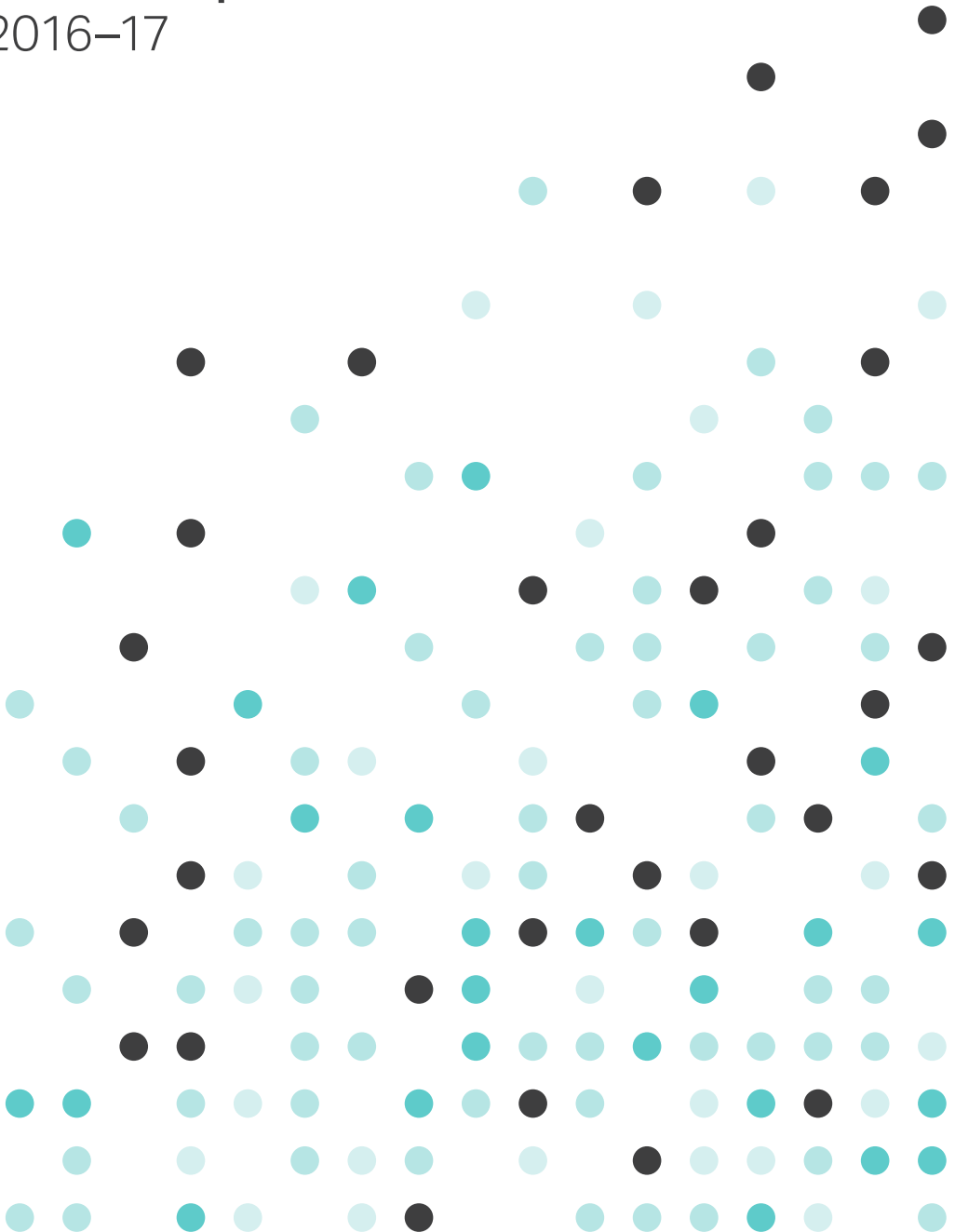




Australian Government
Department of Finance

Annual Report 2016–17



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Australian Government

Department of Finance

Rosemary Huxtable PSM
Secretary

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

Dear Minister

I am pleased to present the annual report of the Department of Finance for the financial year 2016-17.

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 2017.

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 measure 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

11 October 2017

cc Senator the Hon Scott Ryan, Special Minister of State

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 2016–17.

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

Guide to this report

Part 1 contains the Secretary's review, including the highlights, challenges, and priorities for the year ahead. It also provides a snapshot of the department's key achievements during the reporting period and details about its purposes and people.

Part 2 provides an overview of the department, including its purposes, role and functions, operating environment, people, ministers, the executive, the outcomes and program structure and the portfolio structure.

Part 3 contains the Annual Performance Statement and a review of the department's performance against the Corporate Plan 2016–17 and Portfolio Budget Statements 2016–17. It also contains the report on financial performance.

Part 4 reports on corporate governance, external scrutiny, management of human resources, asset management, procurement, and environmental performance

Part 5 contains the department's audited financial statements for 2016–17.

Part 6 contains appendices required under specific legislation as well as additional information on specific areas of the department.

Part 7 contains reference material, including the index.

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Part 1: Introduction



Finance at a glance
2016–17

Secretary's review

Finance at a glance 2016–17

Purpose 1

Budget and financial advice, management and reporting—support the government to deliver its fiscal targets and policy objectives

Key achievements

Supported the delivery of the 2016–17 MYEFO and 2017–18 Budget, including by providing advice to the Expenditure Review Committee of Cabinet on spending and savings proposals.

Prepared budget documentation detailing how the government intends to allocate \$464.3 billion in 2017–18.

Provided advice on major reforms, including the schools funding package, housing affordability measures, working age payment reforms and investment in infrastructure, regional Australia and energy security.

Provided advice on significant infrastructure investments including \$5.3 billion to build Western Sydney Airport and \$8.4 billion to deliver the Melbourne to Brisbane inland rail project.

Provided advice on the establishment of a Regional Growth Fund, which will provide funding of \$472.2 million with the aim of creating jobs, driving economic growth and building stronger regional communities.

Key achievements

Led the allocation of the \$500 million Public Service Modernisation Fund to enhance productivity and innovation in the Commonwealth public sector.

Undertook a two-stage market testing process to optimise private sector involvement in delivering and financing the inland freight rail network.

Worked with the Department of Infrastructure and Regional Development to advise government on options for the construction of Western Sydney Airport.

Streamlined the administration of government grants including establishing two centres of excellence and GrantConnect—a website which provides a single point of discovery for all government grants.

Purpose 2

Governance—foster leading public sector practice

Purpose 3

Transformation—innovate and improve public sector operations and reform the management and operations of public assets

Key achievements

Realised \$5 billion savings through the 'Efficiency through Contestability Program' which aims to ensure government administration is as effective and efficient as possible.

Worked with the Department of Defence to establish Australian Naval Infrastructure—a Commonwealth-owned shipbuilding facility.

Managed the sale of 92 properties under the government's surplus property divestment program returning about \$36 million in gross proceeds to consolidated revenue.

Signed up 57 agencies to govCMS—Finance's content management and website hosting service which gives agencies the tools to build, migrate and manage websites. govCMS now has 155 live websites.

Key achievements

Supported the Department of Foreign Affairs and Trade in the negotiation of Australia's bid to join the World Trade Organisation Agreement on Government Procurement.

Provided support following the 2016 federal election including establishing offices and conducting briefings for 53 new senators and members.

Provided COMCAR services for 44 'guests of government' and other important visitors including the kings and queens of the Netherlands and the Hashemite Kingdom of Jordan, and the prime ministers of Singapore and Israel.

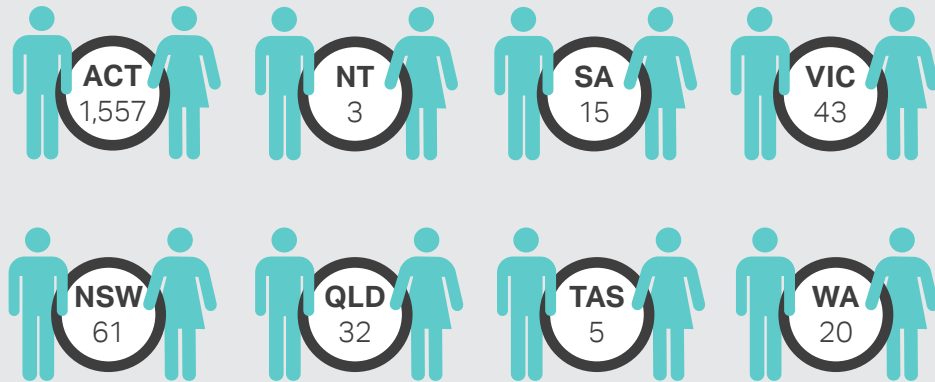
Delivered a risk management education program to 2,117 Commonwealth employees from more than 70 entities contributing to the development of a positive risk culture throughout the public sector.

Purpose 4

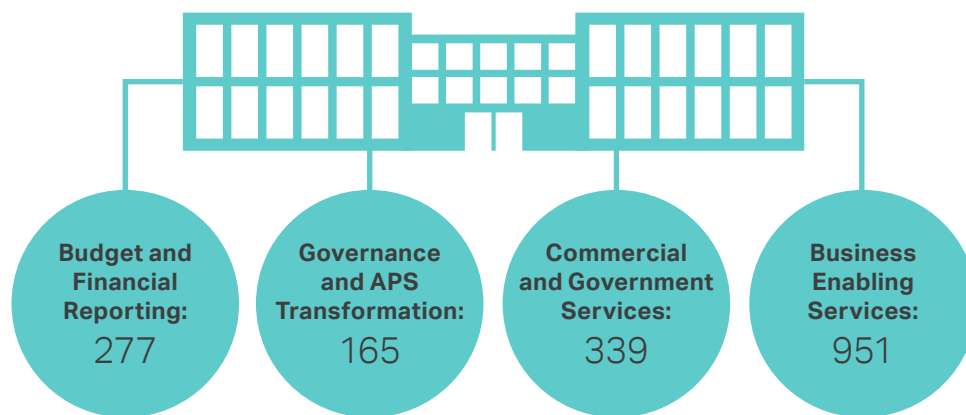
Services—manage efficient, cost-effective services to, and for, the government

Finance at a glance 2016–17

Our locations



Our business areas

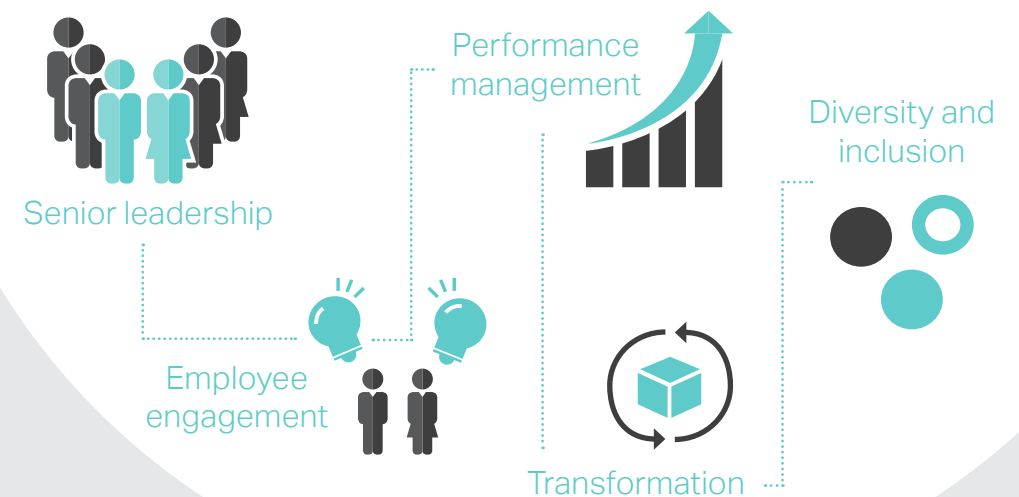


Finance has a 'surge' model where up to 40 specially trained staff can be temporarily deployed to business areas experiencing peak demand.

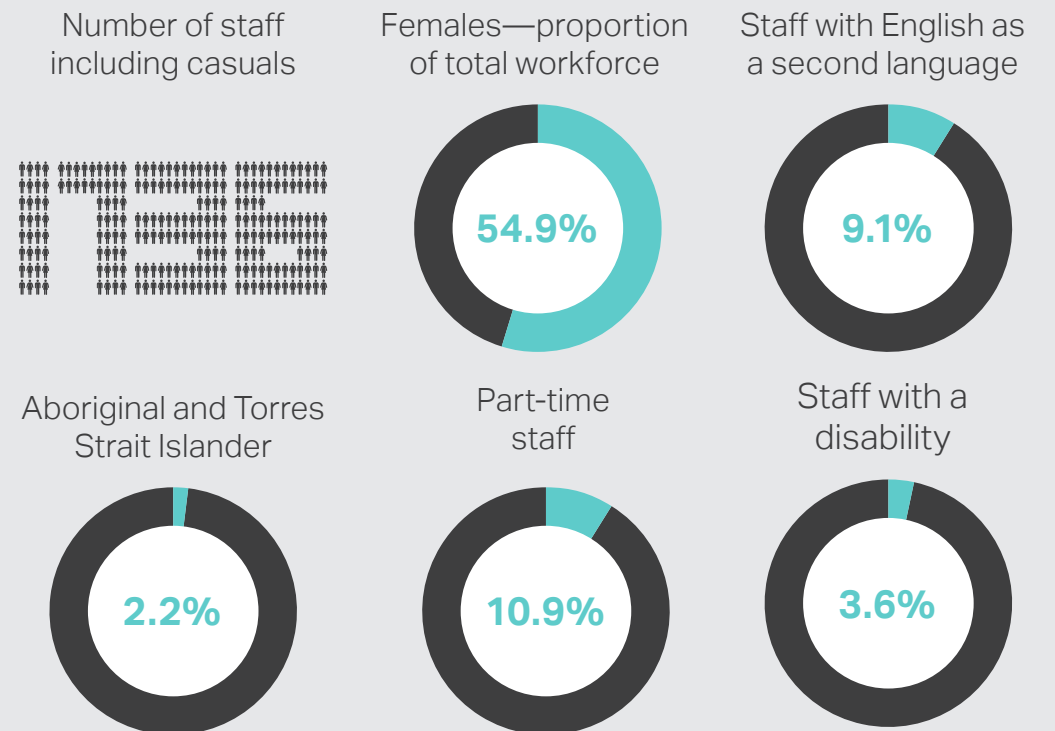
Business Enabling Services includes 220 staff in the Project Deployment Team who are mobilised to departmental priorities as required.

Things we did well in 2016–17

Source: APS Census 2017



Our workforce



Percentages refer to ongoing staff

Secretary's review

Rosemary Huxtable PSM

I am pleased to present the Department of Finance Annual Report 2016–17—my first as Secretary of Finance. I am proud to lead this department, guiding our important contribution to the work of government, firstly in an acting capacity from October 2016, followed by my permanent appointment in February 2017.



2016–17 has been a busy period for Finance. This has included managing several machinery-of-government changes affecting the department and—in an election year—providing support to all outgoing and incoming senators and members and their staff during the transition.

As detailed in our Corporate Plan for 2016–17, Finance had a number of priorities to deliver during the year that have all been achieved or substantially achieved.

Through our role in the successful delivery of the 2016–17 Mid-Year Economic and Fiscal Outlook and the 2017–18 Budget, we supported the government to deliver its fiscal policy objectives by providing advice on spending and savings proposals to the Expenditure Review Committee of Cabinet. This included advice on major policy reforms as well as investment in infrastructure, regional Australia and energy security.

In the 2017–18 Budget, the government announced that it would delay drawdowns from the Future Fund, which will allow financial assets to continue to build in the fund. Finance worked closely with our Treasury colleagues to provide advice on the drawdown options and on a revised investment mandate for the Future Fund.

We supported public sector transformation to assist the Australian Public Service to become more collaborative, innovative and agile. Key contributions and achievements have included developing whole-of-government solutions for digital records management, corporate services delivery, stationery and office supplies, and coordinated procurement for property services and travel accommodation services.

Further public sector transformation was achieved as part of the Efficiency through Contestability Program, which is reviewing Commonwealth public sector activities to assess whether they align with key policies and priorities. During the year, Finance supported the delivery of eight reviews of Commonwealth entities, bringing the total to 21 reviews. Reviews under the program are expected to achieve savings of around \$5 billion over the period 2014–15 to 2020–21, with around a further \$14 billion over the period 2021–22 to 2026–27.

