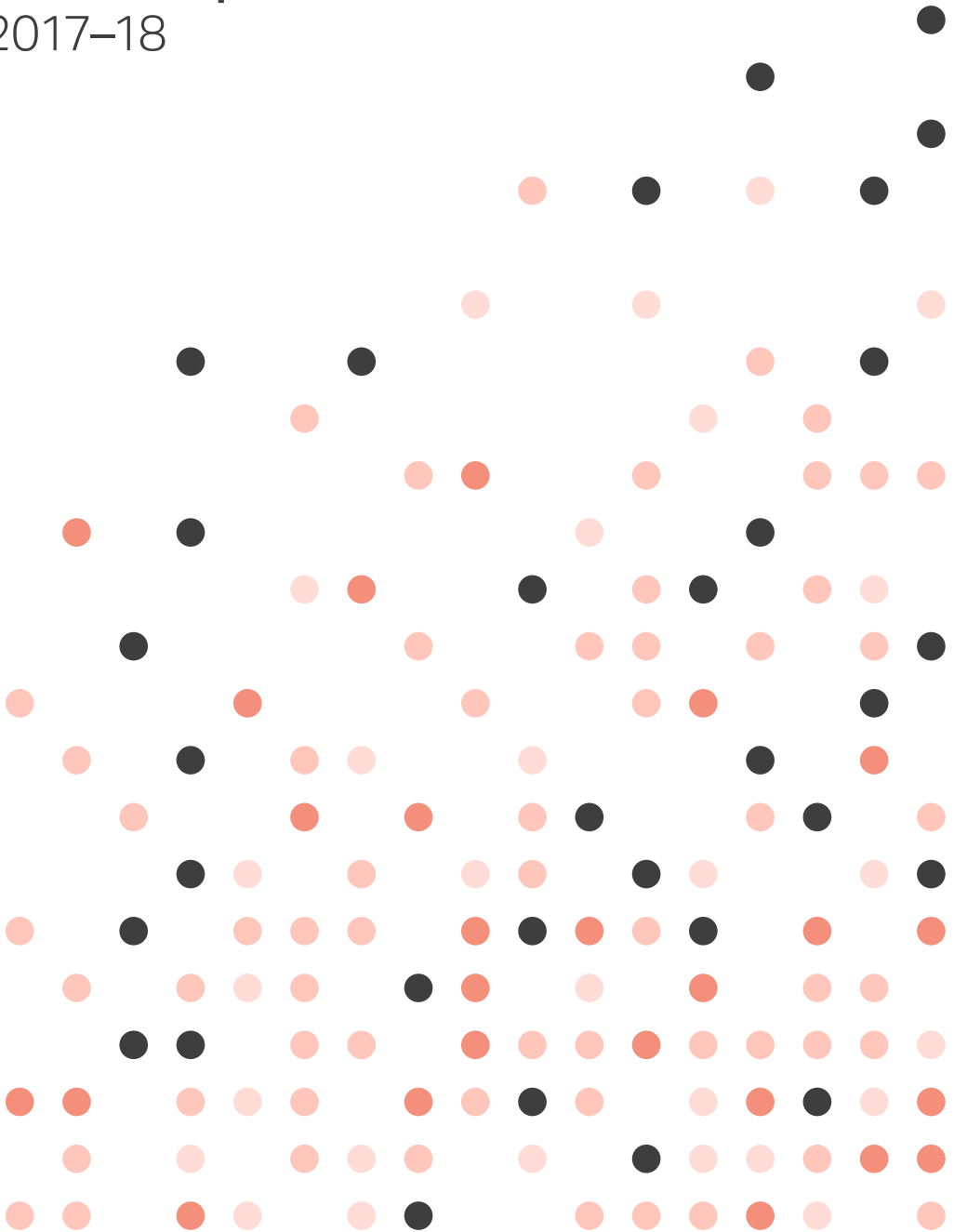




Australian Government
Department of Finance

Annual Report 2017–18



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ISSN: 2203-8558 (print)

ISSN: 2203-8566 (online)



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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

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

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Acknowledgements

Coordinators: Kate Charlton and Angela Di Pauli

Design and typesetting: Jade Power

Editing and indexing: NT Writing & Editing

Printing: CanPrint Communications

Special thanks go to staff involved in contributing, coordinating and clearing material.



