmental	
	2018	2017
	\$'000	\$'000
Thurgoona Industrial Estate (Finance owns 85.75%)	1,133	1,791
Baranduda Industrial Park (Finance owns 77.65%)	1,507	1,820
Total investments in joint ventures	2,640	3,611

Cash distributions (Equity returns) received from joint ventures: \$1.0m (2016-17: \$1.2m)

Investments in joint ventures are not expected to be sold or fully realised within the next 12 months.

Finance's investment in joint ventures is accounted for using the 'Equity Method' which means the investment asset is carried at cost adjusted for post-acquisition changes in Finance's share of net assets of the joint ventures. Finance has equity in two joint arrangements, one with the City of Albury (Thurgoona Industrial Estate) and one with the City of Wodonga (Baranduda Industrial Park). These joint arrangements involve the development and sale of industrial lots in separate precincts situated within the local government boundaries of Albury and Wodonga.

Equity contributions involve land, estate development costs, rates, maintenance and selling costs. Development works have been completed and finished lots are currently being marketed.

The terms of each agreement provide that the "rights, duties, obligations, and liabilities of the parties shall be several and not joint nor joint and several". This means that the arrangements are not partnerships.

H2 : Other policy and disclosures

This section of the report provides additional information in relation to line items in the primary statements that do not have specific disclosures in the preceding notes. They are additional disclosures directed at the interests of particular users and their needs.

Centralised procurement

Finance develops and manages procurement arrangements for common goods and services to maximise market benefits for Commonwealth entities. Finance manages centralised procurement arrangements for WoAG travel, fleet monitoring, campaign advertising and major office machines. The Coordinated Procurement Contracting Special Account is detailed at Note F3.1.

Competitive neutrality (including income tax equivalent)

Finance is exempt from all forms of taxation except Fringe Benefits Tax and GST.

Finance applies the Australian Government's Competitive Neutrality Policy Statement (June 1996) to properties in the portfolio that are leased and managed in a competitive environment. The taxation equivalent regime is applied as a competitive neutrality charge (shown as competitive neutrality and income tax equivalent in the Statement of Comprehensive Income) and a notional payment is calculated quarterly to cover indirect taxes such as payroll tax, council rates, stamp duty and land tax and income tax based upon accounting income; as if they have been applied to these properties. These amounts have been paid or are payable by Finance to the OPA.

Rental income

Rental income includes rent received from tenants occupying buildings that are part of the Australian Government's non-Defence property portfolio. It also includes revenue received from sub-leasing arrangements with other entities for non-Commonwealth owned properties.

Resources received free of charge

Resources free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would be purchased if they had not been donated. Use of the resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature. Resources

received free of charge predominantly relate to Australian National Audit Office audit fees for Finance's financial statements and WoAG financial statements (2018: \$1.4 million).

Resources received free of charge for Administered includes rent received free of charge for office space in the Ministerial Wing of Parliament House.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash held with outsiders, cash in special accounts and demand deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Cash is recognised at its nominal amount. Cash or cash equivalent balances that are held for investment purposes are classified as investments.

Return of equity - special accounts

A provision is raised annually for the estimated balance of surplus funds to be returned to the OPA in the following year for the Property Special Account. In any year, the level of this provision reflects the estimated surplus funds arising from Finance's property operations and gross divestment proceeds.

Official Public Account (OPA)

Collections of revenue to the Government are transferred to the OPA which is administered by Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of the Government. These transfers to and from the OPA are adjustments to the administered cash held by Finance on behalf of the Government and reported as such in the Administered Cash Flow Statement and the Administered Reconciliation Schedule. OPA balances are disclosed in the Administered Schedule of Assets and Liabilities under cash and cash equivalents and the overnight cash balance payable. Given the fluctuation in daily balances, no budget is prepared for these items. The OPA balance is disclosed at Note D1.1.

A stack of several books is shown in grayscale, viewed from the side. The pages are visible, and the books are bound. A large, solid red circle is overlaid on the top right portion of the image, partially covering the books and extending towards the right edge of the page.

Part 6: Appendices

Appendix A: Entity resource statement and expenses by outcome

Appendix B: Other management matters

Appendix C: Information on recoverable payments

Appendix D: Staff achievements

Appendix E: Corrections to previous annual report

Appendix A: Entity resource statement and expenses by outcome

Table A1: Entity resource statement, 2017–18

	Actual available appropriations for 2017–18 \$'000 (A)	Payments made 2017–18 \$'000 (B)	Balance remaining 2017–18 \$'000 (A) – (B)
Ordinary annual services^a			
Departmental appropriation^b	451,981	334,338	117,643
Section 75 transfers	(205)		(205)
Total	451,776	334,338	117,438
Administered expenses			
Outcome 1	—	—	
Outcome 2 ^c	13,358	10,078	
Outcome 3 ^c	260,221	255,846	
Total	273,579	265,924	
Total ordinary annual services [A]	725,355	600,262	
Other services^d			
Departmental non-operating			
Equity injections	146,851	27,991	118,860
Total	146,851	27,991	118,860
Administered non-operating			
Administered assets and liabilities	528,823	292,338	
Total	528,823	292,338	
Total other services [B]	675,674	320,329	
Special appropriations			
Special appropriations limited by criteria/entitlement			
<i>Medibank Private Sale Act 2006</i>		55	
<i>Superannuation Act 1922</i>		74,160	
<i>Superannuation Act 1976</i>		4,348,600	
<i>Superannuation Act 1990</i>		2,057,933	
<i>Governance of Australian Government Superannuation Schemes Act 2011</i>		470	
<i>Parliamentary Contributory Superannuation Act 1948</i>		42,409	
<i>Parliamentary Superannuation Act 2004</i>		7,111	
<i>Parliamentary Retirement Travel Act 2002</i>		240	
<i>Parliamentary Entitlements Act 1990</i>		91,513	

	Actual available appropriations for 2017–18 \$'000 (A)	Payments made 2017–18 \$'000 (B)	Balance remaining 2017–18 \$'000 (A) – (B)
<i>Governor-General Act 1974</i>		1,549	
<i>Judges' Pensions Act 1968</i>		50,216	
<i>Federal Circuit Court of Australia Act 1999</i>		456	
<i>Public Governance, Performance and Accountability Act 2013</i>		356	
<i>Same-Sex Relationships (Equal Treatment in Commonwealth Laws— Superannuation) Act 2008</i>		61	
<i>Parliamentary Business Resources Act 2017</i>		94,497	
Special appropriations limited by amount			
<i>Commonwealth of Australia Constitution Act (s. 66)</i>		5,032	
Total special appropriations [C]		6,774,658	
Special accounts			
Opening balance	807,071		
Appropriation receipts ^e	90,727		
Non-appropriation receipts to Special Accounts	41,023,074		
Payments made		41,087,569	
Closing balance			833,303
Total special accounts [D]	41,920,872	41,087,569	
Total resourcing and payments [A+B+C+D]	43,321,901	48,782,818	
Less appropriations drawn from annual or special appropriations above and credited to special accounts	90,727		
Total net resourcing and payments for Department of Finance	43,231,174	48,782,818	

a *Appropriation Act (No. 1) 2017–2018 and Appropriation Act (No. 3) 2017–2018*. The amount includes prior year departmental appropriations and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

b Includes an amount of \$81.522 million that has been credited to the Property Special Account, \$8.004 million that has been credited to the Comcover Special Account and \$1.201 million that has been credited to the Coordinated Procurement Contracting Special Account.