Finance also led the allocation of the \$500 million Public Service Modernisation Fund by working with Commonwealth entities to identify and recommend initiatives for investment through the fund.

During the year, we contributed to the smaller government agenda, advising government on delivering savings and reforms to ensure services are as efficient and well targeted as possible. This included advice on government business enterprises and other Commonwealth entities.

Following the 2016 federal election, Finance played an important role in implementing machinery-of-government changes across government. This included working collaboratively with the Digital Transformation Agency (DTA) to transfer responsibility for ICT policy and ICT procurement to the DTA. This was consistent with the government's agenda to centralise digital service delivery and all ICT functions in one agency.

We also continued to work closely with other agencies on further reducing red tape across government and driving the Shared Services agenda. This included the establishment of the Service Delivery Office within Finance. As part of this, Finance worked to develop robust governance arrangements and a best-practice assurance framework to ensure quality services to clients.

The rationalisation and management of Commonwealth property was also a priority in 2016–17. The sale of 92 properties returned approximately \$36 million to consolidated revenue and achieved savings in property management costs. Savings were also achieved through the Australian Government Office Occupancy Report that actively targets and delivers lower lease vacancy rates, and works toward achieving the government's occupational density target. Future whole-of-government property services will be further enhanced by the appointment during the year of a strategic property adviser.

Another significant activity for Finance in 2016–17 was establishing the Independent Parliamentary Expenses Authority. This included drafting new legislation and managing two machinery-of-government changes.

This work—and indeed all our work —can only be successfully achieved by working with our colleagues across the central agencies, other Commonwealth entities and key external stakeholders. Particular examples during 2016–17 included working with the Treasury and the Department of the Prime Minister and Cabinet on the Budget and delivery of the government's fiscal strategy, the Department of Defence on naval shipbuilding and Defence investment, and the Department of Infrastructure and Regional Development on major infrastructure projects. Senior officials play an important role in these collaborative processes.

Financial performance

The department remains in a sound financial position, operating within its appropriation. For 2016–17, the department recorded an overall operating surplus of \$55.4 million. This result is predominantly due to favourable external factors affecting property valuations in the Commonwealth's domestic property portfolio. More information about the department's financial performance can be found on pages 59 to 62 in Part 3 of this report.

Our people

Internally, we continued to establish ourselves as a transformative public sector entity. Our aim is to be agile and able to respond quickly to changing priorities. We are always willing to reach out and influence but also to listen and learn from others and have the tools and processes in place to engage with risk wisely. We also have a strong focus 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 and the organisation as a whole.

Indicators of our success in this regard are the positive results we achieved in the Australian Public Service Commission Staff Census 2017. The census showed a strong commitment by our staff to strive to achieve the department's objectives, to be involved in suggesting ideas and to go the extra mile if required. The results reflected a workforce that is highly committed, capable and engaged.

Aside from being a highly professional, hard-working and collaborative group, our staff are also generous. Last year we raised more than \$6,500 for our friends at Communities@Work who provide services to the most vulnerable and disadvantaged members in the Canberra community.

Outlook

A key focus over the next 12 months is to assist the government to create a smaller, smarter, more productive and sustainable government sector, better positioned to respond to the challenges of a rapidly changing environment. We aim to lead by example as we continue our internal transformation, which has a focus on staff mobility, capability development and efficient work practices.

We will continue our focus on building relationships of trust and collaboration within Finance, across government and with external stakeholders. This underpins our capacity to advise on efficient and effective spending and enables us to generate a strong evidence base and respond to emerging challenges in the environment.

Priorities for the department will include delivery of the 2017–18 Mid-Year Economic and Fiscal Outlook, the 2018–19 Budget and the government's financial statements. We will also support an independent review of the *Public Governance, Performance and Accountability Act 2013*, which governs how the Commonwealth public sector uses and manages public resources. Remaining a high priority is the continued rationalisation of the Commonwealth property portfolio and work on the shared services agenda, which will see back office functions consolidated into six shared service hubs by 2021.

Our responsibility for the Public Service Modernisation Fund will be also be high on our list of priorities. This important project will see the delivery of quality government services at lower cost, using improved data systems and workflows.

In terms of major projects, we will provide innovative financing and project management approaches to partner agencies and government business enterprises on key projects such as the National Broadband Network, the Moorebank Intermodal Terminal Project, naval shipbuilding infrastructure, inland rail and Western Sydney Airport.

Acknowledgements

My thanks to the Minister for Finance, Senator the Hon Mathias Cormann, and the Special Minister of State, Senator the Hon Scott Ryan, and their offices for their ongoing support of the department. I would also like to take the opportunity to acknowledge the work and support of my predecessor Jane Halton.

Finally, a big thank you to all staff of the department whose outstanding commitment and professional approach enabled us to deliver the priorities and achievements detailed in this report.

Rosemary Huxtable
Secretary



Part 2: Overview

The portfolio

Role and functions

Purposes

Values

Behaviours

Operating
environment

Outcomes and
programs

Finance executive

Organisational
structure

Our people

The portfolio

Following is an overview of the Finance portfolio and a summary of changes that occurred in 2016–17.

Portfolio ministers

The following ministers and assistant ministers were responsible for the Finance portfolio and its agencies during 2016–17:

Senator the Hon Mathias Cormann

Minister for Finance (from 18 September 2013); Special Minister of State (from 18 February to 19 July 2016)

Senator the Hon Scott Ryan

Special Minister of State (from 19 July 2016)

The Hon Dr Peter Hendy MP

Assistant Minister for Finance (from 18 February 2016 to 2 July 2016).



Portfolio structure, 30 June 2017

The portfolio structure at 30 June 2017 was as follows:

Department of State

Department of Finance

Secretary: Rosemary Huxtable PSM

Non-corporate Commonwealth entities

Australian Electoral Commission

Electoral Commissioner: Tom Rogers

Future Fund Management Agency

Chair: The Hon Peter Costello AC

Chief Executive Officer: David Neal

Corporate Commonwealth entity

Commonwealth Superannuation Corporation

Chair: Patricia Cross

Chief Executive Officer: Peter Carrigy-Ryan

Commonwealth company

ASC Pty Ltd

Chair: Bruce Carter

Interim Chief Executive Officer: Stuart Whiley

Chief Executive Officer—ASC: Mark Lamarre

Changes to the portfolio in 2016–17

On 1 December 2016 certain corporate functions being performed by the then Shared Services Centre (a joint initiative of the Department of Education and Training and the Department of Employment) were transferred to Finance, taking the form of the Service Delivery Office.

On 15 December 2016 Finance transferred certain ICT and other functions to the Digital Transformation Agency.

On 13 January 2017, the government announced the establishment of an Independent Parliamentary Entitlements Authority (IPEA). From 3 April 2017 an interim IPEA was created as an executive agency which performed the functions of IPEA until the permanent agency commenced operations on 1 July 2017.

Role and functions

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

Finance delivers a range of support and services, including:

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

Purposes

Finance has four purposes:

- budget and financial advice, management and reporting—support the government to deliver its fiscal targets and policy objectives
- governance—foster leading public sector practice
- transformation—innovate and improve public sector operations and reform the management and operations of public assets
- services—manage efficient, cost-effective services to and for the government.

Values

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

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

Behaviours

The following behaviours form the cornerstone of our organisational culture, and we strive to uphold them in both language and action. They are an extension of the APS Values and Code of Conduct:

- collaboration, mutual respect and productive working relationships
- courtesy, respect and effective communication
- innovation, creativity and appropriate levels of risk-taking
- a commitment to excellence, professional development and a strategic approach to achieving results
- personal drive and integrity.

Operating environment

Finance's central role in supporting government decision making, particularly in relation to meeting the government's fiscal policy objectives and broader reform agenda, results in a complex operating environment influenced by a number of factors:

- global and national issues that both drive and impact on government fiscal policy decision making
- rapid economic and social changes in Australia requiring the Australian Public Service to have a modern, responsive and flexible approach
- changing policy frameworks that continue to position the public sector to meet government and community expectations—including a modern public sector that delivers programs and services efficiently and effectively
- a complex legislative and legal environment that affects the design and passage of legislation and the delivery of the government's agenda
- continuing public sector reform within a constrained fiscal environment
- opportunities created by an adaptable and professional workforce, changes in technology, and improved cross-entity and cross-government collaboration.

Outcomes and programs

Finance's three outcomes, as outlined in the Portfolio Budget Statements 2016–17, provide a strategic statement about our core role and functions. Table 1 shows our outcome and program structure at 30 June 2017.

Table 1: Department of Finance outcome and program structure, 30 June 2017

Outcome	Programs
1. Support sustainable Australian Government finances through providing high quality policy advice and operational support to the government and Commonwealth entities to maintain effective and efficient use of public resources.	1.1: Budget and Financial Management
2. Support an efficient and high-performing public sector through providing leadership to Commonwealth entities in ongoing improvements to public sector governance, including through systems, frameworks, policy, advice and service delivery.	2.1: Public Sector Governance 2.2: Transforming Government 2.3: Property and Construction 2.4: Insurance and Risk Management 2.5: Procurement Services 2.6: Service Delivery Office 2.7: Public Sector Superannuation 2.8: Australian Government Investment Funds
3. Support for parliamentarians and others as required by the Australian Government through the delivery of, and advice on, entitlements and targeted assistance.	3.1: Ministerial and Parliamentary Services

During the reporting year a number of changes affected Finance's program structure. Table 2 provides details.

Table 2: Department of Finance changes to programs during 2016–17

Program number	Program title	Description of change
2.2	Transforming Government	Amendment to program delivery, performance criteria and targets, following transfer of certain ICT and other functions to the Digital Transformation Agency.
2.6	Service Delivery Office	New program established following the transfer of certain 'shared service' functions previously undertaken by the Shared Services Centre.
2.7	Public Sector Superannuation	PBS program reference amended from 2.6.
2.8	Australian Government Investment Funds	PBS program reference amended from 2.7. Amendment to reflect the government's announcement not to proceed with establishment of the Asset Recycling Fund.

Finance executive

Our department is led by the Secretary, Rosemary Huxtable, supported by four deputy secretaries who each have responsibility for one business area.

Secretary Rosemary Huxtable PSM

Rosemary Huxtable was appointed Secretary of Finance in February 2017. As Secretary, Rosemary is responsible for all functions and services delivered by the department including supporting the delivery of the Australian Government Budget, overseeing the financial framework of Australian Government agencies, shareholder oversight of government business enterprises, managing the Australian Government's non-Defence domestic property portfolio, key asset sales and aspects of public sector modernisation.



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

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

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



Deputy
Secretary
David
Fredericks

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

Budget and Financial Reporting

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

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



Deputy
Secretary
Stein
Helgeby

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

Governance and APS Transformation

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

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



Deputy
Secretary
John
Edge

John Edge was appointed Deputy Secretary Commercial and Government Services in November 2015. He has extensive experience in leading major asset sales—including the Medibank Private initial public offering—and other commercial projects in the Department of Finance and the former Department of Resources, Energy and Tourism. Among other roles for which John has been responsible are budget preparation and advice in the social welfare sector, parliamentary entitlements advice, and management of corporate services.

Commercial and Government Services

Commercial and Government Services provides advice on the Australian Government's business enterprises and commercial entities, manages the non-Defence domestic property portfolio, and conducts scoping studies and strategic reviews to assess the optimal ownership and management options for a number of government businesses and assets. It is also responsible for the delivery of whole-of-government ICT services, develops and maintains the government's procurement policy framework (including initiating and managing a range of whole-of-government contracts), and manages the government's special claims, insurance and risk management operations.



Deputy
Secretary
Kerri
Hartland

Kerri Hartland was appointed Deputy Secretary Business Enabling Services in February 2017. She brings extensive experience at senior levels, having worked in seven different Commonwealth departments and agencies. This includes the position of Chief Information Officer at the then Department of Industry, Science and Resources; Deputy Secretary of the Department of Human Services, where she led, among other things, Service Delivery Reform; and most recently Deputy Director-General of the Australian Security Intelligence Organisation.

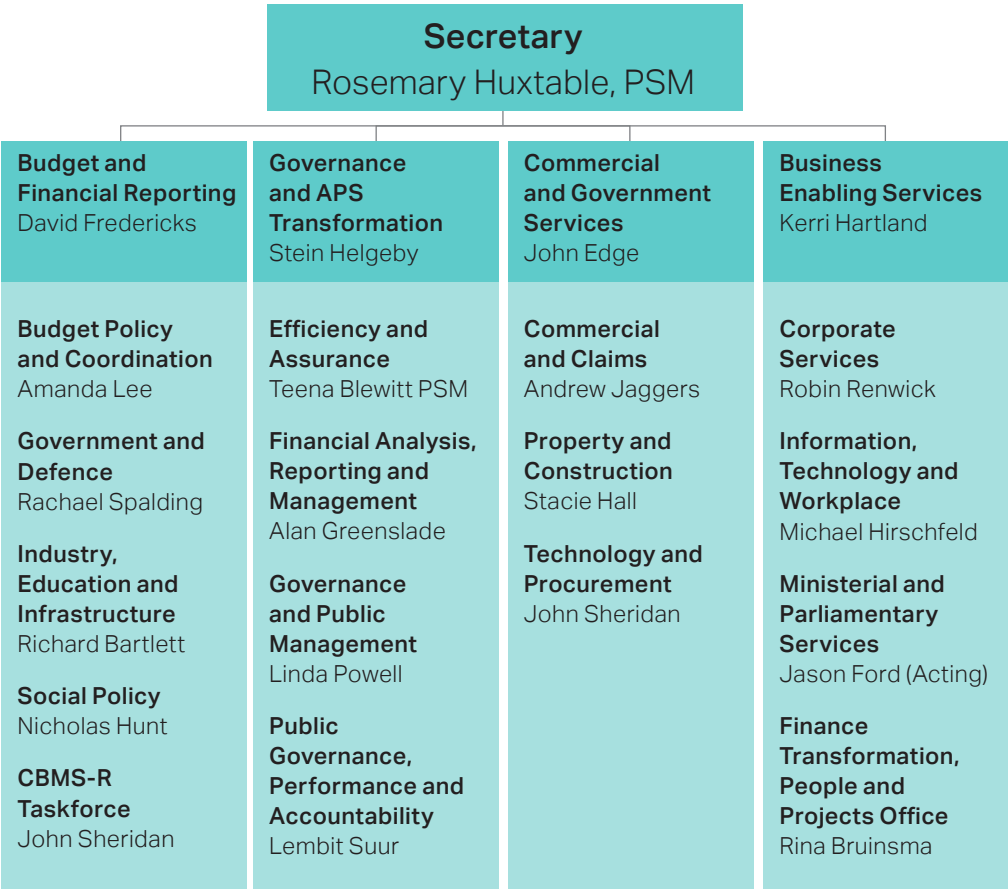
Business Enabling Services

Business Enabling Services works with the Secretary, the Executive Board and other business groups in the department to enhance, promote and sustain Finance's role as a trusted and professional adviser to government. It provides corporate services and ICT support and is implementing Finance's internal transformation program. Business Enabling Services provides a range of services and support to current parliamentarians and their staff and to former senators and members. Through the Service Delivery Office, it also provides services to client entities, as part of the whole-of-government Shared Services Program.

Organisational structure


Figure 1 shows the department’s organisational structure at 30 June 2017.

Figure 1: Organisational structure, 30 June 2017



Our people

Finance has a highly capable and committed workforce, one that is agile, flexible and able to respond to government priorities. As at 30 June 2017, 1,736 staff were employed on an ongoing, non-ongoing and casual basis. Although the majority of Finance staff are located in Canberra, we are represented in every state and territory. Detailed information on our staff is provided in the ‘Management and accountability’ section of this report (see Part 4).

A black and white photograph of two women in a professional setting. One woman is standing and leaning over a table, pointing at a tablet. The other woman is sitting at the table, looking up at the standing woman. The background is a bright, out-of-focus indoor space with large windows.

Part 3: Performance

Purposes and outcomes

Priorities

Key activities and
achievements

Annual performance
statement

Financial
performance

Purposes and outcomes

Part 3 reports on results achieved in 2016–17 against the purposes and performance criteria published in the Department of Finance Corporate Plan 2016–17, the Department of Finance Portfolio Budget Statements 2016–17 and the Department of Finance Portfolio Additional Estimates Statements 2016–17. It also includes Finance's priorities and key activities and achievements during 2016–17.

