

## 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.

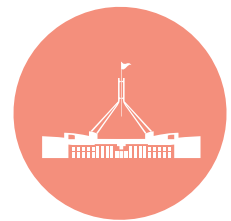


Finance, working in partnership with key agencies including the Treasury, the Department of the Prime Minister and Cabinet and the Department of the Environment and Energy, played a critical role in securing the historic \$6 billion acquisition deal with the New South Wales and Victorian governments. 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.

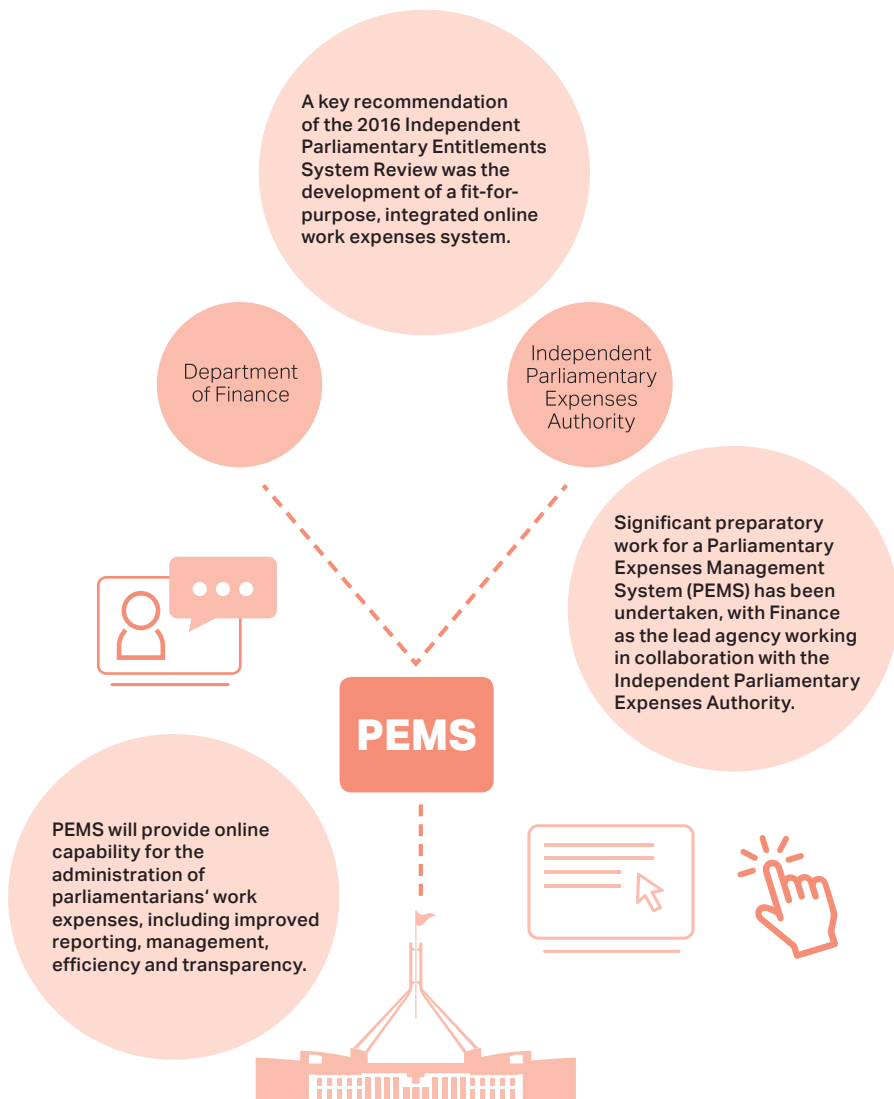


## Finance's 'Build, Test, Refine' approach

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

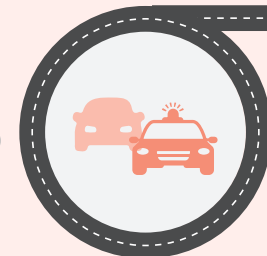


COMCAR facilitated the movement of over **1,000** delegates in coaches from their hotels to meetings

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.

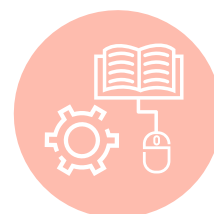
Examples of the work during the year to advance public sector modernisation are provided below.

### 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.



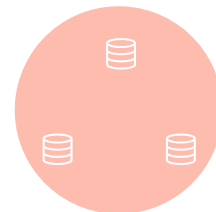
A large proportion of new social policy expenditure, which comprises almost half of government expenditure, is now subject to more thorough data analysis and data visualisation techniques before being presented to decision-makers.

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](http://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.

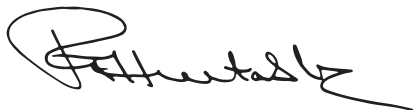
Overall, these improvements have significantly increased the productivity or 'clearance rates' of services such as generating payslips, processing invoices and financial documents, and managing credit cards. The improvements have also increased accuracy, meaning less re-work.