c Includes an amount of \$4.983 million in 2017–18 for the administered capital budget. For accounting purposes, this amount has been designated as 'contributions by owners'.

d *Appropriation Act (No. 2) 2017–2018 and Appropriation Act (No. 4) 2017–2018*.

e Appropriation receipts from *Appropriation Act (No. 1) 2017–2018 and Appropriation Act (No.2) 2017–2018* included above.

Outcome 1

Table A2: Expenses for Outcome 1, 2017–18

Outcome 1: Support sustainable Australian Government finances through providing high-quality policy advice and operational support to the government and Commonwealth entities to maintain effective and efficient use of public resources	Budget ^a 2017–18 \$'000 (A)	Actual expenses 2017–18 \$'000 (B)	Variation 2017–18 \$'000 (A) – (B)
Program 1.1: Budget and financial management			
Departmental expenses			
Departmental appropriation ^b			
Budget advice	52,904	52,885	19
Financial reporting	31,175	33,136	(1,961)
Expenses not requiring appropriation in the budget year ^c	11,320	20,341	(9,021)
Total for Program 1.1	95,400	106,362	(10,963)
Outcome 1 totals by appropriation type			
Departmental expenses			
Departmental appropriation ^b	84,079	86,021	(1,942)
Expenses not requiring appropriation in the budget year ^c	11,320	20,341	(9,021)
Total expenses for Outcome 1	95,400	106,362	(10,963)
	2016–17	2017–18	
Average staffing level (number) ^d	422	408	

a Full-year budget, including any subsequent adjustment made to the 2017–18 budget at Additional Estimates.

b Departmental appropriation combines ordinary annual services (Appropriation Act nos. 1 and 3) and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

c Expenses not requiring appropriation in the budget year are made up of depreciation expenses and amortisation expenses.

d Represents actual average staffing level number for 2016–17 and 2017–18. Machinery-of-government changes have been reflected in 2016–17.

Outcome 2

Table A3: Expenses for Outcome 2, 2017–18

Outcome 2: Support an efficient and high-performing public sector through providing leadership to Commonwealth entities in ongoing improvements to public sector governance, including through systems, frameworks, policy, advice and service delivery	Budget ^a 2017–18 \$'000 (A)	Actual expenses 2017–18 \$'000 (B)	Variation 2017–18 \$'000 (A) – (B)
Program 2.1: Public Sector Governance			
Administered expenses			
Ordinary annual services (Appropriation Act nos. 1 and 3)			
Grant in aid—Australian Institute of Policy and Science	37	37	–
Grant in aid—Chifley Research Centre	233	233	–
Grant in aid—Green Institute	87	87	–
Grant in aid—Menzies Research Centre	233	233	–
Grant in aid—Page Research Centre	87	87	–
Grant in aid—Royal Humane Society of Australasia	27	27	–
Grant in aid—RSPCA Australia Inc	37	37	–
Departmental expenses			
Departmental appropriation ^b			
Financial framework	15,574	15,483	91
Government shareholder oversight	4,115	4,497	(382)
Special financial claims	2,117	2,344	(227)
Expenses not requiring appropriation in the budget year ^c	931	1,152	(221)
Total for Program 2.1	23,478	24,217	(739)

Table A3: Expenses for Outcome 2, 2017–18 (continued)

Outcome 2: Support an efficient and high-performing public sector through providing leadership to Commonwealth entities in ongoing improvements to public sector governance, including through systems, frameworks, policy, advice and service delivery	Budget ^a 2017–18 \$'000 (A)	Actual expenses 2017–18 \$'000 (B)	Variation 2017–18 \$'000 (A) – (B)
Program 2.2: Transforming government			
Departmental expenses			
Departmental appropriation			
Transforming the public sector	39,375	28,875	10,500
Expenses not requiring appropriation in the budget year ^c	932	3,023	(2,091)
Total for Program 2.2	40,307	31,898	8,409
Program 2.3: Property and construction			
Departmental expenses			
Special accounts			
Property Special Account ^d	134,891	79,678	55,213
Total for Program 2.3	134,891	79,678	55,213
Program 2.4: Insurance and risk management			
Departmental expenses			
Special accounts			
Comcover Special Account ^e	149,425	109,536	39,889
Total for Program 2.4	149,425	109,536	39,889
Program 2.5: Technology and procurement services			
Departmental expenses			
Digital transformation agenda ^f	25,847	21,364	4,483
Procurement framework ^f	13,110	12,036	1,074
Special accounts			
Coordinated Procurement Contracting Special Account	20,992	17,679	3,313
Expenses not requiring appropriation in the budget year ^c	4,029	2,775	1,254
Total for Program 2.5	63,978	53,854	10,124
Program 2.6: Service Delivery Office			
Departmental expenses			
Departmental appropriation ^b			
Service Delivery Office	31,650	33,528	(1,878)
Expenses not requiring appropriation in the budget year ^c	955	3,691	(2,736)
Total for Program 2.6	32,605	37,219	(4,614)

Table A3: Expenses for Outcome 2, 2017–18 (continued)

Outcome 2: Support an efficient and high-performing public sector through providing leadership to Commonwealth entities in ongoing improvements to public sector governance, including through systems, frameworks, policy, advice and service delivery	Budget ^a 2017–18 \$'000 (A)	Actual expenses 2017–18 \$'000 (B)	Variation 2017–18 \$'000 (A) – (B)
Program 2.7: Public sector superannuation			
Administered expenses			
Ordinary annual services (Appropriation Act nos. 1 and 3)			
Act of grace	2,309	480	1,829
Compensation and legal expenses	500	171	329
Superannuation administration costs	9,308	9,308	–
Special appropriations			
<i>Federal Circuit Court of Australia Act 1999</i>	893	893	–
<i>Governance of Australian Government Superannuation Schemes Act 2011</i>	1,000	470	530
<i>Governor-General Act 1974</i>	744	744	–
<i>Judges' Pensions Act 1968</i>	82,735	82,735	–
<i>Parliamentary Contributory Superannuation Act 1948</i>	45,822	45,821	1
<i>Parliamentary Superannuation Act 2004</i>	7,189	7,111	78
<i>Same-Sex Relationships (Equal Treatment in Commonwealth Laws—General Law Reform) Act 2008</i>	51	123	(72)
<i>Superannuation Act 1922</i>	18,702	18,702	–
<i>Superannuation Act 1976</i>	2,532,877	2,532,877	–
<i>Superannuation Act 1990</i>	5,777,691	5,777,690	1
Departmental expenses			
Departmental appropriation ^b			
Public Sector Superannuation	4,285	4,469	(184)
Expenses not requiring appropriation in the budget year ^c	167	204	(37)
Total for Program 2.7	8,484,273	8,481,798	2,475