Table 3 shows how Finance's outcome statements and programs link to its purposes.

Priorities

Our key priorities for 2016–17 were as follows:

- supporting the government in delivering its fiscal policy objectives through the Budget and financial advice, management and reporting purpose, as required by the *Charter of Budget Honesty Act 1998* and the *Public Governance, Performance and Accountability Act 2013*
- supporting public sector transformation through targeted investments in specific initiatives to assist the Australian Public Service become more collaborative, innovative and agile
- contributing to the smaller and more efficient government agenda, including by continuing to review and reform a number of government business enterprises and other similar Commonwealth activities
- supporting the government's agenda to modernise approaches for the efficient delivery and management of publicly funded services and assets, including continuing to rationalise the Commonwealth's non-Defence property holdings and improving the efficiency of Commonwealth property management
- ongoing internal transformation of our business model, tools and systems to maximise efficiency and ensure delivery of the government's policy agenda.
- completing the redevelopment of the new Central Budget Management System. Implementation of the new system commenced on 26 July 2017. The new system will be implemented over a six month period to accord with the Australian Government's financial reporting requirements and the 2017–18 budget cycle. The 2016–17 Final Budget Outcome was the first item produced using the new system.
- establishing sound governance arrangements for the Service Delivery Office and its 13 client entities to enable effective strategic planning, decision making, risk and control management, performance monitoring and reporting, and communication.

Table 3: Finance's purposes as linked to outcome statements, 30 June 2017

		Outcome statements		
		Outcome 1	Outcome 2	Outcome 3
		Support sustainable Australian Government finances through providing high-quality policy advice and operational support to the government and Commonwealth entities to maintain effective and efficient use of public resources.	Support an efficient and high-performing public sector through providing leadership to Commonwealth entities in ongoing improvements to public sector governance including through systems, frameworks, policy, advice and service delivery.	Support for parliamentarians and others as required by the Australian Government through the delivery of, and advice on, entitlements and targeted assistance.
Purpose statements	Purpose 1 Budget and financial advice, management and reporting	1.1 Budget and financial management		
	Purpose 2: Governance		2.1 Public sector governance 2.3 Property and construction 2.8 Australian Government investment funds	
	Purpose 3 Transformation		2.2 Transforming government 2.3 Property and construction	
	Purpose 4 Services		2.3 Property and construction 2.4 Insurance and risk management 2.5 Procurement services 2.6 Service Delivery Office 2.7 Public sector superannuation	3.1 Ministerial and parliamentary services

Finance's transformation agenda

Finance's transformation agenda supports the delivery of our key activities and achievements. As part of this, Finance has implemented a new Performance and Capability Framework that replaces a twice-per-year formal performance assessment with a system that is more focused on developing employee capabilities and having more regular quality conversations between staff and managers. This more modern approach to performance and capability has already led to some very positive feedback from staff in the most recent APS Staff Employee Census.

These results include staff reporting significant increases in the positive impact of meaningful formal and informal conversations with managers on helping them to improve their performance (15 per cent and 12 per cent improvements from the previous year, respectively). The census results also indicated an 8 per cent increase on staff feeling they are provided with clear and consistent performance expectations and on how these will be assessed and measured.

The new framework improves the whole-of-organisation understanding of our capabilities and development needs. This better understanding of Finance's workforce is already helping us to deliver improved workforce planning strategies that will help attract, build and retain an agile and high performing workforce.

Key activities and achievements

Delivering the Budget and Mid-Year Economic and Fiscal Outlook

During the development of the 2017–18 Budget, Finance:

- provided advice on spending and savings proposals and prepared over 140 briefs for the Expenditure Review Committee of Cabinet to assist its policy deliberations
- scrutinised cost estimates for spending and savings proposals. Finance considered approximately 900 policy costings across all Commonwealth portfolios for accuracy and overall alignment with the policy's intent and collaborated with portfolio agencies to validate 8,757 estimates adjustments entered in the Central Budget Management System
- 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 \$464.3 billion of expenditure across the various functions of government for the years 2017–18 to 2020–21
 - 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
- 226 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 2016–17 Mid-Year Economic and Fiscal Outlook, Finance analysed and advised on 175 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 2016–17 Budget.

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 collaboration with the Treasury, the Department of the Prime Minister and Cabinet and other agencies, Finance provided advice on proposals across a number of portfolios aimed at improving productivity in the economy and workforce participation.

Finance provided advice on major reforms, including the schools funding package, housing affordability measures, working-age payments reform, and investment in infrastructure, regional Australia and energy security.

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

Investment in infrastructure and regional Australia

In collaboration with other central agencies and the Department of Infrastructure and Regional Development, Finance advised the government on the significant infrastructure investments announced in the 2017–18 Budget. These included an equity investment of up to \$5.3 billion in WSA Co Limited to build Western Sydney Airport, an additional equity investment of \$8.4 billion in the Australian Rail Track Corporation for the delivery of the Melbourne–Brisbane inland freight rail project, and funding of \$600 million over two years from 2019–20 as part of a \$10 billion National Rail Program.

We advised the government on a number of 2017–18 Budget measures that will help to support economic growth in regional Australia. These included funding of \$472.2 million over four years from 2017–18 to establish a Regional Growth Fund, with the aim of creating jobs, stimulating economic growth and building stronger regional communities.

We are also working with the Department of Infrastructure and Regional Development on prioritising the decentralisation of non-policy Commonwealth entities to further promote economic diversification and bring skills and job opportunities to regional areas.



CASE STUDY

Streamlining the 'Green Brief' process

A key role of Finance is the preparation of briefing on proposals with financial implications for consideration by the Expenditure Review Committee of Cabinet (ERC)—Green Briefs.

The Green Brief summarises key elements of a proposal, the associated financial implications and Finance and central agency views on the proposal. Green Briefs are highly regarded by the ERC for providing a succinct and accurate summary, and independent assessment of, proposals brought forward for their consideration.

Finance's new electronic work environment has streamlined the clearance process for Green Briefs including enabling senior executives to clear Green Briefs remotely—allowing them greater flexibility in meeting timeframes.

Secondary benefits include strengthening our positive working relationships with our central agency counterparts; making us more agile and able to produce high quality work within tight deadlines; and providing us with greater capacity to prepare and progress Green Briefs.

Inland rail market testing

Following the government's 3 May 2016 announcement of its intention to deliver an inland freight rail network through the Australian Rail Track Corporation, Finance engaged in a two-stage market testing process to examine opportunities for optimising private sector involvement in delivering and financing inland rail. Following successful completion of the market testing, as part of the 2017–18 Budget, the government announced a contribution of \$8.4 billion in new equity for ARTC to deliver inland rail and the intention to pursue a public–private partnership for the Gowrie to Kagaru (Queensland) section of the project.

Advice on Western Sydney Airport

Finance worked closely with the Department of Infrastructure and Regional Development to provide advice to the government on options for development and construction of the Western Sydney Airport. On 2 May 2017 the government announced it would establish WSA Co Limited as a Commonwealth company, prescribed as a government business enterprise, to build and develop the airport. Finance will continue to work with the Department of Infrastructure and Regional Development on the establishment of the company in early 2017–18 and will have an ongoing role supporting the Minister for Finance as a joint shareholder in WSA Co.

Online guidance for directors of government business enterprises

Finance prepared [online guidance material](#) to assist directors of government business enterprises—in particular, newly appointed directors.

The guide, which is available on our website, provides information about the central components of the GBE governance framework, including the *Public Governance Performance and Accountability Act 2013*, the PGPA Rules, and the *Resource Management Guide No. 126: Commonwealth GBE governance and oversight guidelines*. It also provides a 'shareholder perspective on the director's role'.

The guide takes account of existing policy, legislation and industry best practice and was developed in consultation with GBEs and shareholder departments to complement existing induction programs.

Sydney's new freight terminal at Moorebank

Moorebank Intermodal Company achieved financial close on 24 January 2017, a milestone that allowed the construction of Moorebank Logistics Park to begin. The park will improve national freight connectivity and help relieve urban congestion.

The initial phase of the import–export terminal is expected to be operational by January 2019, and the initial phase of the interstate terminal is expected to be operational by January 2021. Warehousing will be developed as demand dictates.

Funds allocated for modernising the public service

Finance worked with entities to identify and recommend to government transformation initiatives for investment through the \$500 million Public Service Modernisation Fund. These initiatives were announced in the 2017–18 Budget, with funding allocated over three years.

Finance led the development of a framework whereby proposals were assessed to ensure that the funding was invested in those initiatives that will enhance productivity and innovation in the Commonwealth public sector.

Whole-of-government digital records management

During 2016–17 Finance secured funding under the Public Service Modernisation Fund for the development of a whole-of-government Digital Records Platform to automate the common task of digital records management. We also completed the first draft of the Australian Government Records Interoperability Framework, which will enable the automation of records capture and management. A study titled the 'Future state of Australian government records management' was also completed. The study investigated the technologies and business issues that will affect records management in the coming five to 10 years.

The Central Advertising System

Finance administers the Central Advertising System, which consolidates the government's buying power to support the proper use of public resources. A total of \$148.4 million was spent on media through the system in 2016–17:

- Total campaign advertising media expenditure was \$133.4 million, comprising \$100.1 million by non-corporate Commonwealth entities and \$33.3 million by corporate Commonwealth entities, Commonwealth companies and other bodies.
- Total non-campaign advertising media expenditure was \$15 million, comprising \$12.1 million by non-corporate Commonwealth entities and \$2.9 million by corporate Commonwealth entities, Commonwealth companies and other bodies.

Drawdowns from the Future Fund

During the reporting year and in the lead-up to the 2016–17 Budget, Finance and Treasury provided advice to government on options for commencing drawdowns from the Future Fund to meet unfunded superannuation liabilities. During the same period, the two departments also provided advice to government about the ongoing relevance of the Future Fund Investment Mandate. During the budget process, the government announced that drawdowns from the Future Fund will not begin in 2020–21 and the investment mandate will be reduced by 0.5 per cent to a target return of at least the consumer price index plus 4 to 5 per cent over the long term.



CASE STUDY

Modernising the public service

Transforming and modernising the public service is a key priority of the government, which has allocated \$500 million from the Efficiency Dividend to establish the Public Service Modernisation Fund.

Finance worked with Commonwealth entities to identify and recommend to the government transformative initiatives for investment through the fund with funding allocations finalised in the 2017–18 Budget. These initiatives will deliver quality government services more efficiently and use leading technology and collaborative approaches to address complex problems facing society.

Finance led a collaborative process involving the Department of the Prime Minister and Cabinet, the Digital Transformation Agency and other entities to refine assess and recommend proposals that would enhance productivity and innovation in the Commonwealth public sector.

A committee of secretaries, chaired by the Secretary of the Department of the Prime Minister and Cabinet, endorsed a strong package of initiatives that were agreed by the government as part of the 2017–18 Budget process.

Establishing Australian Naval Infrastructure

Following a government announcement in October 2016, Finance worked with the Department of Defence and ASC Pty Ltd to establish Australian Naval Infrastructure Pty Ltd and transfer critical naval shipbuilding infrastructure from ASC into ANI. Establishment of ANI will facilitate the development and construction of infrastructure at the Osborne shipbuilding facility in South Australia to support the government's continuous shipbuilding program.

The Efficiency through Contestability Program

Under the Efficiency through Contestability Program Finance has systematically reviewed Commonwealth public sector activities and assessed whether these functions align with key policies and priorities. The aim is to ensure that government administration is as efficient, effective and responsive as possible. In 2016–17 we supported the delivery of a further eight reviews to government. Through streamlining programs, terminating legacy programs and improving spans of control, systems and compliance processes, reviews under the program have resulted in savings of about \$5 billion from 2014–15 to 2020–21, with about a further \$14 billion estimated for 2021–22 to 2026–27.

Streamlining government grants

Each year the Australian Government awards \$25 billion in grants to achieve government policy outcomes that support the nation's jobs, growth and innovation. As part of leading the government's Australian Public Service transformation agenda, Finance is working to improve the Commonwealth grants framework by streamlining grant policy and processes.

This is assisting Commonwealth entities to administer grants through simpler, consistent, more efficient processes. The work involves creation of a single source of government grant opportunities, [GrantConnect](#), and the establishment of two grants administration hubs (Community and Business Grants) as centres of excellence. These changes are delivering consistent processes and approaches across common IT platforms.

The Community and Business Grants hubs officially began operations on 1 July 2016. The hubs improve usability and accessibility through online grant processes for grant applicants and reduce red tape for grantees.

In February 2017 the government launched GrantConnect as the new single point of discovery for information about all government grants. Individuals and organisations are able to register to receive notifications on grant opportunities relevant to them. Information about grant opportunities is presented in a standard and consistent format.

In consultation with government and non-government stakeholders, we have also developed standardised grant agreement and guidelines templates. It is planned that these will be rolled out for use throughout government in 2017–18. The reforms standardise the way government presents grant information to potential applicants and reduce costs for grantees.

Maintaining average staffing levels

During 2016–17 Finance supported the government in meeting its commitment to maintain the average staffing levels (ASLs) of the general government sector (excluding military and reserves) at about or below 2006–07 levels (167,596 ASL). This work is contributing to broader efforts in line with the government's agenda to create and support a smaller, smarter, and more productive and sustainable government sector.

Shared Services Program

The Shared Services Program is a whole-of-government initiative focused on improving the efficiency and sustainability of corporate services throughout the Australian Public Service. In time, through the scale and standardisation of business systems and processes, the program aims to free up agency resources to focus on core government priorities. Significant progress was made in 2016–17, including:

- starting work on standardising business systems and processes in the Australian Public Service by consolidating corporate service provision from 85 internal service providers (including agencies that provide services to themselves) into six hubs
- 14 agencies (including those housing six hubs) representing approximately 61,000 ASL transitioning to a shared services hub. An additional 60 agencies are due to transition to a hub during the coming four years
- 70 agencies participating in the annual benchmarking exercise, equating to 86 per cent of Australian Public Service in-scope ASL (excluding the Department of Defence and the Australian Security Intelligence Organisation).

A new directory website

Release of a new Directory website on 30 June 2017 consolidated three databases managed by Finance (the Australian Government Organisations Register, AusGovBoards and Directory.gov), completing implementation of a recommendation from the Independent Review of Whole-of-Government Internal Regulation (the Belcher red tape review).

The new website combined the core information from the separate databases to establish a single source of information about government entities and appointments. This information is held in the Organisations and Appointments Register hosted on an off-the-shelf product. It is presented on the directory website. Among the benefits of the website are a reduction in duplication; information that is more transparent, accurate and timely; portfolios being able to consolidate and streamline their operational areas; and easier reporting being available to stakeholders.

The core information has the potential to be used by other government and non-government users who currently maintain separate lists of government organisations.

Property divestment

Ninety-two property sales were completed under the government's surplus property divestment program up until 2016–17. The sales returned approximately \$36 million in gross proceeds to consolidated revenue and achieved savings in property management costs. Most of the sales involved properties previously held by the former Albury–Wodonga Development Corporation and rural blocks located along the NSW–ACT border.

More government entities signing up to govCMS

Finance's whole-of-government content management system and website hosting service, [govCMS](#), has now exceeded projected uptake targets: 57 agencies have signed up and there are 155 live websites. The project has been successful because of its community-led governance model. In addition to infrastructure and hosting, govCMS provides a fully managed platform that allows entities to procure complete packages of services for maintaining, building, supporting and protecting their websites.

Comcover Risk Management Education Program

A key function of Comcover is to provide risk management and education services to Commonwealth entities to support best-practice risk management across the government. One activity contributing to the achievement of this function is the development and delivery of effective risk management training. Comcover provides a comprehensive risk management education program which adopts a blended learning approach that targets four levels of risk management capability: foundation, generalist, specialist and executive.

The foundation, generalist and executive pathways are well established and evaluation of the programs indicates they are improving participants' risk management capability in a practical way, contributing to the development of a positive risk culture throughout the general government sector.

Programs were delivered in 2016–17, with 2,117 participants from more than 70 entities participating in one or more of the programs. The specialist pathway will focus on those officials who are responsible for implementing and embedding an entity's risk framework and building their entity's capability to effectively manage risk. This pathway will be launched in the first quarter of 2018.