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"><li>• The 2018–19 Budget was delivered on 8 May 2018.</li><li>• The 2017–18 Mid Year Economic and Fiscal Outlook (MYEFO) was released on 18 December 2017.</li><li>• The 2016–17 Final Budget Outcome (FBO) was released on 26 September 2017.</li></ul> <p>Appropriation Bills were introduced within the required timeframes and in accordance with legislative requirements:</p> <ul style="list-style-type: none"><li>• 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.</li><li>• Appropriation Bill (No. 3) 2017–2018 and Appropriation Bill (No. 4) 2017–2018 were introduced in the House of Representatives on 8 February 2018.</li></ul>

## Result continued

In relation to the accuracy of budget estimates, Finance reports the following results:

- 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.

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.

## Analysis

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:

- 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.

In undertaking this activity, Finance contributes to the government's fiscal target and policy objectives.

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.

Budget papers and updates, together with annual appropriation acts, are essential elements of the Australian Government budget process:

- 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"> <li>• The 2016–17 Final Budget Outcome was released on 26 September 2017.</li> <li>• 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.</li> </ul> <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"> <li>• monthly financial statements, which show how actual expenditure is tracking against the monthly profile and full-year estimate</li> <li>• 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</li> <li>• consolidated financial statements, which present the whole-of-government and general government sector financial reports for a financial year.</li> </ul> <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"> <li>• the streamlining of, and improving access to, government services</li> <li>• an increase in data analytics capability across Commonwealth entities</li> <li>• investment in Commonwealth entities to place their operations on a more sustainable basis.</li> </ul>
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"> <li>• developing a fit-for-purpose small agency solution</li> <li>• coordinating investment in underlying platforms and software with a view to move towards reducing the instances of platforms and/or hubs.</li> </ul>



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"> <li>• expedited consolidation of granting activities to the hubs through the assistance provided by the Public Service Modernisation Fund</li> <li>• expansion of the program to include in-scope granting activities from the Department of Home Affairs.</li> </ul>

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"> <li>• to promote the proper use and management of public resources for which the entity is responsible</li> <li>• to promote the achievement of the purposes of the entity</li> <li>• to promote the financial sustainability of the entity.</li> </ul> <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"> <li>• entities adopting a more mature approach to risk management and the reporting of key entity risk</li> <li>• continuing the development of Commonwealth capacity for non-financial reporting and evaluation</li> <li>• ensuring audit committees have the skills and support to assess the appropriateness of performance reporting</li> <li>• the development of a yearly report that provides information on the health of the Commonwealth performance framework.</li> </ul> <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"> <li>• Future Fund, which seeks to assist the government to meet unfunded superannuation liabilities</li> <li>• Medical Research Future Fund, which seeks to provide grants of financial assistance to support medical research and medical innovation</li> <li>• 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</li> <li>• Building Australia Fund</li> <li>• Education Investment Fund.</li> </ul> <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"> <li>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</li> </ul>

Analysis  
'continued'

- 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"><li>• a new whole-of-Australian-Government arrangement for master media agency services</li><li>• a new arrangement for enterprise resource planning (software as a service) that offers an alternative to the traditional method of acquiring these services.</li></ul> <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"> <li>• absorb Commonwealth entities' lease requirements into existing vacant office accommodation where it is feasible to do so (Operation Tetris)</li> <li>• ensure that leases and other property services are delivered through coordinated procurements</li> <li>• continue to rationalise the property portfolio in 2017–18 to ensure it continues to meet contemporary requirements.</li> </ul>
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"> <li>• 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</li> <li>• management of whole-of-government purchasing arrangements for property services</li> <li>• 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</li> <li>• 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.</li> </ul>

Analysis  
'continued'

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"> <li>• 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</li> <li>• action the government's decisions, including communicating objectives</li> <li>• ensure that there is a robust and sound governance framework in place by initiating change and contributing to policy development.</li> </ul> <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"> <li>• the provision of advice to shareholder ministers on the performance of the GBEs</li> <li>• the compliance of GBE corporate plans with the PGPA Act and GBE Guidelines</li> <li>• delivery of activities to support GBE efficiency and financial sustainability, such as the GBE Company Secretaries Forum.</li> </ul> <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"><li>• accounts payable</li><li>• accounts receivable</li><li>• ledger maintenance</li><li>• credit card management</li><li>• transactional elements</li><li>• pay and conditions and payroll administration</li><li>• enterprise resource planning software.</li></ul>
Source	Corporate Plan 2017–18, page 23
Result	Achieved <p>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.</p>
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"> <li>• 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"> <li>– Foundation Pathway: 2,457 participants</li> <li>– Generalist Pathway: 147 participants</li> <li>– Specialist Pathway: 30 participants</li> <li>– Executive Pathway: 71 participants</li> </ul> </li> <li>• better practice guidance, case studies and access to risk management tools and consultancy services, which assist entities to manage risk effectively</li> <li>• advice and support to entities on risk management issues, including tailored advice and the development of specific risk management tools</li> <li>• the Comcover Seminar Series, featuring guest speakers from the Comcover Legal Services Parcelling Arrangement, discussing current and emerging risks to entities</li> <li>• 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.</li> </ul> <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"> <li>• 95.84 per cent of client contacts acknowledged within 24 hours and responded to within agreed timeframes</li> <li>• 99.05 per cent of payments (including payroll) were made within agreed timeframes</li> <li>• 100 per cent of office establishments and relocation projects delivered within their approved budget</li> <li>• 99.66 per cent of COMCAR reservations were completed without service failure.</li> </ul>
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.