Table A3: Expenses for Outcome 2, 2017–18 (continued)

Outcome 2: Support an efficient and high-performing public sector through providing leadership to Commonwealth entities in ongoing improvements to public sector governance, including through systems, frameworks, policy, advice and service delivery	Budget ^a 2016–17 \$'000 (A)	Actual expenses 2016–17 \$'000 (B)	Variation 2016–17 \$'000 (A) – (B)
Program 2.8: Australian Government			
Investment Funds			
Administered expenses			
Special Accounts			
DisabilityCare Australia Fund Special Account	874,392	236,802	637,590
Medical Research Future Fund Special Account	143,306	67,336	75,970
Building Australia Fund Special Account	3,705	32,410	(28,705)
Education Investment Fund Special Account	5,933	45,785	(39,852)
Total for Program 2.8	1,027,336	382,333	645,003
Outcome 2 totals by appropriation type			
Administered expenses			
Ordinary annual services (Appropriation Act nos. 1 and 3)	12,858	10,700	2,158
Special appropriations	8,467,704	8,467,166	538
Special accounts	1,027,336	382,333	645,003
Departmental expenses			
Departmental appropriation ^b	136,074	122,596	13,478
Special accounts	305,308	206,893	98,415
Expenses not requiring appropriation in the budget year ^c	7,013	10,845	(3,832)
Total expenses for Outcome 2	9,956,294	9,200,533	755,760
	2016–17	2017–18	
Average staffing level (number) ^g	661	655	

a Full-year budget, including any subsequent adjustment made to the 2017–18 budget at Additional Estimates.

b Departmental appropriation combines ordinary annual services (Appropriation Act nos. 1 and 3) and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

c Expenses not requiring appropriation in the budget year are made up of depreciation expenses and amortisation expenses.

d Figure excludes income tax equivalent.

e Figure includes an elimination adjustment for insurance charged to Finance.

f Figures are expenses while the information provided on page 109 presents net cost of services and the attributions have been prepared on a different basis.

g Represents actual average staffing level number for 2016–17 and 2017–18. Machinery-of-government changes have been reflected in 2016–17.

Outcome 3

Table A4: Expenses for Outcome 3, 2017–18

Outcome 3: Support for parliamentarians and others as required by the Australian Government through the delivery of, and advice on, work expenses and allowances, entitlements and targeted programs	Budget ^a 2017–18 \$'000 (A)	Actual expenses 2017–18 \$'000 (B)	Variation 2017–18 \$'000 (A) – (B)
Program 3.1: Ministerial and Parliamentary Services			
Administered expenses			
Ordinary annual services (Appropriation Act nos. 1 and 3)			
Electorate and ministerial support costs	254,675	255,704	(1,029)
Australian Political Exchange Program	915	431	484
Australian Political Parties for Democracy Program	2,200	2,294	(94)
Special appropriations			
<i>Commonwealth of Australia Constitution Act (s. 66)</i>	5,096	5,032	64
<i>Parliamentary Retirement Travel Act 2002^b</i>	121	2	119
<i>Parliamentary Entitlements Act 1990</i>	76,850	77,774	(924)
<i>Parliamentary Business Resources Act 2017</i>	110,409	93,460	16,949
Expenses not requiring appropriation in the budget year ^c	10,237	17,412	(7,175)
Departmental expenses			
Departmental appropriation ^d			
Services to Senators, Members and their staff	33,107	37,487	(4,380)
Car-with-driver and associated transport services	630	620	10
Expenses not requiring appropriation in the budget year ^c	1,992	2,091	(99)
Total for Program 3.1	496,232	492,307	3,925
Outcome 3 totals by appropriation type			
Administered expenses			
Ordinary annual services (Appropriation Act nos. 1 and 3)	257,790	258,429	(639)
Special appropriations	192,476	176,268	16,208
Expenses not requiring appropriation in the budget year ^c	10,237	17,412	(7,175)

Table A4: Expenses for Outcome 3, 2017–18 (continued)

Outcome 3: Support for parliamentarians and others as required by the Australian Government through the delivery of, and advice on, work expenses and allowances, entitlements and targeted programs	Budget ^a 2017–18 \$'000 (A)	Actual expenses 2017–18 \$'000 (B)	Variation 2017–18 \$'000 (A) – (B)
Departmental expenses			
Departmental appropriation ^d	33,736	38,107	(4,370)
Expenses not requiring appropriation in the budget year ^e	1,992	2,091	(99)
Total expenses for Outcome 3	496,232	492,307	3,925
	2016–17	2017–18	
Average staffing level (number) ^f	224	173	

a Full-year budget, including any subsequent adjustment made to the 2017–18 Budget at Additional Estimates.

b The legislation was renamed from the *Members of Parliament (Life Gold Pass) Act 2002*.

c Expenses not requiring appropriation in the budget year are made up of depreciation expenses and amortisation expenses.

d Departmental appropriation combines ordinary annual services (Appropriation Act nos. 1 and 3) and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

e Departmental appropriation in the budget year are made up of depreciation expenses.

f Represents actual average staffing level number for 2016–17 and 2017–18. Machinery-of-government changes have been reflected in 2016–17.

Appendix B: Other management matters

Grants

Information on grants awarded by the Department of Finance during the period 1 July 2017 to 30 June 2018 is available on our website, finance.gov.au.

Disability reporting

The National Disability Strategy 2010–2020 sets out a 10-year national policy framework for improving the lives of people with disability, promoting participation and creating a more inclusive society. A key initiative of the strategy is the introduction of a periodic high-level report tracking progress against each of the six outcome areas of the strategy for people with disability in Australia. The reports use trend data based on the six outcome areas of the strategy, and are available on the Department of Social Services website.

Freedom of information

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. The department's plan is available on the Finance website at finance.gov.au/foi/information_publication_scheme.html.