Campaign advertising policy framework

During 2016–17 Finance provided over 100 briefs to the Special Minister of State in connection with his government advertising policy responsibilities. Briefings related to advertising policy issues, media sector developments, and a range of advertising campaigns developed by non-corporate Commonwealth entities.

Whole-of-government property services

During 2016–17 Finance progressed the establishment of whole-of-government coordinated procurement arrangements in relation to property services. Under these arrangements Deloitte Touche Tohmatsu was appointed as the initial strategic property adviser on 10 February 2017. By 30 June 2017 the tender process for appointing property service providers for leasing and facilities management services was well advanced.

Whole-of-government travel, stationery and office supplies

Finance approached the market in December 2016 for replacement arrangements for whole-of-government travel accommodation services and for stationery and office supplies.

Both processes are now complete: the new arrangement for accommodation came into effect on 1 October 2017; the new stationery and office supplies panel commenced on 7 September 2017. Both arrangements will continue to deliver savings and efficiencies for Australian Government entities.

Free trade negotiations

Finance supported the Department of Foreign Affairs and Trade in negotiating Australia's ongoing bid to join the 'World Trade Organization Agreement on Government Procurement' and in the 'Review of the Singapore Australia Free Trade Agreement'.

Superannuation reforms

During the reporting year Finance engaged in administrative work to implement the government's superannuation reforms applying from 1 July 2017 in connection with the pension schemes for certain former parliamentarians, judges and governors-general. As part of this, we provided information and advice to members of these schemes.

2016 election support

The federal election on 2 July 2016 generated an increased workload for Finance. After the election, 53 new senators and members were given work expenses induction briefings and advice, as well as support in establishing offices and employing staff. Assistance was also provided to all other parliamentarians, including those departing through resignation or loss of office.

COMCAR services and the 2016–17 VIP Visits Program

COMCAR's involvement in the government's VIP Visits Program increased considerably during 2016–17. Forty-four visiting guests of government and other official visitors were provided services by COMCAR during the year (up from 27 in 2015–16). This figure included six heads of government and six heads of state travelling as part of Australia's official visits program. Among official visitors were the Prime Minister of Singapore, the King and Queen of the Netherlands, the King and Queen of the Hashemite Kingdom of Jordan, the Prime Minister of Israel, the President of the Islamic Republic of Afghanistan and the Premier of the People's Republic of China.

In such a busy period COMCAR delivered seamless transportation services to all visitors, while maintaining its high-quality service nationally for other clients.

Preparing for the Parliamentary Entitlements Legislation Amendment Act

On 22 February 2017 the *Parliamentary Entitlements Legislation Amendment Act 2017* commenced. The Act brought to an end Life Gold Pass travel for all Life Gold Pass holders other than retired former prime ministers and their spouses or de facto partners. It reduced the Gold Pass travel provided to retired former prime ministers and their spouses or de facto partners to 30 and 20 domestic return trips per year respectively and introduced a requirement that all parliamentary retirement travel be for the public benefit. Additionally, the Act reduced the age of a 'dependent child' under the *Parliamentary Entitlements Act 1990* to less than 18 years, imposed a 25 per cent penalty loading on prescribed travel claims that require subsequent adjustment, and established a statutory basis for recovering overpayments of parliamentary work expenses.

Establishing the Independent Parliamentary Expenses Authority

Following the government's announcement in January 2017 that an independent authority was to be set up to administer and oversee the work expenses of parliamentarians, a taskforce was created within Finance.

The role of the taskforce was to establish the Independent Parliamentary Expenses Authority, first as an Executive Agency under the *Public Service Act 1999* on 3 April 2017 and then as a statutory authority under the *Independent Parliamentary Expenses Authority Act 2017*, from 1 July 2017.

The taskforce—in collaboration with other areas in Finance—successfully delivered this complex project within an ambitious six-month timeframe. Legislation was drafted and passed by the parliament within one month of the government's announcement and two machinery-of-government changes were implemented within six months.

Operation Tetris

During 2016–17 all substantive vacant Commonwealth leased space in Canberra was filled under the government's Operation Tetris program. Operation Tetris is on track to realise savings of \$300 million over 10 years nationally. In future, Tetris opportunities will be identified well in advance by the whole-of-government leasing strategy which Finance's strategic property adviser is developing.



CASE STUDY

Transforming property data collection across the Commonwealth

Finance provides policy advice, guidance and support on managing Commonwealth property and land across government. It also manages whole-of-government purchasing arrangements for property services, the national property divestment program and the government's non-Defence property portfolio within Australia.

To assist with this work, Finance has designed, built and implemented a new information management system that has transformed the way the Commonwealth collects, manages and analyses property data information.

The innovative system provides a single, integrated, flexible and dynamic collection and reporting tool that will play a key role in supporting property management across the Australian Public Service. Entities will retain control of their data within the system, to ensure its reliability and accuracy.

Annual performance statements

Introductory statement

I, as the accountable authority of the Department of Finance, present the 2016–17 annual performance statements of the Department of Finance, as required under section 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 section 39(2) of the PGPA Act.



Rosemary Huxtable
Secretary

30 September 2017

Purpose

1

Budget and financial advice, management and reporting—support the government to deliver its fiscal targets and policy objectives

Outcome 1

Criterion	Analysis, policy advice and costing information provided to the Finance Minister and the Expenditure Review Committee of Cabinet as part of the budget and financial reporting processes meet the expectations of government and relevant stakeholders and support informed decision-making.
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Source	Corporate Plan 2016–17, page 9 Portfolio Budget Statements 2016–17, Program 1.1, page 26
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Result	<p>Achieved</p> <p>Finance provided advice to the Finance Minister and Expenditure Review Committee of Cabinet that was relevant to government considerations, accurate, evidence-based, delivered within agreed timeframes and consistent with government-agreed processes. Finance’s analysis, advice and costing information was included in the 149 briefs prepared in 2016–17 to support the deliberations of the Expenditure Review Committee.</p> <p>Further, during the development of the 2017–18 Budget, Finance verified approximately 900 policy costings for accuracy and overall alignment with the policy’s intent and validated over 8,700 estimates adjustments.</p>
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Provision of analysis, policy advice and costing information is an essential role performed by Finance to ensure that government is provided with critical information to support informed decision-making in the development of the Budget. Finance undertakes this role in accordance with the expectations of the government and the requirements of key policies such as the Cabinet Handbook and Budget Process Operational Rules. Finance monitors its performance in relation to the delivery of budget analysis, policy advice and costing information through internal departmental records and stakeholder engagement including interactions with ministers' offices.

Criterion	<p>The budget-related updates and the government's financial statements are accurate (taking into account, to the fullest extent possible, all government decisions and other circumstances that may have a material effect), delivered within required timeframes, and meet the government's legislative obligations.</p>
Source	<p>Corporate Plan 2016–17, page 9</p> <p>Portfolio Budget Statements 2016–17, Program 1.1, page 26</p>
Result	<p>Substantially achieved</p> <p>Finance delivered all of the economic and fiscal updates and the government's financial statements within legislated timeframes:</p> <ul style="list-style-type: none"> • The 2017–18 Budget was delivered on 9 May 2017. • The 2016–17 Mid-Year Economic and Fiscal Outlook (MYEFO) was released on 19 December 2016. • The 2015–16 Final Budget Outcome (FBO) was published on 30 September 2016 with audit-cleared financial statements for all material entities. The results were consistent with the subsequent audited Consolidated Financial Statements. • The Consolidated Financial Statements were provided to the Auditor-General on 27 November 2016, and received an unqualified opinion from the Auditor-General. • The monthly financial statements were delivered to the Finance minister within the required timeframe after the end of each month. <p>In relation to the accuracy of budget estimates, Finance reports the following results:</p> <ul style="list-style-type: none"> • The difference between first forward year estimated expenses and the FBO was 0.7 per cent on an accrual basis and 1.2 per cent on a cash payments basis. • The difference between budget estimated expenses and FBO was 0.5 per cent on an accrual basis and 1.2 per cent on a cash payments basis. • The difference between revised estimated expenses at MYEFO and FBO was 0.6 per cent on an accrual basis and 0.7 per cent on a cash payments basis. • The difference between revised estimated expenses at budget and FBO was 0.7 per cent on an accrual basis and 0.3 per cent on a cash payments basis. <p>Three elements of this criterion were fully achieved and one element was partially achieved. Variations between the estimates and final outcome reflect program-specific parameters. Program estimates are regularly reviewed and updated to take account of the best available information to maximise their reliability and accuracy.</p>

Another vitally important Finance contribution to the budget and financial advice, management and reporting purpose is ensuring budget estimates, processes and documentation are prepared and delivered in an accurate and timely manner. In 2016–17 this involved:

- coordinating, preparing, and advising on the delivery of the budget and related updates, including budget papers, appropriations legislation and the government’s financial statements
- developing and maintaining sound legal, financial and policy settings, and implementing processes that improve fiscal accountability and the quality of information provided to the parliament and the public.

Finance considers that by managing the budget process and rules, costing and advising on new policy proposals and maintaining the government’s financial reporting framework it is helping the government develop and meet its fiscal targets, policy objectives and legislative obligations.

As noted, Finance’s performance in fulfilling this function is demonstrated by compliance with legislated deadlines for budget documentation and the accuracy of budget estimates.

Criterion	The government’s cash requirements are met on a daily basis, ensuring the ongoing operations of government.
Source	Corporate Plan 2016–17, page 9 Portfolio Budget Statements 2016–17, Program 1.1, page 26
Result	Achieved Finance managed the Central Budget Management System to ensure that the government’s daily cash requirements were met on each day of the reporting period.

Finance’s robust financial systems and frameworks supported the processing of a daily disbursement of cash through the Central Budget Management System, enabling the government 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 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. This target was met in 2016–17.

Performance analysis: Budget and financial advice, management and reporting purpose

In the development of the 2016–17 Corporate Plan, Finance determined that its key contributions to the budget and financial advice, management and reporting purpose were as follows:

- the provision of analysis, policy advice and costing information
- ensuring that budget-related updates and the government's financial statements were accurate
- making sure Commonwealth entities had adequate funding to deliver the government's policy objectives.

Finance regarded the successful completion of these activities as core departmental business. The results demonstrate that in 2016–17 Finance, as a central agency, effectively supported the government in articulating and achieving its fiscal targets and policy objectives, with only one Budget Estimates target not being met due to program-specific parameters.

Purpose

2

Governance—foster leading public sector practice

Outcome 2

Criterion	<p>Delivery of significant government initiatives improves, with:</p> <ul style="list-style-type: none"> • 90 per cent of senior responsible officials indicating that assurance reviews contributed constructively to their project • 90 per cent of assurance review report recommendations are actioned or being actioned by entities.
Source	Corporate Plan 2016–17, page 11
Result	<p>Achieved</p> <ul style="list-style-type: none"> • 100 per cent of senior responsible officials indicated that assurance reviews contributed constructively to their project/program in 2016–17. • 97 per cent of assurance review report recommendations have been or are being actioned by entities.

Criterion	The Australian Government Office Occupancy Report demonstrates that Commonwealth entities are actively targeting and delivering lower lease vacancy rates, and working towards achieving the occupational density target that sets a benchmark on the amount of office space needed per employee.
Source	<p>Corporate Plan 2016–17, page 11</p> <p>Portfolio Budget Statements 2016–17, Program 2.3, page 46</p>
Result	<p>Achieved</p> <p>The <i>2015–16 Australian Government Office Occupancy Report</i> was published on 3 April 2017. This report identified:</p> <ul style="list-style-type: none"> • a greater proportion of tenancies meeting the occupational density targets, 22.1 per cent in 2016 up from 13.0 per cent in 2015 • the overall median occupational density for the Commonwealth reduced by 2.7m² per workpoint from 2015 to 2016 • the workpoint vacancy rate decreased by 7.1 percentage points since September 2015 (20.9 per cent to 13.8 per cent), while the total number of workpoints continues to reduce.

Result <i>continued</i>	<ul style="list-style-type: none"> a reduction in the net lettable area from greater than 3.1 million square metres to less than 2.8 million square metres the decrease in vacancy rate is as a result of continued successful efforts by entities to consolidate office accommodation and backfill surplus space, supported by Operation Tetris.
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The Australian Government Occupancy Report used data as at 30 June 2016 provided by 78 entities. This report covered office accommodation with 500 square metres or more which is owned or leased by the Commonwealth. The government property information in this report is collected through the annual Australian Government Property Data Collection, which non-corporate Commonwealth entities update each year. This report presents data that assists entities to identify and progressively move to better property management practices, while also informing whole-of-government policy.

The occupancy report sets out the occupational density for entities against the current target of 14 square metres of office space per occupied work-point. The collection of the information contained in the report promoted transparency of data across entities and supported government decisions. This is contributing to continued rationalisation of the Commonwealth property portfolio aligned to contemporary requirements of entities, and resulting in efficiencies through coordinated procurement of property services and savings delivered to the Budget following property divestments.

Criterion	Delivery of risk management and education programs to support entities in improving their risk management capability, which is measured annually through benchmarking.
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Source	Corporate Plan 2016–17, page 11 Portfolio Budget Statements 2016–17, Program 2.4, page 47
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Result	<p>Achieved</p> <p>Comcover's education program for 2016–17 included:</p> <ul style="list-style-type: none"> completion of e-learning modules: <ul style="list-style-type: none"> Foundation—'Introduction to Risk in the Commonwealth'—completed by 1,808 officials from 76 entities Generalist—'Practical Risk Management'—completed by 241 officials from 40 entities. (Note this program was launched in February 2017.) attendance at workshops: <ul style="list-style-type: none"> Generalist—'Practical Risk Management'—an additional 60 officials from 29 entities. (Note this program was launched in February 2017.) SES—68 SES officers from 33 entities. <p>The Department of Defence delivers the program in-house with 95 SES officials (or equivalent) completing the program in 2016–17.</p>
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Result <i>continued</i>	Results from Comcover's 2017 benchmarking program showed that Element 5—"Developing a positive risk culture"—recorded the largest increase in average maturity in 2017. The 2017 benchmarking program results recorded 105 entities are at 'integrated' and 'advanced' maturity states in comparison with 99 entities in 2016. This shows that entities are continuing to mature in relation to building risk management capability.
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One valuable method Finance uses to foster leading public sector practice in risk management is providing relevant education for public sector entities. The intention of this training is to foster improved public service practice by increasing and strengthening the capacity of entities to establish and maintain appropriate systems and internal controls for the oversight and management of risk balanced against an appropriate approach to red tape and innovation.

Comcover provides a comprehensive risk management education program that includes face-to-face training courses and flexible online learning. Comcover targets four levels of desired capability for APS officials:

- Foundation level: All Commonwealth officials, regardless of level or role, are required to understand basic risk management concepts and how risk is managed in the Commonwealth.
- Generalist level: Commonwealth officials, regardless of level, whose role requires them to engage with and apply their entity's risk management framework to successfully deliver outcomes. Generalists engage with risk at the activity level and have attained foundation level capability.
- Specialist level: Job role specialists who are required to design, implement and embed an entity's risk management framework. Specialists facilitate generalists and executives to fulfil their risk management responsibilities. Specialists have attained generalist level capability.
- SES Professional Development Program: Senior Executive Service officials whose role requires them to identify and determine the acceptable levels of risk that are appropriate to their entity's profile, allocate resources, and lead the adoption of risk management policies, strategies and best practices.