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.

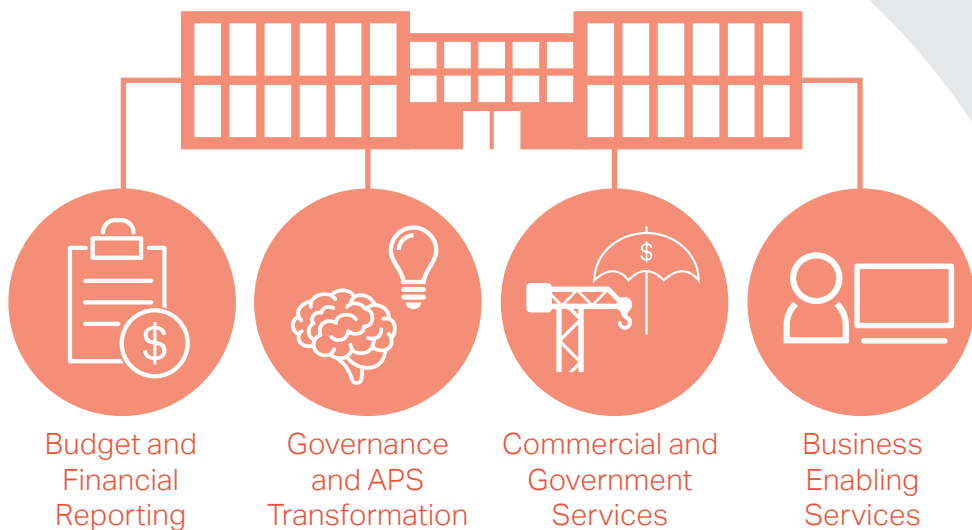
Rosemary Huxtable PSM

Finance at a glance 2017–18

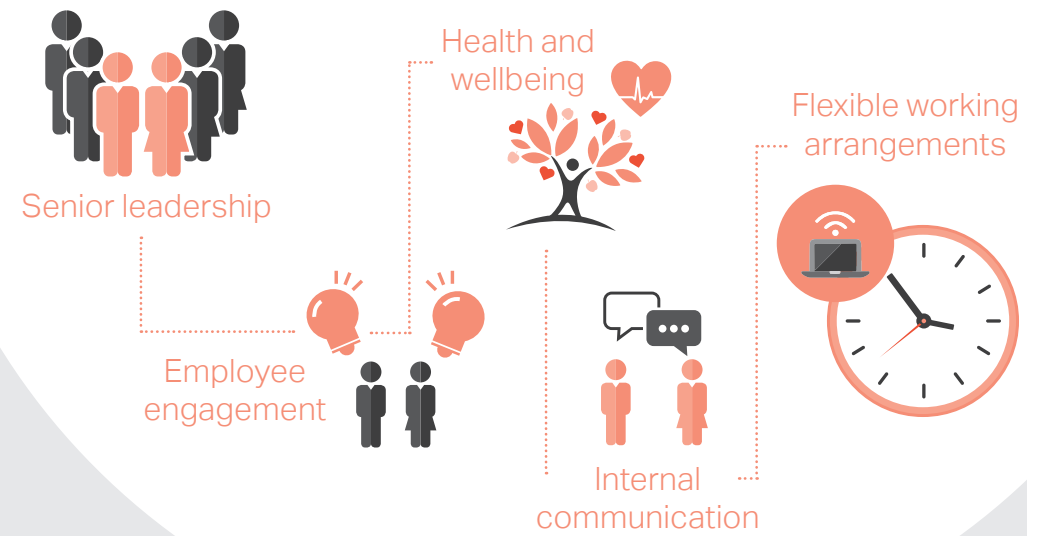
Our priorities

- 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.