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

Advertising and market research

Under section 311A of the *Commonwealth Electoral Act 1918*, Finance is required to disclose payments for advertising and market research that are over the reportable threshold of \$13,500 (GST inclusive).

During 2017–18, Finance's total reportable expenditure for advertising and market research was \$222,105.76 (see Table B1).

While Finance also manages whole-of-government campaign and non-campaign advertising contracts, the lead agency responsible for such contracts reports the relevant expenditure.

Table B1: Advertising and market research expenditure, 2017–18

Organisation	Purpose	Expenditure (\$, GST inclusive)
Market research organisations		
Australian Market Research Pty Ltd	Customer survey and analysis services	70,100.00
Ebiquity Pty Ltd	Industries advice for campaign advertising—tender	104,830.00
Media advertising organisations		
Dentsu Mitchell Media Australia	Advertising in relation to electorate offices and property sales	47,175.77
Total reportable payments over \$13,500 (incl. GST)		222,105.76

Appendix C: Information on recoverable payments

The Department of Finance is responsible for administering:

- the Parliamentary Contributory Superannuation Scheme (PCSS)
- the Judges' Pensions Scheme
- the Governors-General Pension Scheme.

The legislation for these schemes requires reporting of recoverable payments that may arise on the inadvertent overpayment of benefits (see Table C1).

Such overpayments most often are a consequence of Finance receiving notification of an event that has a retrospective impact on the amount of a pension payment that had previously been made in good faith. In general, recoverable payments arise where:

- regular pension payments are paid, but Finance is later informed of the death of a member
- in the case of the PCSS, regular pension payments are paid, but Finance is later informed that the member undertook work in a recognised 'office of profit', which would have the effect of reducing the amount of pension entitlement in that earlier period
- there is payment of incorrectly calculated benefits due to system or human error. Note that for 2017–18, there were no overpayments due to incorrectly calculated benefits.

All amounts are to be recovered, although annual amounts paid and amounts recovered in a financial year may not align where recovery of amounts is undertaken over consecutive financial years.

Information for the three schemes for 2016–17 was reported on the Finance website, finance.gov.au. Note that the Commonwealth Superannuation Corporation has administrative responsibility for the Commonwealth civilian and military superannuation schemes and the reporting of recoverable payments for these schemes.

Table C1: Recoverable superannuation scheme payments—parliamentarians, judges and governors-general, 2016–17 and 2017–18

	2017–18			2016–17		
	Number of payments	Amount paid \$'000	Amount recovered \$'000	Number of payments	Amount paid \$'000	Amount recovered \$'000
Legislation						
<i>Parliamentary Contributory Superannuation Act 1948</i>						
• Death payments	22	41	47	13	21 ^a	9
• Other payments	145	144	130	122	106	102
Total	167	185	177	135	127	111
<i>Judges' Pensions Act 1968</i>						
• Death payments	3	24	20	9	84	84
• Other payments	–	–	–	–	–	–
Total	3	24	20	9	84	84
<i>Governor-General Act 1974</i>						
• Death payments	1	0	0	–	–	–
• Other payments	–	–	–	–	–	–
Total	1	0	0	–	–	–

a Previously reported amount paid was \$27,000; however, this included \$6,000 attributable to 2017–18.

Appendix D: Staff achievements

Secretary's Awards 2017

The following individuals and teams received Secretary's Awards in 2017:

Philip Nigg. *For consistently demonstrating strong leadership and excellence in the delivery of policy and financial advice in the Veterans' Affairs Agency Advice Unit.*

John Morris. *For building organisational capability in programming and data analysis by establishing the 'Code Crew'.*

Ross Dobson, Julie Papathanasiou, Ruveni Goonewardene, Luke Kostava, Kathryn Silk, Craig Cooper, Emma Lindfield, Samantha McDonough and Katrina Morgan. *For outstanding results in establishing the Independent Parliamentary Expenses Authority.*

Alex El-Debel, Byung Ahn, Rakesh Roy, Gunarjun Vallabhaneni, Tony Sultana, Ravi Gopu, Yane Dimitrovski and Helen Lloyd. *For providing seamless access to standardised corporate services for government agencies through an Enterprise Resource Planning system in the cloud.*

Stacey Bolto, Calandra Colman, Jakub Wegrzyn, Jon Barry, Jacob Grooby, Marina Cvetanovska, Verena Antolovic, Danielle Broomfield, Tom Hogan, Nic Thongsrinoon, Matt Harris, Katharine Stuart and Krystyna Rymer. *For outstanding collaboration and leadership to deliver a high-quality set of initiatives through the Public Service Modernisation Fund, as part of the 2017–18 Budget process.*

Dane Roberts, Peter Docherty, Paddy Leane, Jen Dunn, Jacob Grooby and Claire Saunders. *For transforming property data collection across the Commonwealth.*

Sally Foster and Jasmin Brookes. *For their commitment and support to Finance's Aboriginal and Torres Strait Islander staff.*

Australia Day Awards 2018

The following individuals and teams were recognised at Finance's Australia Day Awards in 2018:

Sarah Roarty, Jason Zapasnik, Alex McElwee, Tracie-Ann Maher and Roslyn Oliver. *For leading and building risk management capability through the Comcover Fund – Education Program.*

Alison McIntosh. *For displaying strong leadership by working to ensure that every IT release has the smallest possible impact on Finance users and outcomes.*

Louise Sasaki, Andrew Fadden, Lily Phan and Anthony Isaacson. *For excellent analytical work, in collaboration with colleagues from the Department of Infrastructure, Regional Development and Cities.*

Lisa King. *For continuously demonstrating leadership through her commitment to building and nurturing genuine relationships for staff within Finance, and across the Commonwealth.*

Tony Huntley, Sam Carter, Janice Firth, Helen Dempsey, Carley Weiss-Kelly, Nicholas Darman, Mara Celebija and Greg Potter. *For improving the Commonwealth fibre optic network (ICON) and excelling in agency and external communication and collaboration.*

Imogen Colton, Sarah Kovacevic, Barry Kuang, Valerie Jurica, Lexie Bennett, Brett Ubrihien, Lizzy Batten, Sandra Rogers, Devi Wibowo, Elliot Zwangobani, Ashlee Livingstone and John Dinn. *For recognising the development and ongoing implementation of the Property Services Coordinated Procurement arrangements that establish a new approach to the management of Commonwealth property.*

Jodie Harley. *For going above and beyond expectations in delivering COMCAR Services to our Highest Profile Clients.*

Shevaun Fitzmyers, Matthew Castle, Laura Doherty, Joanna Eisemann, Margreet Philp, Ruveni Goonewardene, Andrew Johnson, Amal Mueller, Graham Robinson, Ryan Balthazaar, Paula Fearn and Louise Sartore. *For providing high-quality policy advice, legislative reform, and defending High Court litigation relating to the conduct of elections and the marriage law survey safeguards.*

Donna Valenti, Matthew Marsland, Libby Woodhill, Chunyan Jia, Natasha Stark and Paramjit Kaur. *For delivering influential policy advice and accurate budget estimates relating to the Government's Quality Schools package.*

External awards

Finance staff received, or were shortlisted for, the following external awards during 2017–18:

Award: Chartered Accountants Australia and New Zealand 2017 Leadership in Government Awards—Emerging Leader of the Year Award

Recipient: Stephen Sorbello, Assistant Secretary (Acting Assistant Secretary at the time of award), ASC Reform Implementation. Stephen received the award as a young leader who has excelled and made a visible difference in the public sector.