Criterion	Advice, analysis and support that meets government's needs is provided to the government on public sector superannuation policy, investment fund policy and governance matters.
Source	Corporate Plan 2016–17, page 11 Portfolio Budget Statements 2016–17, Program 2.6, page 49 Portfolio Budget Statements 2016–17, Program 2.7, page 50

Result	<p>Achieved</p> <p>Finance has supported the government with advice on public sector superannuation policy, investment fund policy and governance matters, in particular, during 2016–17 Finance:</p> <ul style="list-style-type: none"> • provided advice to government on the Superannuation Amendment (PSSaP Membership) Bill 2016, which implements a 2016-17 Budget measure • assisted the government with the six appointments made to the Commonwealth Superannuation Corporation Board • with the Department of the Treasury, provided advice on options for drawdowns from the Future Fund and a revised investment mandate for the Future Fund • with the Department of the Environment and Energy, provided advice to government regarding a revised investment mandate for the Clean Energy Finance Corporation. <p>Finance also paid fortnightly and monthly scheme payments within prescribed timeframes with the exception of one member's payment, which was paid one day late. The Member Contribution Statement reporting to the Australian Taxation Office was completed by 31 October 2016 in accordance with the prescribed timeframe. Annual statements were provided to parliamentary scheme members by 31 December 2016 in accordance with the prescribed timeframe.</p>
Criterion	<p>Advice on strategy, governance, operations, financial forecasts and performance of Commonwealth companies and other commercial entities is provided to government.</p>
Source	<p>Corporate Plan 2016–17, page 11</p> <p>Portfolio Budget Statements 2016–17, Program 2.1, page 41</p>
Result	<p>Achieved</p> <p>Finance provided advice to the government on Commonwealth Government Business Enterprises (GBEs) and other entities, including in relation to corporate planning, financial and operational performance and other significant programs of work. Finance ensures that the GBE governance framework is fit for purpose and will support delivery of the government's key priorities. Our advice and monitoring of GBE performance supports the ongoing efficiency and financial sustainability of GBEs. The governance framework is reviewed regularly to ensure it remains current and appropriate.</p>

Criterion	<p>Commonwealth entities supported through the provision of guidance and information to assist them in the delivery of the enhanced Commonwealth performance framework as demonstrated by:</p> <ul style="list-style-type: none"> • 100 per cent of all Commonwealth entities publishing annual performance statements in their 2015–16 annual reports • 95 per cent of all Commonwealth entities complying with performance reporting requirements.
Source	<p>Corporate Plan 2016–17, page 11</p> <p>Portfolio Budget Statements 2016–17, Program 2.1, page 41</p>
Result	<p>Substantially achieved</p> <p>One hundred per cent of Commonwealth entities that are required to publish annual performance statements, published such statements in their 2015–16 annual reports.</p> <p>Eighty-two per cent of published 2015–16 annual performance statements were fully compliant with the requirements of the <i>Public Governance, Performance and Accountability Act 2013</i> and related Rule.</p>

The main reason for non-compliance with the requirements of the PGPA Rule was incorrect presentation of the accountable authority's introductory statement to their 2015–16 annual performance statement. Non-compliant entities have been followed up in one-on-one discussions and general discussions have occurred in various forums, including community of practice sessions. *Resource Management Guide No. 134—Annual performance statements for Commonwealth entities* has been revised to provide greater clarity on the requirements of the PGPA Rule.

Criterion	Completion of a scoping study to review the management arrangements of the Commonwealth's existing investment funds to determine if there are efficiencies to be gained from consolidating the investment management arrangements.
Source	Corporate Plan 2016–17, page 11
Result	<p>Achieved</p> <p>The scoping study was completed and did not find sufficient economies or efficiencies resulting from consolidating cash holdings and cash investment management arrangements.</p>

Criterion	<p>Timely and relevant advice on procurement policy matters is provided.</p> <ul style="list-style-type: none"> • 80 per cent of entity queries to the procurement advice inbox responded to within three days. • AusTender is available 99 per cent of the time during business hours (ACT local time).
Source	Portfolio Budget Statements 2016–17, Program 2.1, page 41
Result	<p>Achieved</p> <ul style="list-style-type: none"> • 98 per cent of entity queries to the procurement advice inbox were responded to within three days in 2016–17. • AusTender was available for 100 per cent of the time during business hours in 2016–17.

A further activity Finance is pursuing in order to bring about the governance purpose concerns fostering improved public sector procurement practices. Procurement is strategically important to all government agencies because it supports delivery of government policies, programs and services. Poor procurement processes can lead to sub-optimal outcomes, such as delays or additional costs to redress problems. Through managing the procurement framework, Finance is seeking to reduce complexity and red tape and improve professionalism. The following are two notable elements of Finance's management of the procurement framework:

- Finance's operation of AusTender, the Australian Government's centralised procurement information and e-tendering system, allows entities to make tender documentation available from a central website. Suppliers can search or browse and download all the relevant information on the spot rather than having to request the information be sent to them. Suppliers can also ask to be automatically notified about tenders of interest to their business.
- Finance has provided advice about procurement policy and administration to government entities and the private sector. We operate a Procurement Agency Advice email address that seeks to provide prompt advice to stakeholders about Australian Government procurement policies and processes. We have also initiated forums and roundtables to provide opportunities for greater involvement and engagement with stakeholders.

Through Commonwealth entities and companies understanding their obligations, the government, parliament and the public can have confidence that public resources are used efficiently, effectively, economically and ethically.

Performance analysis: Governance purpose

In 2016–17 Finance fostered leading public sector practice through activities such as:

- assisting Commonwealth entities in the delivery of the enhanced Commonwealth performance framework
- providing procurement policy advice to entities
- delivering risk management programs to entities
- preparing the Australian Government Office Occupancy Report.

In the 2016–17 Corporate Plan we included performance criteria for measuring progress against these activities because we considered they would provide a substantive gauge of Finance's contribution to the governance purpose.

The performance details provided illustrate Finance's significant contributions to the governance purpose in 2016–17.

Finance did not meet the 95 per cent of all Commonwealth entities complying with performance reporting requirements, with only 82 per cent of published 2015–16 annual performance statements being fully compliant. Reasons for non-compliance were of a presentational nature, and Finance does not consider that content was compromised: entities' performance information was still available and transparent in the new framework.

Purpose

3

Transformation—innovate and improve public sector operations and reform the management and operations of public assets

Outcome 3

Criterion	Whole-of-Australian-Government ICT is improved through the provision of appropriate ICT services and programs to entities as demonstrated by 100 websites using the govCMS platform by 30 June 2017.
Source	Corporate Plan 2016–17, page 14 Portfolio Budget Statements 2016–17, Program 2.2, page 44
Result	Achieved At 30 June 2017 there were 132 websites using the govCMS platform.

Finance is contributing to the transformation purpose through the successful implementation of govCMS, an open source web content management and hosting service developed to help agencies create modern, affordable and responsive websites and to make it easier to collaborate and innovate.

The service helps reduce the technology and compliance burden on government agencies while providing a more cost-effective web content management and hosting option.

Key features of govCMS include the following:

- Open—it is built on open source software so any new functionality developed for one agency can be shared across all govCMS websites.
- Secure—it is proactively tested and maintained to meet government standards and fend off threats.
- Compliant—it provides agencies with a starting point and tools to create websites that comply with web content accessibility guidelines for people with disabilities.
- Adaptable—it is responsive and adaptable to mobile and new devices.
- Reliable—it is designed with load balances and disaster recovery capabilities.

The success of govCMS is demonstrated by the number of entities using the service exceeding:

- the current performance goal
- the number estimated, prior to the implementation of the service, to be using the service at 30 June 2017.

Criterion	Entities will have access to coordinated procurement arrangements for all leasing and facilities management services for office accommodation and shopfronts by 30 June 2017 under the National Property Efficiency Program.
Source	Corporate Plan 2016–17, page 14
Result	Substantially achieved A strategic property adviser was appointed in February 2017. Property service providers were appointed in September 2017.

The coordinated procurement for property-related services being implemented under 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, and to position the Commonwealth as an efficient property manager. The program is being delivered through two key components:

- a strategic approach to Commonwealth leasing, through better informed purchasing and consolidation of the Commonwealth's leased footprint through an overarching Commonwealth leasing strategy
- allowing non-corporate Commonwealth entities to benefit from a whole-of-government approach that draws on the Commonwealth's substantial purchasing power, through better pricing in lease negotiations and through streamlined, consolidated, and more efficient facilities management purchasing under outsourced property service provider arrangements.

Criterion	Driving the government's transformation agenda through supporting entities to become more effective and efficient as demonstrated by: <ul style="list-style-type: none"> • the majority of non-corporate entities being engaged with streamlining internal processes such as by conducting and actioning internal red tape reduction reviews • the majority of non-corporate entities being engaged with developing proportionate risk management tools and processes • the majority of non-corporate entities being engaged with the shared and common services agenda/on track to deliver the government's agenda of a smaller, more efficient and better connected public sector • subject to the government's agreement, the implementation of recommendations and savings delivered from functional and efficiency and contestability reviews.
Source	Corporate Plan 2016–17, page 14 Portfolio Budget Statements, Program 2.2, page 44

Result

Achieved

Finance is driving the government's transformation agenda as demonstrated by the following:

- Finance continues to engage with secretaries on public sector reform, previously through the Secretaries Committee on Transformation as a consultation forum, and now through the Secretaries APS Reform Committee, which is responsible for strategic oversight of APS-wide innovation and modernisation initiatives. This new committee will work collaboratively to drive reform including positive culture and engagement with the public sector.
- Finance chairs, and is a member of, the Deputy Secretaries Working Group on Red Tape. This group champions efforts across the public service to reduce internal red tape. More than 30 entities have appointed a key person—a 'red tape rebel'—to continue to promote and implement red tape reduction activities, including by reducing duplicative, inefficient and unnecessary processes within their organisations.
- In 2017, 95.5 per cent of non-corporate Commonwealth entities completed the Comcover risk management benchmarking process. The results indicate that entities continue to score higher in those elements of the survey which represent foundational risk management concepts, and that entities are focusing on enhancing maturity in the more complex elements, such as understanding and managing shared risk and building a positive risk culture.
- In 2017, 87 in-scope non-corporate Commonwealth entities have been scheduled to transition to a shared services hub in the next four years, with 14 of the 87 agencies having already completed transition.
- To date, 21 functional and efficiency reviews have been completed. Review outcomes announced at the time of the 2016–17 Budget have delivered savings of about \$5 billion from 2014–15 to 2020–21, with about a further \$14 billion over the period 2021–22 to 2026–27, through streamlining programs, improving span of control, improving systems and compliance processes, and terminating legacy programs.

Criterion	The phased functional roll-out of GrantConnect being completed by June 2017.
Source	Corporate Plan 2016–17, page 14
Result	<p>Substantially achieved</p> <p>GrantConnect is the Australian Government's grants information system, which centralises the publication and reporting of Australian Government grants. It is being released for public and agency use in three functional phases.</p> <p>The release of GrantConnect Phase 1, enabling agencies to advertise forecast (upcoming or projected) and current grant opportunities centrally, was completed on 6 February 2017. This provides the authoritative source of information in relation to Australian Government grants. To date 18 agencies representing more than 90 per cent of Australian Government granting activity have published 128 grant opportunities on GrantConnect.</p> <p>GrantConnect Phase 2, which adds centralised grant award reporting functionality, is complete and agency implementation and training is underway. Reporting of grants awarded (outcomes of grant rounds) on GrantConnect will be mandatory, in accordance with the Commonwealth Grants Rules and Guidelines 2017, from 31 December 2017.</p> <p>GrantConnect Phase 3, will follow in early 2018 providing an online lodgement facility for grant applications.</p> <p>After all phases are released, GrantConnect will be the authoritative source for the discovery of new grant opportunities, facilitate electronic lodgement of applications for grants applicants, and provide centralised reporting on grants awarded across the Australian Government.</p>

Performance analysis—Transformation purpose

In 2016–17 Finance delivered a number of activities designed to facilitate public sector innovation, improve public sector operations and reform the management and operations of public assets.

In the 2016–17 Corporate Plan, Finance included performance criteria for measuring key transformation activities—for example, the development of an open source web content management and hosting service to help agencies create modern, affordable and responsive websites; establishing a coordinated procurement for property-related services for agencies; and implementing a whole-of-government grant information system.

These performance details demonstrate the significance of Finance's contributions to the Transformation purpose in 2016–17 with a number of key deliverables being delivered in advance of timeframes.

Purpose

4

Services—manage efficient, cost-effective services to, and for, the government

Outcome 2 and Outcome 3

Criterion	Finance-owned properties are maintained in accordance with relevant safety, heritage and environmental requirements and in a condition fit for purpose.
Source	Corporate Plan 2016–17, page 16 Portfolio Budget Statements 2016–17, Program 2.3, page 46
Result	Substantially achieved Observations made during the annual property inspections, combined with asset management plans, tenant feedback and the commitments made under Finance’s Heritage Strategy show that the Finance-owned property portfolio has been maintained in accordance with relevant safety, heritage and environmental requirements and in a condition fit for purpose.

Finance supports the services purpose by seeking to ensure that, for client entities using buildings and the broader community, Finance-owned properties are maintained to agreed standards and in compliance with relevant safety and environmental legislative requirements.

Finance manages the government’s non-Defence property portfolio within Australia. The portfolio consists of four main categories of property—office properties, special-purpose properties, mixed-used properties, and residential properties.

This is a diverse portfolio consisting of approximately 100 properties across Australia. Finance has a robust compliance program to ensure the non-Defence property portfolio meets safety, heritage and legislative requirements including:

- annual property inspections
- capital works and repairs and maintenance programs
- tenant feedback mechanisms
- Finance’s Heritage Strategy.

This robust compliance program has resulted in low numbers of Finance properties not meeting relevant safety, heritage and legislative requirements.

Criterion	Major capital works projects and major land contamination remediation projects are completed in close consultation with client entities and within the time, cost and quality parameters agreed by the government for the process.
Source	Corporate Plan 2016–17, page 16 Portfolio Budget Statements 2016–17, Program 2.3, page 46
Result	Achieved Finance has worked to ensure major capital works and land contamination remediation projects are completed within the agreed parameters. All the identified projects that fall under this program met the specified time, cost and quality parameters for 2016–17.

As part of Finance's management of the government's non-Defence property portfolio within Australia, Finance is delivering a range of capital works, involving new construction works, refurbishment and remediation of existing Commonwealth properties including:

- Post Entry Quarantine Facility, Mickleham, VIC
- Villawood Immigration and Detention Centre, Sydney, NSW
- John Gorton Building, Canberra, ACT
- Cox Peninsula, NT.

Finance's delivery of these projects contributes to the services purpose by providing properties to client entities within the parameters identified by the government including achieving quality, efficient and cost-effective outcomes. In order to ensure the delivery of these capital works within the agreed parameters, Finance complies with the Commonwealth Property Management Framework which establishes the principles for the efficient, effective, economical and ethical use of property resources. This framework provides guidance on matters such as the approval process for capital works and property management planning.

Criterion	Whole-of-Australian-Government procurement arrangements are well managed with: <ul style="list-style-type: none"> • scoping studies and tender processes conducted within agreed timeframes and budget • contracts managed in accordance with appropriate contract management plans.
Source	Corporate Plan 2016–17, page 16 Portfolio Budget Statements 2016–17, Program 2.5, page 48

Result Achieved

Finance has progressed its scoping studies and tender processes in accordance with the agreed timeframes and budget, and whole-of-government procurement arrangement contracts are being managed in accordance with contract management plans. The tender processes for a new travel accommodation arrangement and a new arrangement for stationery and office supplies were completed within schedule to ensure ongoing service delivery that is efficient and cost-effective for government.

The approach to market for advertising is underway and on target for completion within schedule.

Finance contributes to the services purpose by establishing and maintaining whole-of-government procurement arrangements for common goods and services. These arrangements are established to benefit non-corporate Commonwealth entities when they procure goods and services.

Whole-of-government arrangements give effect to government policy decisions, improve consistency and control, and deliver savings and efficiencies. These arrangements may take the form of a contract, a standing offer and/or template documentation and have been established by lead entities such as Defence and Finance.

Whole-of-government arrangements may be established through a tender process and led by an entity with policy responsibility for, or expertise in, particular goods or services. The coordinated procurement contracting initiative has established whole-of-government contracts and arrangements where savings and efficiencies are being delivered to entities.

Criterion Government advertising is conducted in accordance with government advertising policies.

Targets expected to be achieved:

- Government advertising in 2016–17 will be conducted in accordance with government advertising policies.

Source Portfolio Budget Statements 2016–17, Program 2.5, page 48

Result Achieved

All advertising campaigns above the value of \$250,000 that were launched in 2016–17, and were subject to the *Guidelines on Information and Advertising Campaigns by Non-corporate Commonwealth Entities*, were reviewed by the Independent Communications Committee. The committee's compliance advice for all relevant campaigns was published on Finance's website.