Award: Chartered Accountants Australia and New Zealand 2017 Leadership in Government Awards—Outstanding Contribution in Public Administration Award

Shortlisted: Lucelle Veneros, First Assistant Secretary, Service Delivery Office.

Award: Smart Seeds program

Recipient: Kean Yong, Project Officer in Property and Construction Division, was part of the winning team and Stephen Sorbello was a mentor. The team was asked to come up with an innovative solution to the problem of 'Flying High—how should the ACT region make better use of Canberra Airport to build a diverse and sustainable economy?'

Award: Australian Public Service Commission Graduate Development Program—Major Project Outstanding Achievement Award

Recipients: Laura Doherty, Joanne Fernandez, Thomas Gladwin, Edward Kok, Joyce Lau, Cameron Ong and Kikila Yavase. For their project, Service Delivery Office – Operating Model Definition.

Award: 2017 Public Sector Innovation Awards—Judges' Award

Recipients: Heather Millard, Chrysanthe Psychogios, Stacey Bolto and Rina Bruinsma—for the Finance transformation program.

Award: Global Business Travel Association conference—Australia–New Zealand 2017 Travel Programme of the Year

Recipient: Whole-of-Australian-Government (WoAG) Travel team.

Award: Canberra OpenGov Leadership Forum – Recognition of Excellence

Recipient: Online Services Branch. For GovCMS, an open source web content management system for government agencies.

Appendix E: Corrections to previous annual report

Part 1: Introduction

'Finance at a glance 2016–2017: Our workforce' (page 5)

Figure in graphic: *Females—proportion of total workforce* should be **54.7%**.

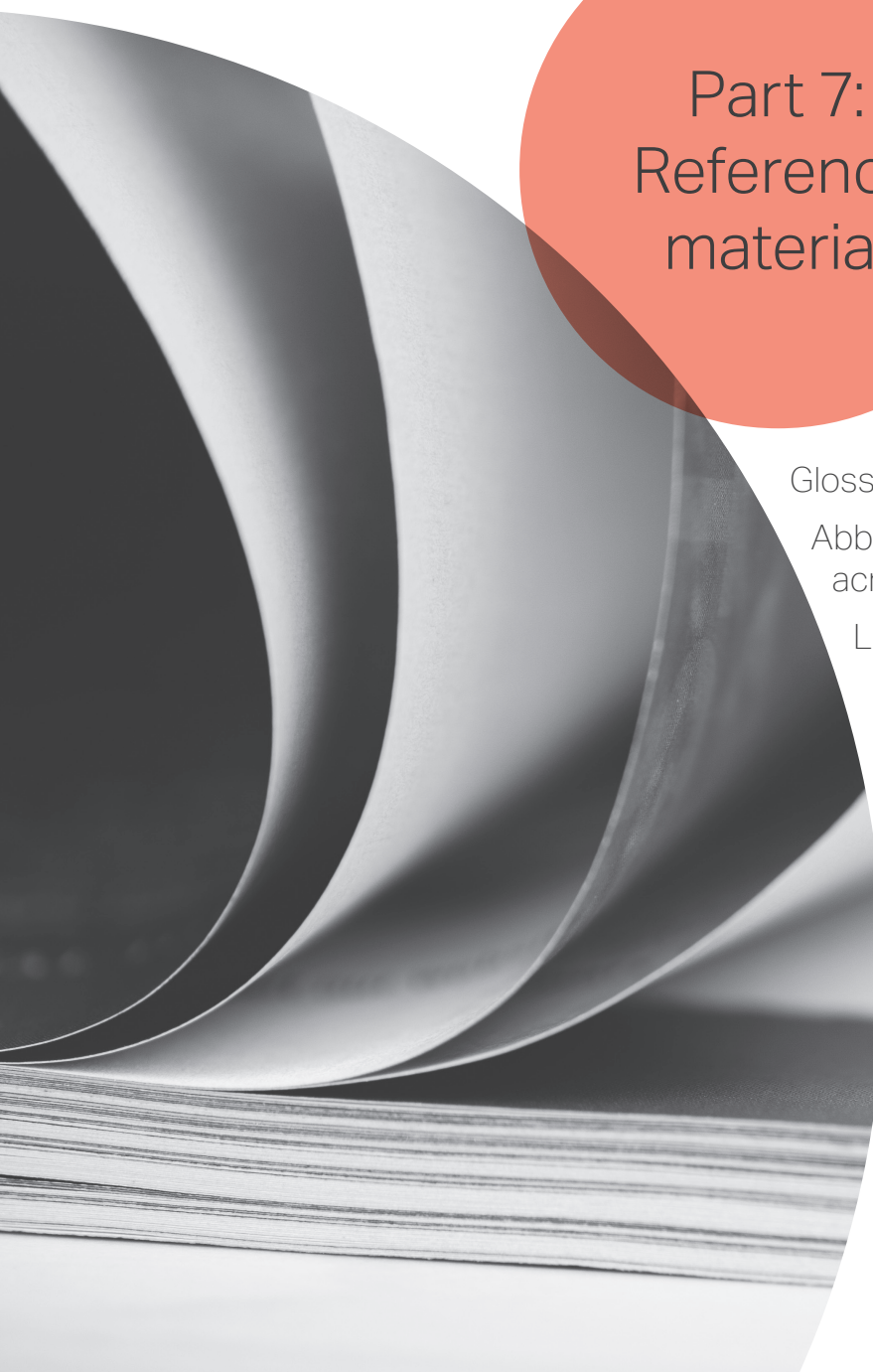
Part 2: Overview

In the final paragraph of page 11, reference should be to the 'Independent Parliamentary **Expenses** Authority'.

Part 4: Management and accountability

Page 80—Sentence should read:

Finance's 2016–17 workers compensation premium accounted for 1.07 per cent of its payroll (for both Finance and MOP(S) Act employees), a decrease from the 2015–16 premium rate of 1.15 per cent (excluding GST) of payroll.



Part 7: Reference material

Glossary

Abbreviations and
acronyms

List of requirements

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Glossary

Term	Meaning
accountable authority instructions	Instructions issued to manage the affairs of an entity to promote the efficient, effective, economical and ethical use of Commonwealth resources.
annual performance statements	Commonwealth entities report, through their annual performance statements, on the extent to which they have fulfilled the purposes they articulate at the beginning of a reporting year in their corporate plan. They must also report on performance criteria in the portfolio budget statements, portfolio additional estimates statements or other portfolio estimates statements.
appropriation	Public moneys the parliament authorises the Australian Government to withdraw from the consolidated revenue fund for a specified purpose.
AusTender	The central web-based facility for the publication of Australian Government procurement information, including business opportunities, annual procurement plans and procurement contracts awarded.
Australian Government Property Data Collection (PRODAC)	A central database on the office space leased or owned by the Australian Government. This information is used to help entities to identify better practices, progressively improve the management and use of office space, and inform whole-of-government property policy. PRODAC collects building, lease and cost information relating to office space leased or owned by the Australian Government. All non-corporate Commonwealth entities are in scope of PRODAC.
Budget	Sets out the fiscal and economic outlook for Australia, and includes expenditure and revenue estimates for the current financial year, the budget year, and three forward financial years. It identifies the government's social and political priorities and how they will be achieved. The Budget is usually announced in May each year.
Budget Process Operational Rules	Standing rules endorsed annually by Cabinet that set out the major administrative and operational arrangements that underlie the management of the Australian Government budget process. The rules also identify the requirements that apply to all new policy proposals and other budget proposals, including those brought forward for consideration outside of the budget process.
carbon dioxide equivalent (CO ₂ -e)	One tonne of carbon dioxide equivalent would fill the average-sized three-bedroom house.
career starter	A person completing a Year 12 certificate or equivalent by the end of the relevant year, or who has completed a Year 12 certificate within the last 24 months.

Term	Meaning
Central Advertising System	Coordinated procurement arrangement that consolidates government advertising expenditure and buying power to secure optimal media discounts on Commonwealth-wide media rates.
central agencies	The Department of the Prime Minister and Cabinet, the Treasury and the Department of Finance.
Central Budget Management System	The IT system used to manage the flow of financial information between Finance and Commonwealth entities to facilitate cash and appropriations management, the preparation of budget documentation, and financial reporting.
<i>Charter of Budget Honesty Act 1998</i>	Provides a legislative framework for the conduct and reporting of fiscal policy, government decisions and Commonwealth financial statements. It aims to improve discipline, transparency and accountability in the conduct of fiscal policy.
COMCAR	An Australian Government agency that provides car-with-driver and other ground transport services to the Prime Minister, the Governor-General, members of parliament, judges and international guests of government.
Comcover	The Australian Government's self-managed general insurance fund.
co-mingled recycling	A process that allows for mixed recyclables to be disposed of in a single container. Recyclable materials include glass, plastic, metal and aluminium cans and containers.
Commonwealth government entity	A department of state of the Commonwealth; a department of the Parliament; an executive agency, or statutory agency, within the meaning of the <i>Public Service Act 1999</i> .
Commonwealth Grants Rules and Guidelines (CGRGs)	Establish the Commonwealth grants policy framework. The CGRGs contain the key legislative and policy requirements and explain the better practice principles of grants administration. They apply to grants administration performed by ministers' accountable authorities, officials, as well as third parties who undertake grants administration on behalf of the Commonwealth.
Commonwealth Procurement Rules	Rules representing the government policy framework under which Commonwealth entities undertake their own procurement in line with both Australia's international obligations and good practice. They enable entities to design processes that are robust and transparent and instil confidence in the Australian Government's procurement.
Commonwealth Property Management Framework	Establishes the principles for the efficient, effective, economical and ethical use of property resources and applies to property leased or owned by non-corporate Commonwealth entities.
consolidated financial statements	Statements that present the whole-of-government financial results inclusive of all Australian Government-controlled bodies, including bodies outside the general government sector, such as Australia Post and the Reserve Bank of Australia.

Term	Meaning
Consolidated Revenue Fund	Consists of all revenues and moneys raised or received by the executive government of the Commonwealth. The fund is self-executing in nature, which means that all money received by the Commonwealth automatically forms part of the fund.
consultant	A person or organisation providing professional, independent and expert advice or services. Typically the term is used to describe the application of expert skills to investigate or diagnose a defined issue or problem; carry out defined research, reviews or evaluations; or provide independent advice, information or creative solutions to assist an entity in management decision-making.
contestability	Competition in public sector functions to improve both efficiency and effectiveness in the delivery of government objectives.
corporate plan	<p>The primary planning document of a Commonwealth entity that sets out the objectives and strategies the entity intends to pursue in achieving its purposes over at least four reporting periods. A corporate plan explains:</p> <ul style="list-style-type: none"> • what an entity's purposes are • what it will do to achieve its purposes • how it will know that it has achieved its purposes.
costings or cost estimates	An assessment of the financial impact of a proposed policy change. Commonwealth entities are required to provide costings for any new policy proposals and seek Cabinet endorsement. Finance must agree to these costings before they can be incorporated in a submission for Cabinet.
enhanced Commonwealth performance framework	Meets the obligation under paragraph 5(b) of the <i>Public Governance, Performance and Accountability Act 2013</i> to establish a performance framework across Commonwealth entities. The framework aims to improve the line of sight between what was intended and what was delivered. Corporate plans (and portfolio budget statements) and annual reports (including annual performance statements) are the bookends of the performance framework.
enterprise agreement	An employment agreement made directly between an employer and employees.
Expenditure Review Committee of Cabinet	The ministerial committee responsible for examining all proposals against the government's overall fiscal strategy, advising Cabinet on budget spending priorities and initiating reviews of individual ongoing programs.