The *Guidelines on Information and Advertising Campaigns by Non-corporate Commonwealth Entities* contain five principles for government advertising and information campaigns, including the need for campaigns to be properly targeted, free from political content, relevant to government responsibilities, and conducted with due regard to efficiency, effectiveness and accountability. By complying with the guidelines—as all non-corporate Commonwealth entities under the PGPA Act must do—Finance contributes to the services purpose.

Criterion	<p>The Service Delivery Office is transitioned to Finance with:</p> <ul style="list-style-type: none"> the Service Delivery Office fully established within Finance the Standard Service Agreement developed for delivery of services to client entities business continuity and service delivery maintained.
Source	Portfolio Additional Estimates Statements 2016–17, Program 2.6, page 38
Result	<p>Achieved</p> <ul style="list-style-type: none"> All the planned machinery-of-government project milestones were completed. A Standard Service Agreement has been developed detailing the services to be delivered, the governance and management arrangements for the Service Delivery Office including key performance measures, assurance mechanisms and a shared risk approach, and the cost and pricing approach. Business continuity was maintained for the enterprise resource planning system and the delivery of the transferred corporate functions.

The Service Delivery Office was established in Finance, as a part of a machinery-of-government change, in December 2016. The office delivers transactional corporate services to client entities (other Australian Government agencies) in order to enable them to focus on their core business, while driving efficiencies for government in the delivery of back-office administration functions. The services offered include core human resource, financial and enterprise resource planning system services.

Establishment of the Service Delivery Office in Finance has included a focus on strengthened governance arrangements. The office’s governance arrangements have been developed to support accountable authorities to meet their obligations under the *Public Governance, Performance and Accountability Act 2013* and to improve transparency for clients.

Criterion	<p>Act of Grace and waiver of debt requests:</p> <ul style="list-style-type: none"> timely completion of all Act of Grace and waiver of debt requests on receipt of required documentation from relevant parties. 100 per cent compliance with timeframes in the <i>Administrative Decisions (Judicial Review) Act 1977</i>. no adverse findings from the Commonwealth Ombudsman.
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Source	Corporate Plan 2016–17, page 16 Portfolio Budget Statements 2016–17, Program 2.1, page 41
Result	<p>Achieved</p> <p>Act of Grace payments and waiver of debt requests (discretionary claims) were completed in a manner compliant with specified benchmarks including the following:</p> <ul style="list-style-type: none"> • 72 per cent of discretionary payments were completed within 60 days in 2016–17. • There was 100 per cent compliance of Special Financial Claims with the timeframes in the <i>Administrative Decisions (Judicial Review) Act 1977</i>. The relevant timeframe from section 13 of the Act is the provision of statements of reasons in 28 days. 100 per cent of statements of reasons for discretionary payments were issued within 28 days in 2016–17. • There were no adverse findings from the Commonwealth Ombudsman in 2016–17 in relation to discretionary payments.
Criterion	Services to ministers, office-holders, senators, members and their staff meet service standards.
Source	Corporate Plan 2016–17, page 16 Portfolio Budget Statements 2016–17, Program 3.1, page 55
Result	<p>Substantially achieved</p> <p>Service standards met for the period ending 30 June 2017 include:</p> <ul style="list-style-type: none"> • 97 per cent of client contacts were acknowledged within 24 hours and responded to within agreed timeframes. • 100 per cent of office establishment and relocation projects were delivered within their approved budget. • 99.6 per cent of COMCAR reservations were completed without service failure. <p>Service standards not met for the period ending 30 June 2017 included:</p> <ul style="list-style-type: none"> • 94 per cent of payments (including payroll) being made within agreed timeframes.

A key measure of Finance’s contribution to its service purpose is the delivery of services to parliamentarians and their employees. 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.

Finance oversees the provision of a number of services to parliamentarians and their respective employees under the *Members of Parliament (Staff) Act 1984* including administering the majority of non-travel related provisions made under the parliamentary work expenses framework and its accountability mechanisms.

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. In 2016–17 Finance met three of these service standards but did not meet the standard for timeliness of payments because of the higher volume of payments following the 2016 federal election. The higher volume of payments was a result of the unusual occurrence of a double dissolution, the first since the 1987 election, resulting in the election of all 226 parliamentarians. This necessitated the processing of payments for all outgoing and incoming members and senators and their employees.

Criterion	An implementation framework is established to progress the recommendations from the <i>Independent Review of Parliamentary Entitlements</i> .
Source	Corporate Plan 2016–17, page 16 Portfolio Budget Statements 2016–17, Program 3.1, page 55
Result	<p>Achieved</p> <p>Establishment of the implementation framework is demonstrated by the completion of critical project milestones since 1 July 2016 including:</p> <ul style="list-style-type: none"> the Parliamentary Business Resources (PBR) Bill 2017 and the PBR (Consequential and Transitional Provisions) Bill 2017 were drafted, introduced and subsequently passed by parliament 12 recommendations have been implemented, 23 have commenced and preliminary work has been undertaken on the one remaining recommendation development of the Parliamentary Business Resources Regulations is well advanced.

In addition to delivering services to parliamentarians and their employees, Finance contributes to the services purpose for parliamentarians by implementing—in collaboration with the Department of the Prime Minister and Cabinet, the Remuneration Tribunal and the Independent Parliamentary Expenses Authority—the recommendations of the review entitled 'An Independent Parliamentary Entitlements System'. Finance is seeking through this process to contribute to improving the clarity and transparency of the administration of parliamentary work expenses including:

- delivering better support to parliamentarians and their staff in their work—for example, supporting them to make principles-based decisions and operate inside the rules
- enabling administrators to provide an efficient and effective service.

Performance analysis: Services purpose

In 2016–17 Finance delivered a wide range of services to a diverse range of stakeholders within and beyond government. The 2016–17 Corporate Plan included specific performance criteria for these stakeholders who range from parliamentarians carrying out parliamentary business, to members of the community seeking a debt waiver to Commonwealth entities undertaking procurements. The performance criteria articulated by Finance for the services purpose in the 2016–17 Corporate Plan sought to capture key aspects of the services Finance delivers in order to demonstrate whether Finance was managing and delivering efficient and cost-effective services to, and for, the government.

The performance reported here demonstrates that Finance made substantial contributions toward the services purpose. However, because of additional activities related to the 2016 federal election which was impacted by the unusual occurrence of a double dissolution of the Parliament (which could not have been predicted until the Prime Minister's announcement), Finance fell marginally short at 94 per cent of the specified 95 per cent service standard regarding payments being made within agreed timeframes under the Ministerial and Parliamentary Services program. To avoid greater slippage against this standard, Finance directed staffing resources through its prioritisation and surge operating model to assist with this peak demand.

Overarching analysis of performance against Finance's purposes

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.

Finance's progress against its purposes in 2016–17 was achieved in the context of a challenging and uncertain 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 and can impact Finance's performance in achieving its purposes. In 2016–17 key emerging environmental pressures influencing Finance's prioritisation decisions and performance included:

- the establishment of the interim Independent Parliamentary Expenses Authority in January 2017 which was of particular relevance to Finance's progress toward the services purpose
- announcements impacting Finance in the 2017–18 Federal Budget regarding key infrastructure initiatives of the government (including Melbourne to Brisbane inland rail, naval shipbuilding and Western Sydney Airport) and measures arising from implementation of the Public Service Modernisation Fund investments which was of particular relevance to Finance's progress toward the governance and transformation purposes
- the 2016 federal election, including managing the impacts of a double dissolution and extended caretaker period, which was of particular relevance to Finance's progress toward the services purpose.

During 2016–17 Finance implemented several machinery-of-government changes. These included the creation of the Independent Parliamentary Expenses Authority and subsequent movement of staff from Finance to the new entity, and the movement of a number of ICT functions and staff to the Digital Transformation Agency. Joining Finance during the year was the Service Delivery Office.

There was no material change in Finance's organisational capacity specific to any individual purpose in 2016–17. However, in 2016–17 Finance's organisational capacity was enhanced by the department's continuing transition into a more transformative organisation—one able to use its resources wisely and effectively to quickly adapt to a constantly changing environment. To support this approach Finance further embedded transformation activities into its ongoing business and maintained an internal focus on cultural and behavioural change.

To help Finance achieve its purposes it has an agile operating model which focuses on prioritisation, staff mobility, capability building and workforce planning. Finance has a team of approximately 220 project staff who are able to move flexibly to work on different priority projects as they emerge. In 2016–17 Finance used this team to meet 50 per cent of the human resources required for new and emerging priorities.

Financial performance

This section highlights Finance's financial performance during 2016–17 for both departmental and administered activities.

The department's financial statements are presented in Part 5. The Australian National Audit Office issued an unqualified audit opinion for these statements on 5 September 2017.

Finance's financial performance is summarised in Table 4. The department's entity resource statement and tables showing expenses by outcome are presented in Appendix 3.

Departmental activities

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

For the 2016–17 financial year, the department recorded an operating surplus of \$55.4 million. This is \$51.0 million less than the revised surplus estimate of \$106.4 million as published in the 2017–18 Portfolio Budget Statements and is due to higher insurance claims expense.

The operating surplus of \$55.4 million in 2016–17 compares to an operating surplus of \$113.5 million in 2015–16. Finance has budgeted for an operating surplus of \$47.1 million in 2017–18.

Operating expenses were \$51.2 million higher than 2015–16. This was primarily due to higher insurance claims expense, partially offset by lower centralised procurement expenditure.

Write-down and impairment of assets decreased by \$12.1 million, primarily due to a reduction in decrements for buildings and investment properties in 2016–17.

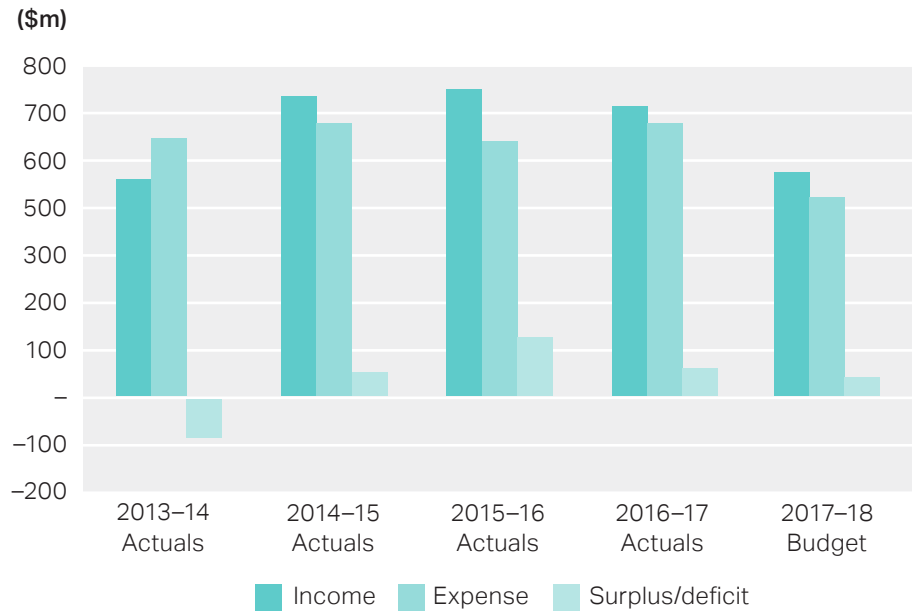
Table 4: Departmental financial performance

	30 June 2017 (\$'000)	30 June 2016 (\$'000)	Variance (\$'000)
Operating expenses	674,534	623,292	51,242
Write-down and impairment of assets	2,600	14,741	(12,141)
Total expenses	677,134	638,033	39,101
Own-source revenue	417,432	440,445	(23,013)
Gains	36,760	43,591	(6,831)
Net own-source income	454,192	484,036	(29,844)
Net cost of services	222,942	153,997	68,945
Revenue from government	278,357	271,315	7,042
Income tax equivalent	–	(3,843)	3,843
Operating surplus (deficit)	55,415	113,475	(58,060)
Changes in asset revaluation surplus	21,879	25,133	(3,254)
Total comprehensive income (loss)	77,294	138,608	(61,314)

The decrease in own-source revenue of \$23.0 million compared to 2015–16 was primarily due to decreased centralised procurement revenue resulting from changes to ICT procurement arrangements for some support and licensing arrangements, partially offset by increases in insurance premium revenue from Commonwealth entities.

Figure 2 outlines the department's financial performance over the past four years and the budget for 2017–18.

Figure 2: Departmental financial performance, 2013–14 to 2017–18



Financial performance of administered activities

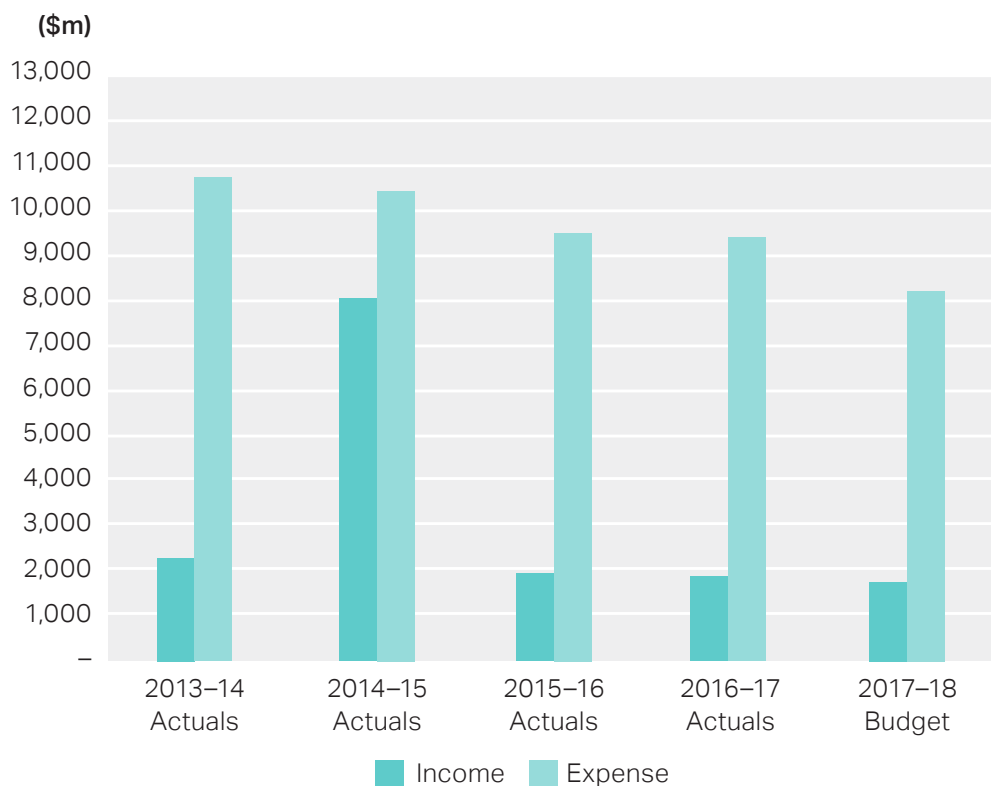
The financial performance of Finance's administered activities for 2016–17 is summarised in Table 5. Administered items are assets, liabilities, revenues and expenses that are managed or overseen by Finance on behalf of the government. Finance incurred \$9.5 billion of expenses, and recognised \$1.9 billion of income on behalf of the government in 2016–17, with expenses and income similar to that of the previous year.

Table 5: Administered financial performance

	30 June 2017 (\$'000)	30 June 2016 (\$'000)	Variance (\$'000)
Expenses administered on behalf of the government	9,480,184	9,509,540	(29,356)
Income administered on behalf of the government	1,895,086	1,906,567	(11,481)

Figure 3 outlines the department's financial performance in relation to administered activities over the past four years and the budget for 2017–18.