Term	Meaning
Final Budget Outcome	Encompasses Australian Government general government sector fiscal outcomes for the financial year and is based on external reporting standards. The <i>Charter of Budget Honesty Act 1998</i> requires that a Final Budget Outcome be released no later than three months after the end of the relevant financial year. The financial statements in the Final Budget Outcome are similar to those in the Budget but provide actual outcomes rather than estimates.
fiscal policy	The government's approach to taxation and spending, both of which can affect the economy.
fraud	Dishonestly obtaining a benefit, or causing a loss, by deception or other means. Accountable authorities of Commonwealth entities must take all reasonable measures to prevent, detect and deal with fraud in accordance with section 10 of the Public Governance, Performance and Accountability Rule 2014.
full-time equivalent (FTE)	The effective number of full-time employees in an entity, where an FTE of 1.0 is the equivalent of one full-time person. Part-time employees are converted to full-time equivalents.
Future Fund	A government fund established for accumulating assets to offset future Australian Government superannuation liabilities.
GovCMS	An open source web content management and hosting service developed to help agencies create modern, affordable and responsive websites, making it easier to collaborate and innovate. GovCMS helps reduce the technology and compliance burden on Commonwealth entities.
government business enterprise	A Commonwealth entity or Commonwealth company that is prescribed as a government business enterprise by the rules of the <i>Public Governance, Performance and Accountability Act 2013</i> .
GrantConnect	A single online point of discovery for information about all government grants. Individuals and organisations are able to register to receive notifications on grant opportunities relevant to them. Information on grant opportunities is presented to the public in a standard and consistent format.
Independent Communications Committee	Provides independent advice to accountable authorities of non-corporate Commonwealth entities proposing to conduct information and advertising campaigns where expenditure is expected to be \$250,000 or greater.
Independent Parliamentary Expenses Authority	Audits and reports on parliamentarians' work expenses. Provides advice to parliamentarians and their staff on travel and work-related expenses to support them in undertaking their duties, requiring that taxpayer funds be spent appropriately and in compliance with the relevant principles and regulations.

Term	Meaning
Indigenous Procurement Policy	<p>A mandatory procurement-connected policy to leverage the Commonwealth's annual multibillion dollar procurement spend to drive demand for Indigenous goods and services, stimulate Indigenous economic development and grow the Indigenous business sector.</p> <p>The policy has three main parts:</p> <ul style="list-style-type: none"> • a target number of contracts that need to be awarded to Indigenous businesses • a mandatory amount set aside for remote contracts and contracts valued between \$80,000 and \$200,000 • minimum Indigenous participation requirements in contracts valued at or above \$7.5 million in certain industries.
measure	A policy or decision of the government that affects revenues, expenses or capital.
Mid-Year Economic and Fiscal Outlook	Provides an update of the government's budget estimates by examining expenses and revenues in the year to date, as well as provisions for new decisions taken since the Budget to allow assessment of the government's fiscal performance against the fiscal strategy statement. The Treasurer is required to publicly release and table in parliament a Mid-Year Economic and Fiscal Outlook report by the end of January each year, or within six months after the Budget, whichever is later.
National Property Efficiency Program	<p>Capitalises on the Commonwealth's position as a major purchaser of leases and facilities management services in the Australian property market. The program is delivered through two key activities:</p> <ul style="list-style-type: none"> • absorbing entities' lease requirements, where feasible, into existing vacant office accommodation (Operation Tetris) • ensuring that leases and other property services are delivered through coordinated procurements that will maximise the Commonwealth's substantial purchasing power.
non-ongoing staff member	A person engaged as an employee under paragraph 22(2)(b) or (c) of the <i>Public Service Act 1999</i> .
ongoing staff member	A person engaged as an ongoing employee under paragraph 22(2)(a) of the <i>Public Service Act 1999</i> .
Operation Tetris	Requires Commonwealth entities to fill vacant leased office space in the Australian Capital Territory rather than to enter into new leases or to renew expiring leases.
outcome	A government objective in a portfolio area. Outcomes are desired results, impacts or consequences for the Australian community influenced by the actions of the Australian Government. Actual outcomes are the results or impacts actually achieved.

Term	Meaning
performance information	Evidence about performance that is collected and used systematically. It relates to appropriateness, effectiveness and efficiency and the extent to which an outcome can be attributed to an intervention.
Portfolio Budget Statements	Statements that inform parliamentarians and the public of the proposed allocation of resources to government outcomes. They also assist the Senate standing committees with their examination of the government's Budget. Portfolio budget statements are tabled in parliament on Budget night and published as Budget-related papers.
procurement	Encompasses the whole process of acquiring goods and services. The process begins when a need is identified and a decision made on the acquisition requirements. It continues through to risk assessment, awarding of a contract, delivery of and payment for the goods and services and, where relevant, the ongoing management of the contract and consideration of disposal.
program	Actions taken by the government to deliver stated outcomes.
Public Service Modernisation Fund	Identifies and recommends transformation initiatives across government for investment through the Modernisation Fund announced in the 2017–18 Budget, which provided \$500 million of projected savings to be reinvested in reforms 'such as automation of public services and business re-engineering'.
purpose	In the context of the <i>Public Governance, Performance and Accountability Act 2013</i> , purposes include the objectives, functions or role of a Commonwealth entity. Finance's purposes are described in the Corporate Plan 2017–18.
red tape	A colloquial term for unnecessary regulation.
resource management framework	Governs how the Commonwealth public sector uses and manages public resources. The <i>Public Governance, Performance and Accountability Act 2013</i> is the cornerstone of the framework.
risk management	The systematic application of policies, procedures and practices to clearly identify, analyse, evaluate, treat and monitor risks associated with identified opportunities. Risk is broadly defined as the effect of uncertainty on objectives or the impacts of unforeseen events or undesirable outcomes.

Term	Meaning
rule	<p>In the context of the <i>Public Governance, Performance and Accountability Act 2013</i> (PGPA Act), a legislative instrument made by the Finance Minister under sections 101 to 105 of the PGPA Act prescribing matters:</p> <ul style="list-style-type: none"> • required or permitted by the PGPA Act, or • necessary or convenient to be prescribed for carrying out or giving effect to the PGPA Act. <p>The Public Governance, Performance and Accountability Rule 2014 supports the operation of the PGPA Act.</p>
Service Delivery Office	<p>Provides corporate transaction services to other Australian Government agencies. The office is one of six hubs under the Shared Services Program (see below).</p>
Shared Services Program	<p>A whole-of-government initiative that is transforming the way the public service operates by consolidating and standardising the delivery of corporate services through designated shared services hubs.</p>
transformation	<p>Embedding a culture of continuous improvement in Finance to anticipate and respond to change, identify opportunities to do things better, build our capabilities and invest in our relationships.</p>
Transformation Program	<p>Aims to help public sector entities deliver their services more efficiently, through policies and frameworks and more connected ways of working. Finance has a lead role in the program and works collaboratively with entities on:</p> <ul style="list-style-type: none"> • the size, efficiency and connectedness of government, including through common approaches, processes and systems • assisting entities to implement projects/programs, including work to streamline our processes and impact on entities.

Abbreviations and acronyms

ABS	Australian Bureau of Statistics
AFM	Advance to the Finance Minister
ANAO	Australian National Audit Office
APS	Australian Public Service
ASEAN	Association of Southeast Asian Nations
CBMS	Central Budget Management System
CBMS-R	redeveloped Central Budget Management System
CSC	Commonwealth Superannuation Corporation
EL	executive level
FBO	Final Budget Outcome
Finance	Department of Finance
FTE	full-time equivalent
GBE	government business enterprise
GST	goods and services tax
ICT	information and communications technology
IT	information technology
JCPAA	Joint Committee of Public Accounts and Audit
LGBTI	lesbian, gay, bisexual, transgender and intersex
LPG	liquefied petroleum gas
MOP(S) Act	<i>Members of Parliament (Staff) Act 1984</i>
MYEFO	Mid-Year Economic and Fiscal Outlook
NAIDOC	National Aborigines and Islanders Day Observance Committee
NBN	National Broadband Network
OECD	Organisation for Economic Co-operation and Development
PBS	Pharmaceutical Benefits Scheme
PCSS	Parliamentary Contributory Superannuation Scheme
PEMS	Parliamentary Expenses Management System
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
SDO	Service Delivery Office
SES	Senior Executive Service
SME	Small to medium-sized enterprise
WHS	work health and safety
WHS Act	<i>Work Health and Safety Act 2011</i>

List of requirements

This list of annual report requirements is prepared in accordance with paragraph 17AJ(d) of the Public Governance, Performance and Accountability Rule 2014. Page references for Finance's compliance with these requirements are provided in the right-hand column of the table.

Description	Requirement	Page
Letter of transmittal	Mandatory	Front
Aids to access		
Table of contents	Mandatory	Front
Alphabetical index	Mandatory	196
List of abbreviations and acronyms	Mandatory	191
Details of contact officer	Mandatory	Front
Department's website address	Mandatory	Front
Electronic address of report	Mandatory	Front
Review by accountable authority		
Review by departmental Secretary	Mandatory	vii
Overview of the department		
Role and functions	Mandatory	4
Organisational structure	Mandatory	10
Outcomes and program structure	Mandatory	6
Purposes as included in the corporate plan	Mandatory	4
Portfolio structure	Mandatory	3
Details of variations and reasons for changes to outcomes and programs from Portfolio Budget Statements, Portfolio Additional Estimates Statements and other portfolio estimates statements.	If applicable, mandatory	N/A
Report on performance of the entity		
Annual performance statements		
Annual performance statement in accordance with paragraph 39(1)(b) of the PGPA Act and Section 16F of the PGPA Rule.	Mandatory	29
Report on financial performance		
Discussion and analysis of the department's financial performance.	Mandatory	56
Department's resource statement and total payments.	Mandatory	166
Significant changes in financial results during or after the previous or current reporting period, discussion and details.	If applicable, mandatory	N/A
Management and accountability		
Corporate governance		
Information on compliance with section 10 of the PGPA Rule (fraud systems).	Mandatory	63

Description	Requirement	Page
Certification by the Secretary that: <ul style="list-style-type: none"> • fraud risk assessments and fraud control plans have been prepared • appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place • all reasonable measures have been taken to deal appropriately with fraud relating to the department. 	Mandatory	Front (see letter of transmittal)
Outline of structures and processes in place for the department to implement principles and objectives of corporate governance.	Mandatory	58
Statement of significant issues reported to the minister under paragraph 19(1)(e) of the PGPA Act that relates to noncompliance with finance law and action taken to remedy noncompliance.	If applicable, mandatory	64
External scrutiny		
Significant developments in external scrutiny and the department's response to the scrutiny.	Mandatory	64
Judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the department.	If applicable, mandatory	64
Reports on operations of the department by the Auditor-General (other than report under section 43 of the PGPA Act), a Parliamentary Committee, or Commonwealth Ombudsman.	If applicable, mandatory	66
Capability reviews on the department during the reporting period.	If applicable, mandatory	N/A
Management of human resources		
Assessment of the department's effectiveness in managing and developing employees to achieve departmental objectives.	Mandatory	77
Statistics on the department's APS employees on an ongoing and non-ongoing basis, including the following: <ul style="list-style-type: none"> • staffing classification level • full-time employees • part-time employees • gender • staff location • employees who identify as Indigenous. 	Mandatory	83
Enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory	85
Number of SES and non-SES employees covered by the above arrangements.	Mandatory	85

Description	Requirement	Page
Salary arrangements available for APS employees by classification level.	Mandatory	85
Non-salary benefits provided to employees.	Mandatory	86
Number of employees at each classification level who received performance payments.	If applicable, mandatory	N/A
Aggregate amounts of performance pay at each classification level.	If applicable, mandatory	N/A
Average amount of performance pay, and range of such payments, at each classification level.	If applicable, mandatory	N/A
Aggregate amount of performance payments.	If applicable, mandatory	N/A
Asset management		
Assessment of effectiveness of asset management where asset management is a significant part of the department's activities.	If applicable, mandatory	69
Purchasing		
Assessment of the department's performance against the Commonwealth Procurement Rules.	Mandatory	69
Consultants		
Summary statement detailing the number of new contracts engaging consultants entered into during the reporting period; the total actual expenditure on all new consultancy contracts entered into during the reporting period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on the ongoing consultancy contracts (inclusive of GST).	Mandatory	70
Summary statement regarding the engagement of consultants in the format specified at paragraph 17AG(7)(b) of the PGPA Rule.	Mandatory	70
Summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory	70
Statement regarding actual expenditure on contracts for consultancies in the format specified at paragraph 17AG(7)(d) of the PGPA Rule.		71
Australian National Audit Office access clauses		
If the department entered into a contract with a value of more than \$100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises—the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, mandatory	70

Description	Requirement	Page
Exempt contracts		
If the department entered into a contract or there is a standing offer with a value greater than \$10,000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act—a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, mandatory	70
Small business		
Summary statement detailing procurement initiatives supporting small business using the text specified at paragraph 17AG(10)(a) of the PGPA Rule.	Mandatory	70
Outline of procurement activities to support small and medium enterprises.	Mandatory	70
If the entity is considered by the Minister for Finance as 'material in nature'—a statement must be included using the text as specified at subparagraph 17AG(10)(c) of the PGPA Rule.	If applicable, mandatory	70
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Other mandatory information		
Statement in relation to advertising campaigns conducted as specified at subparagraph 17AH(1)(a)(i) of the PGPA Rule.	If applicable, mandatory	175
Statement confirming that no advertising campaigns were conducted for the reporting period, as specified at subparagraph 17AH(1)(b)(ii) of the PGPA rule	If applicable, mandatory	175
Statement providing information on grants awarded for the reporting period, as specified at paragraph 17AH(1)(b) of the PGPA Rule.	If applicable, mandatory	175
Mechanisms for disability reporting, referencing the department's website for information.	Mandatory	175
Website address where the department's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	175
Correction of material errors in previous annual report.	If applicable, mandatory	182
Information required by other legislation.	Mandatory	N/A

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