Figure 3: Administered activities, 2013–14 to 2017–18 (\$ million)



Financial summary and agency resource statement


Table 6: Financial Summary 2013–14 to 2016–17 (\$ million)

	2013–14 \$ million	2014–15 \$ million	2015–16 \$ million	2016–17 \$ million
Expenses				
Employees	168.08	161.22	170.36	168.62
Suppliers	222.29	331.70	321.89	303.57
Write-down and impairment of assets	118.92	57.69	14.75	2.60
Insurance claims	108.39	76.46	94.30	163.99
Other	34.89	48.08	36.73	38.36
Total expenses	652.57	675.15	638.03	677.14
Own-source income				
Rendering of services	143.02	152.82	230.94	201.35
Insurance premiums	86.26	100.87	125.15	140.29
Reinsurance and other recoveries	6.59	–	1.50	1.82
Rental income	48.18	76.48	72.12	67.68
Other revenues	9.66	7.33	10.74	6.29
Total own-source revenue	293.71	337.50	440.45	417.43
Gains	5.97	4.61	43.59	36.76
Net cost of services	352.89	333.04	153.99	222.95
Revenue from government	261.69	395.37	271.32	278.36
Income tax equivalent expense	5.86	5.91	3.84	–
Net surplus (deficit)	(97.06)	56.42	113.49	55.41
Equity	2,085.77	2,063.37	2,148.08	2,245.67
Net operating cash flow ^a	47.89	64.20	53.57	209.28
Returns to government	11.14	111.26	73.92	59.47

a A change in the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 means departmental appropriation receivable relating to special accounts is no longer considered an operating cashflow. This change resulted in a restatement in 2015–16 net operating cashflow from \$69.70 million to \$53.57 million.

Table 7: Economic performance summary

Indicator	2016–17 result (\$'000)
Operating statement	
Total expenditure	677,134
Total own-source income	454,192
Total net cost of service	222,942
Economic viability	
Total assets	3,057,406
Total liabilities	811,736



Part 4: Management and accountability

Corporate governance

External scrutiny

Management of
human resources

Asset management

Procurement

Consultants

Environmental
performance

Corporate governance

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

Key corporate services

The Corporate Services and ICT divisions support the Department of Finance in delivering its programs and services by providing quality, timely services and being responsive to the department's changing priorities and operational needs.

The divisions provide a broad range of corporate services, among them financial management, corporate planning, human resource services, knowledge management, information and communications technology, security and accommodation, communication and public affairs, in-house legal assurance, portfolio coordination and parliamentary liaison.

The governance framework

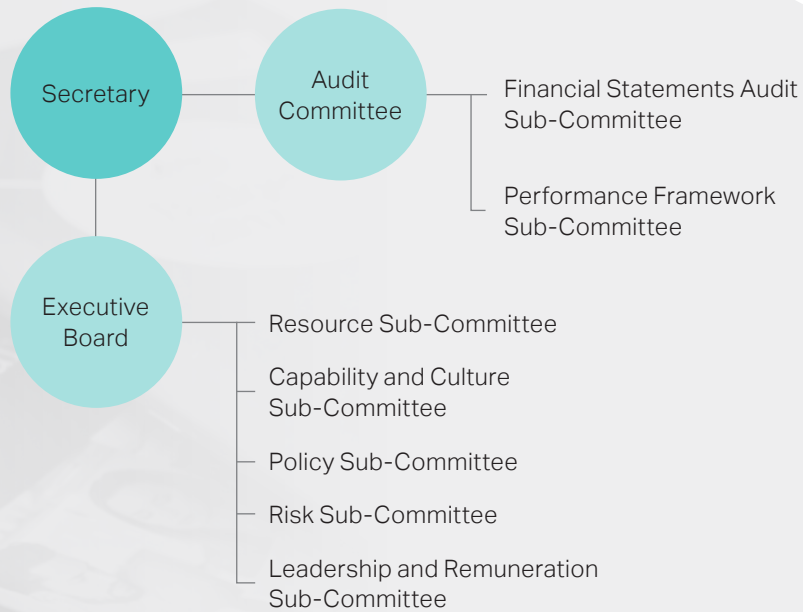
Finance's governance framework promotes the principles of good governance and encourages all staff to be accountable for their actions, focus on performance, and ensure efficient, effective and ethical management of people and resources.

The framework consists of committees, business planning and reporting, performance management, risk management, audit and assurance activities, and awareness of ethical standards. It also supports the Secretary in discharging her duties under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the *Public Service Act 1999*.

Figure 4 shows Finance's governance structure in 2016–17; the structure is discussed in more detail in the paragraphs that follow.



Figure 4: Finance's governance structure at 30 June 2017



New governance arrangements

Following an internal review, new governance arrangements for the department were implemented on 1 July 2016. The changes, which relate mainly to the Executive Board sub-committees, help us better prioritise our work—both specific projects and ongoing business—and facilitate collaboration between sub-committees.

Memberships, terms of reference and charters for the committees and sub-committees were updated to reflect the changes.

The Executive Board

The Executive Board is the chief advisory and decision-making body in the department and supports the Secretary in discharging her duties under the PGPA Act. It provides strategic leadership to ensure the department delivers its programs in keeping with the government's policy objectives. It also monitors performance and maintains accountability.

In addition to its usual decision-making role, the board structures its business to ensure key strategic discussions are undertaken, emerging risks are considered and regular updates from the chairs of the sub-committees are received.

The Secretary is the chair of the Executive Board and the deputy secretaries are standing members. During 2016–17 additional members were the First Assistant Secretary of the Corporate Services Division, the Chief Information Officer and the Chief Financial Officer.

Staff are kept informed about key decisions of the Executive Board through communications which are published on the department's intranet.

Executive Board sub-committees

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

- The Resources Sub-Committee is responsible for providing assurance and advice to the Executive Board on departmental investment, to ensure appropriate alignment with and enablement of business priorities.
- The Capability and Culture Sub-Committee advises the Executive Board on the strategic direction for people management, leadership development and workforce capability within the department.
- The Policy Sub-Committee fosters a coherent policy framework for Finance and advises the Executive Board on the development and implementation of strategic policy priorities for the department.
- The Risk Sub-Committee ensures that the department has an effective (practical and adequate) risk management framework in place, along with the ability to effectively manage its risks.
- The Leadership and Remuneration Sub-Committee oversees and provides advice on the department's remuneration policies, Senior Executive Service recruitment and people management matters.

The Audit Committee

The Audit Committee provides independent advice and assurance to the Secretary on the appropriateness of the department's accountability and control framework—particularly those aspects concerning the system of risk oversight and management, the system of internal controls, performance reporting and financial reporting. It also provides assurance on the adequacy of the Australian Government's Consolidated Financial Statements production and risk planning process.

In 2016–17 the committee was made up of four external members, one of them being the chair, and two departmental members. It met five times, and representatives from the Australian National Audit Office, the chair of the Risk Sub-Committee, the head of Internal Audit, the Chief Financial Officer and the department's internal audit service providers attended as observers.

The Audit Committee has established two sub-committees, chaired by external members, to support it in performing its functions:

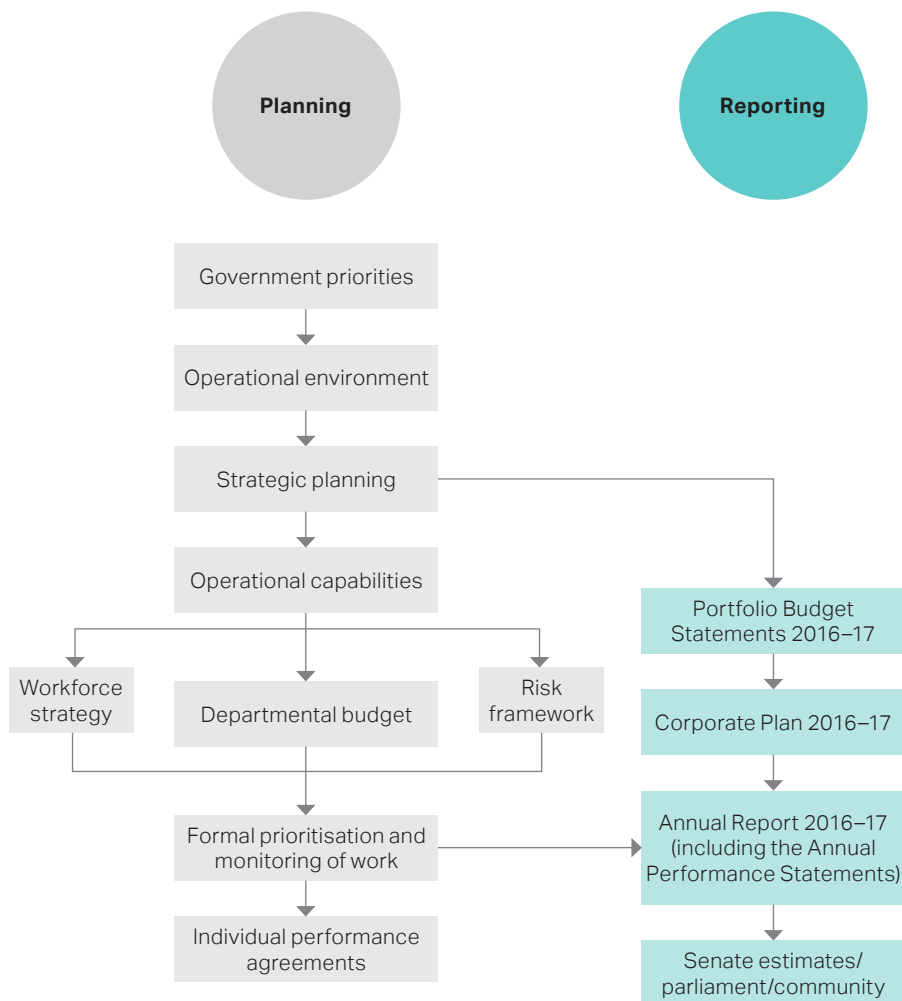
- The Financial Statements Audit Sub-Committee maintains an ongoing review of the process for preparing the department's annual financial statements.
- The Performance Framework Sub-Committee assists the Audit Committee in meeting its responsibilities under the PGPA Act in relation to performance reporting.

The planning and performance reporting framework

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

The operating model allows Finance to adjust its activities and resourcing to align with government priorities as expressed in the department's corporate plan and measured through the annual performance statement. Figure 5 illustrates Finance's approach to planning and reporting.

Figure 5: Finance's approach to planning and reporting



Managing risk

The Risk Sub-Committee, reporting to the Executive Board, oversees the department's risk management framework, which aligns with the principles of the PGPA Act and the Commonwealth Risk Management Policy.

The framework provides a sound foundation for ensuring a consistent approach to the identification, treatment and monitoring of risks by all staff on an ongoing basis. The Enterprise Risk Management Plan provides appropriate visibility of key risks to the Risk Sub-Committee and the Executive Board and assists with actively managing risks at all levels in the department.

During 2016–17 the department embedded its risk appetite and tolerance levels into the framework to help guide day-to-day decision-making. Our risk appetite and tolerance levels reflect a flexible and proportionate approach to the way we identify and manage risk. This is informed by the likelihood of the risk occurring and the consequences if it does. Managing risk in a more considered way influences our business processes including:

- driving greater staff capability as staff have more authority to make decisions
- promoting a positive risk culture, accepting that sometimes things will go wrong and—if they do—learning and responding in a thoughtful, measured way.

Business continuity management

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

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

Internal audit arrangements

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

Internal audits are either commissioned by the Audit Committee under the annual internal audit plan or initiated by management. A management-initiated review can be conducted in response to a newly identified risk or another matter on which management requires additional assurance. The department currently contracts KPMG to provide its internal audit services. During 2016–17 the internal audit program was delivered in line with the annual internal audit plan endorsed by the Audit Committee and approved by the Executive Board. In addition, internal audit services supported the transfer and establishment of the Service Delivery Office from the Department of Employment and the Department of Education and Training to Finance.

How we manage fraud

The department has a fraud control framework that aligns with the Commonwealth Fraud Control Framework. The department's framework is overseen by the Risk Sub-Committee and establishes the systems and processes for prevention, detection, monitoring, evaluation and reporting of, and responses to, fraud within the organisation. We regularly review our fraud prevention and control measures, including our fraud risk assessment and fraud control plan.

There were five fraud matters reported for the 2016–17 financial year, with a total estimated loss of \$4,650 and a proven loss of \$2,500. Four of the matters were finalised because they were unable to be substantiated and one matter, relating to the theft of a defibrillator, was proven. Following consideration of the matter, no responsible party was identified.

Significant non-compliance with finance law

The department did not report any significant matters relating to non-compliance with finance law to the Finance Minister under section 19(1)(e) of the PGPA Act in 2016–17.

External scrutiny

The department's operations are subject to scrutiny from a number of external bodies, among them the Australian National Audit Office, the Commonwealth Ombudsman, the Australian Information Commissioner, various parliamentary committees and the courts. This section reports on audits, reviews, inquiries and legal actions relevant to Finance in 2016–17.

Reports by the Australian National Audit Office

In 2016–17, the Australian National Audit Office tabled in parliament 10 reports, covering six performance audits, three financial statement audits and one assurance review involving the department:

- Report No. 3, 2016–17: *Machinery of government changes*, tabled 31 August 2016
- Report No. 6, 2016–17: *Corporate planning in the Australian public sector*, tabled 31 August 2016 (completed during 2015–16, with tabling delayed until 2016–17 due to the timing of the 2016 federal election)
- Report No. 7, 2016–17: *Interim phase of the audits of the financial statements of major general government sector entities for the year ending 30 June 2016*, tabled 31 August 2016
- Report No. 22, 2016–17: *Government advertising: March 2013 to June 2015*, tabled 19 October 2016
- Report No. 33, 2016–17: *Audits of the financial statements of Australian government entities for the period ended 30 June 2016*, tabled 23 January 2017
- Report No. 46, 2016–17: *Conduct of the OneSKY tender*, tabled 10 April 2017
- Report No. 54, 2016–17: *Corporate planning in the Australian public sector*, tabled 1 June 2017

- Report No. 58, 2016–17: *Implementation of the annual performance statements requirements 2015–16* tabled 26 June 2017
- Report No. 60, 2016–17: *Interim report on key financial controls of major entities*, tabled 28 June 2017
- Report No. 62, 2016–17: *Malabar Headland: 2016 lease between the Commonwealth of Australia and the New South Wales Rifle Association*, tabled 30 June 2017.

Details of the Auditor-General's reports, including the department's response to any audits it was directly involved in, are available on the [Australian National Audit Office](#) website.

Reports by the Commonwealth Ombudsman

The Commonwealth Ombudsman did not release any reports during 2016–17 that involved the department or that had, or might have, a significant impact on the department's operations.

Decisions by the Australian Information Commissioner

There were no decisions by the Australian Information Commissioner during 2016–17 that involved the department or that had, or might have, a significant impact on the department's operations.

Parliamentary committees

The Senate Standing Committee on Finance and Public Administration

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

The Legislation Committee

- Finance appeared before the Legislation Committee at its Senate Estimates hearings on 18 October 2016, 28 February 2017 and 24–25 May 2017.
- On 5 May 2017 Finance presented a submission to the Inquiry into the Parliamentary Business Resources Bill 2017 [Provisions] and Parliamentary Business Resources (Consequential and Transitional Provisions) Bill 2017 [Provisions].

The References Committee

- On 6 March 2017 Finance presented a submission to the Inquiry into the Operation, Effectiveness and Consequences of the Public Governance, Performance and Accountability (Location of Corporate Commonwealth Entities) Order 2016. It attended the inquiry on 11 April 2017.
- On 14 March 2017 Finance attended the Inquiry into the Operation of the Administrative Arrangements Order.

The Joint Committee of Public Accounts and Audit

The *Public Accounts and Audit Committee Act 1951* constitutes the Joint Committee of Public Accounts and Audit. The committee initiates inquiries into public administration matters and can conduct inquiries into matters referred to it by either house of parliament. During 2016–17 Finance had the following engagement with the committee:

- On 11 November 2016 Finance presented a submission to the Commonwealth Performance Framework inquiry based on Auditor-General's reports 6 (2016–17) and 31 (2015–16). It attended the hearing on 23 November 2016.
- In February 2017 Finance tabled the Australian government response to recommendations 1, 2, 3 and 5 of *Report 454: Early Years Quality Fund: Review of Auditor-General's Report No. 23 (2014–15)*.
- On 16 and 24 February, 30 March and 5 June 2017 Finance presented submissions on *Report 457: Development of the Commonwealth Performance Framework—Second Report*. It attended the hearing on 26 February 2017.
- On 22 March 2017 Finance attended the hearing of the Commonwealth Financial Statements Inquiry based on *Auditor-General's report 33 (2016–17)*.

Other committees

Finance attended hearings or provided submissions to the following other committees during 2016–17:

- the Joint Committee on Publications—inquiry into printing standards for documents presented to parliament (attended 22 June 2017)
- the Joint Standing Committee on Treaties—inquiry into the Trans Pacific Partnership Agreement (attended 7 November 2016); inquiry into the agreement to amend the Singapore–Australia Free Trade Agreement (attended 19 June 2017)
- the Senate Standing Committee on Foreign Affairs, Defence and Trade References Committee—input into the Department of Defence's management of credit and other transaction cards (attended 7 March 2017)
- the Parliamentary Standing Committee on Public Works—joint written submission with the Department of Immigration and Border Protection about the Villawood Immigration Detention Facility Redevelopment Project (provided 23 November 2016).

Finance's submissions and the transcripts of committee hearings are available on the Parliament of Australia website.

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

Substantial legal actions

Commonwealth of Australia v Davis Samuel Pty Ltd & Ors

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

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

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

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

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

Two appeals were made against the final orders. One appeal was settled in November 2015. The remaining appeal was struck out by the ACT Court of Appeal on 30 June 2016 for want of prosecution. The department continues to take steps to enforce the judgement debts and realise various interests conferred on it by the final orders.

Cunningham and Ors v Commonwealth of Australia and Anor

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

On 12 October 2016 the High Court ruled in favour of the Commonwealth and affirmed the validity of the retiring allowance amendments, the determinations, and the enactment of amendments relating to the Life Gold Pass.

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

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

The project concerned the demolition of an existing footbridge across the Georges River from East Hills to Voyager Point and the design and construction of a new pedestrian footbridge to replace the existing footbridge. On completion, responsibility for the new footbridge was to be transferred to Liverpool City Council and Bankstown City Council.

The councils brought a proceeding against the Commonwealth alleging that the six handover conditions, as contained within a Heads of Agreement dated 11 March 2003 between the Commonwealth and the councils, had not been satisfied and, accordingly, the new footbridge remains the responsibility of the Commonwealth.

The proceeding is being defended and directions have been made for various interlocutory steps.

Management of human resources

Finance is leading transformation across the Australian Public Service and is committed to improving the way the department works to deliver on government priorities. Building a highly capable and committed workforce that is agile, flexible and able to work in complex policy areas is central to meeting this commitment.

We recognise that, along with challenging and interesting work, a positive culture, supportive leadership and a flexible workplace are key to attracting, developing and retaining talented staff.

Finance continues to employ its 'surge' model to assist priority business areas experiencing peak demand. In 2016–17 this included assisting with the federal Budget, the general election, and the Central Budget Management System redevelopment project. Over 50 people registered to assist with these priorities and 31 were mobilised as part of the surge response teams. The 'surge' model enables Finance to build on its capabilities as well as providing staff the opportunity to experience different work within the department.

Through our 'test labs', staff have an opportunity to collaborate and be involved in creating innovative solutions and approaches to some of our products, processes, services and strategy. For more information about test labs, see the case study on [page 75](#).

Employment performance

At 30 June 2017 Finance had 1,736 staff employed on an ongoing, non-ongoing and casual basis. Table 8 provides an overview of the department's employment profile in 2015–16 and 2016–17. Information about our workforce and salary ranges is provided in [Appendix 1](#).

Table 8: Employment performance, 2015–16 and 2016–17

Indicator	2015–16	2016–17
Total number of staff employed (headcount)	1,812	1,736
Number of staff employed (headcount, excluding casuals)	1,469	1,433
Total employee expenditure ^a	\$170,358,000	\$168,618,000
Diversity of the workforce (as identified)—excluding casuals		
Women (proportion of total workforce)	55.4%	54.9%
People with disability (proportion of total workforce)	3.0%	3.6%
Aboriginal and Torres Strait Islander (proportion of total workforce)	1.6%	2.2%
People with English as a second language (proportion of total workforce)	9.6%	9.1%
Training and education		
Number of staff undertaking supported studies	144	90

^a Does not include staff employed under the *Members of Parliament (Staff) Act 1984*, COMCAR drivers, and staff whose costs are met from administered operations.

Machinery-of-government changes

During 2016–17 a number of machinery-of-government changes affected the department:

- 84 ongoing and six non-ongoing employees joined Finance from the Australian Government Shared Services Centre.
- 91 employees moved from Finance to the Digital Transformation Agency
- 41 employees moved from Finance to the Independent Parliamentary Expenses Authority.



CASE STUDY

Transforming with 'test labs'

Consultation, collaboration and co-design are important cultural aspects of how we are becoming a more modern and transformative organisation. We are committed to providing opportunities for all our staff to be involved in thinking differently about how we work and contributing to the design and review of the solutions we are implementing. Test labs are one of our main tools for this and are an essential ingredient of our 'Build-Test-Refine' approach.

Test labs are interactive co-design workshops where staff work together, along with a facilitator, to define problems and develop solutions. Test labs use the 'Design Thinking' methodology developed by the Stanford School of Design.

The methodology is well suited to exploring topics with a diverse group of people to identify problems, explore and refine options, and develop solutions through

collaborative processes. Usually a graphic facilitator is also present to help capture and record the conversations in 'real time', allowing the final design to also be presented in a visual form.

Test labs build our collective capacity to innovate, engage appropriately with risk and to cooperatively problem-solve. Test labs are an invaluable part of our transformation because they draw together a broad range of views, experience and expertise, and provide an environment for open and honest discussion. And by co-designing the solution, staff feel greater ownership for the outcomes.

Around 600 staff have participated in test labs since the program commenced.

Workforce diversity

During 2016–17 the department developed and launched Diversity@Finance, a diversity strategy and action plan setting out clear actions to support a diverse and inclusive workplace. We also developed a gender equality action plan in response to the Australian Public Service Gender Equality Strategy 2016–19, the Australian Public Service Disability Employment Strategy 2016–19, and the Commonwealth Aboriginal and Torres Strait Islander Employment Strategy. Employees from throughout the department collaborated to develop the strategies through a series of workshops, which identified the following themes:

- Community and Culture—*working together and our stories*
- Celebration and Awareness—*events and promoting our celebrations*
- Attraction and Retention—*our profile and what we can offer at Finance*
- Our Leadership—*we are all responsible for change.*

The department launched its fourth reconciliation action plan (RAP) in 2016, with endorsement by Reconciliation Australia. This Innovate Level RAP builds on the achievements of our earlier reconciliation action plans. The department's Aboriginal and Torres Strait Islander staff played an important role in identifying meaningful actions that advance our reconciliation goals.

The department's diversity networks conducted a range of events throughout 2016–17, providing opportunities for all staff to be involved in diversity activities and build awareness

The following initiatives supported improved diversity outcomes in 2016–17:

- events to raise awareness of equal opportunity and diversity matters, for example, National Reconciliation Week, NAIDOC Week, International Day of People with Disability, International Women's Day, Harmony Day and International Day Against Homophobia, Biphobia and Transphobia
- participation in committees and working groups to progress cross-agency and whole-of-government diversity initiatives
- drawing on the resources and expertise offered through memberships with the Australian Network on Disability, the Diversity Council of Australia and Pride in Diversity to develop and refine the department's approach to diversity and inclusion.

Disability reporting mechanisms

Since 1994, non-corporate Commonwealth entities have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service* reports and the *APS Statistical Bulletin*. (These publications are available on the [APSC](#) website.) Since 2010–11 entities have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework for improving the lives of people with disability, promoting participation and creating a more inclusive society. A high-level two-yearly report tracks progress against each of the six outcome areas of the strategy and presents a picture of how people with disability are faring. The first of these reports was published in 2014 and is available on the [Department of Social Services](#) website.

Recruitment—entry-level programs

During the reporting year Finance continued to focus on recruiting talented graduates and school leavers into customised entry-level programs. We also participated in several whole-of-government entry-level programs. Table 9 shows entry-level recruitment figures for 2016–17.

Table 9: Entry-level programs, 2016–17

Program	Australian Public Service classification	Number of officers
Finance programs		
Finance Graduate Program	APS 3	18
Finance Career Starter Program	APS 1	21
Papua New Guinea Graduate Program	APS 3 (equivalent)	2
Whole-of-government programs		
ICT Australian Government Graduate Program	APS 3	3
APS Indigenous Apprenticeship Program	APS 2	3
Indigenous Australian Government Development Program	APS 3	5

Remuneration and employment conditions

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

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

Employment conditions for SES staff are set out in individual determinations made under section 24(1) of the Public Service Act. Many of these conditions are aligned with the department’s enterprise agreement. Table 10 provides a breakdown of staff under the department’s employment instruments.

Table 10: Staff coverage under employment instruments, 30 June 2017

Number of employees covered by the Enterprise Agreement	Number of employees covered by a section 24(1) determination	Number of employees with an individual flexibility agreement in place
1,660 ^a	76 ^b	25 ^b

a Includes ongoing, non-ongoing and casual staff.

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

Performance pay

Finance does not provide performance pay.

Non-salary benefits

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

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

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

Performance management

In 2016–17 the department re-launched a revised Performance and Capability Framework to support a culture of engagement. The Human Resources Branch incorporated feedback into the revised policy and framework resulting from consultation processes such as co-design workshops known as ‘test labs’ (see [case study](#) on page 75,) the Staff Consultative Group and previous Performance and Capability Sub-Committee meetings.

The key elements of the new framework support the following:

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

Learning and development

Coaching

During the reporting year 58 staff participated in one-on-one coaching sessions through the department's career coaching and planning program. The program helps staff improve their performance, productivity and skills. The assigned coach uses a tailored approach to suit the individual needs of the staff member.

Formal training and development

Finance continued its focus on training and development to support a culture of learning and innovation. Since the implementation of APS LearnHub in 2016, Finance staff have had access to a number of electronic training platforms—such as Lynda.com (online training and videos, including TED talks), Good Practice (leadership and management training and resources) and Skillsoft (IT and business skills certification). Other training opportunities included formal in-house programs, a range of leadership and management programs and learning centre events. In partnership with the University of Canberra, the inaugural Graduate Certificate in Public Policy and Finance was also introduced.

During 2016–17 Finance's training focus was to equip staff in maximising the use of technology associated with its Electronic Work Environment and to build capabilities to support effective performance conversations between staff and managers.

Professional Development Coordinators

Finance has a team of around 220 staff who are able to move flexibly to work on different priority projects as they emerge. To support these staff the Professional Development Coordinator role has been fundamental to creating an environment in which staff working with different managers and on different projects are provided with regular feedback, support and career planning guidance. This enables them to perform effectively and reach their full potential. Where required, Professional Development Coordinators collaborate with project managers and supervisors to ensure consistent, timely and quality performance feedback is provided to staff deployed to work on projects.

Professional Development Coordinators are staff members who undertake the role in addition to the responsibilities they already have in leadership, performance coaching, and supporting staff in their career development.

Study assistance

Finance provided 90 staff with financial assistance and study leave to participate in external study as part of the department's overall commitment to developing employees' skills and strengthening organisational capability.

Work health and safety

Finance recognises that, as part of its aspiration to be a leader in the public sector, it must exemplify good work health and safety (WHS) practices. In 2016–17 we completed a major review of WHS management, including the work groups, worker representation and the role of the Work Health and Safety Committee. All policies, processes and procedures were reviewed and redrafted into a Safety Management System and a Rehabilitation Management System. These systems were designed to support new ways of working and are expected to support better management of WHS risk by recognising that good WHS is good for business.

Initiatives

Finance employees

In 2016–17 Finance undertook the following activities to meet its obligations under the *Work Health and Safety Act 2011* (WHS Act):

- consulting with staff as part of the major review of WHS management
- providing WHS training and information
- conducting hazard inspections, WHS risk assessments and workstation assessments
- providing a confidential counselling service through the employee assistance program
- promoting a healthy lifestyle by offering access to on-site gymnasium facilities and influenza vaccinations.

MOP(S) Act employees

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

In 2016–17 Finance's key WHS activities for MOP(S) Act employees were as follows:

- consulting with health and safety representatives through the Work Health and Safety Committee
- providing WHS information and training through the Ministerial and Parliamentary Services website and face-to-face training sessions delivered by Comcare
- providing a confidential counselling service through the employee assistance program
- conducting workstation and worksite assessments
- administering a work health and safety site officer program to support hazard and incident notification and access to first aid in parliamentarians' workplaces.

The Comcare premium

Finance's 2016–17 workers' compensation premium accounted for 0.77 per cent of its payroll (for both Finance and MOP(S) Act employees), a decrease from the 1.05 per cent of its payroll in the previous year.

Notifiable incidents

Finance employees

Between 1 July 2016 and 30 June 2017 Finance reported two incidents involving Finance employees to Comcare under section 38 of WHS Act. Both of these were classified as dangerous incidents under the Act.

MOP(S) Act employees

Between 1 July 2016 and 30 June 2017 Finance reported 13 incidents involving MOP(S) Act employees to Comcare under section 38 of the WHS Act. Twelve of the reported incidents were classified as dangerous incidents under the Act and one involved a serious injury.

Investigations and notices

Finance-managed workplaces

Under the WHS Act the department is required to provide statistics for any investigations or notices given at the workplaces it manages. No investigations were conducted and no notices were given during 2016–17.

MOP(S) Act employees

Between 1 July 2016 and 30 June 2017 three inspections were carried out by Comcare following notifiable incidents in parliamentarians' offices. These inspections concerned relatively minor building matters and were resolved following the provision of additional information to Comcare. Finance did not receive any notices issued by Comcare under section 155 of the WHS Act requesting information in connection with MOP(S) Act employees.

Asset management

Finance manages the government's non-Defence domestic property portfolio of some 100 properties, with a value of approximately \$1.8 billion (at 30 June 2017). Finance, with its private sector partner, manages these assets strategically to ensure that they are efficient and able to meet the government's needs.

In 2016–17, investment in major buildings was focused on improving the quality and amenity of the buildings in line with modern workforce standards. This follows the agreement of new long-term leases, increasing whole-of-government efficiency through full utilisation of major assets.

Performance measures for the management of the domestic property portfolio are included in the annual performance statements in Part 3 ([pages 47–57](#)).

Procurement

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

Information on significant procurements expected to be undertaken in 2017–18 is in the department's annual procurement plan, available from the [AusTender](#) website.

Australian National Audit Office access clauses

No contracts of \$100,000 or more (inclusive of GST) were let during 2016–17 that did not provide for the Auditor-General to have access to the contractor's premises.

Exempt contracts

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

Initiatives to support small business and indigenous business

The department supports small business participation in the Australian Government procurement market. Participation statistics for small and medium enterprises and small enterprises are available on the department's website.

The department recognises the importance of ensuring that small businesses are paid on time. The results of the survey of Australian Government payments to small business are available on the Treasury website.

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

The department supports the goals of the Indigenous Procurement Policy. Its successful achievement of its 2016–17 target is reflected on the [Department of the Prime Minister and Cabinet](#) website.

Consultants

The department engages consultants when it requires specialist expertise or when independent research, review or assessment is required. Decisions to engage consultants during 2016–17 were made in accordance with the PGPA Act and related regulations, including the Commonwealth Procurement Rules and relevant internal policies.

During 2016–17, the department entered into 188 new consultancy contracts involving total actual expenditure of \$12.0 million. In addition, 124 ongoing consultancy contracts were active during 2016–17, involving total actual expenditure of \$14.2 million (see Table 11).

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

Table 11: Expenditure on consultancy contracts, 2014–15 to 2016–17

	2014–15 \$ million	2015–16 \$ million	2016–17 \$ million
Total actual consultancy expenditure	33.4	30.9	26.2

Environmental performance

Departmental activities

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

Office energy use

The department minimises its consumption of office energy wherever possible, including using automated light switching and the power management features of ICT equipment. In Finance’s primary tenancy, One Canberra Avenue, Forrest, we use 10 per cent Greenpower, sourced through a cooperative government arrangement.

Transport

Finance employees are authorised to travel only when there is a demonstrated business need and when alternative communication tools, such as teleconferencing and videoconferencing, are an ineffective option. The Finance vehicle fleet is made up of departmental pool vehicles and executive vehicles. A subscription to Greenfleet offsets the associated vehicle emissions.

Resource efficiency and waste

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

Organic waste bins were introduced to the department's ACT tenancies in November 2016. Thus far this initiative has diverted 3.16 tonnes of general waste from landfill. The organic waste is collected by a worm-farming company to be recycled into organic fertiliser.

The Finance printing system is designed to purge print jobs that are not completed within a set timeframe. Print jobs totalling 299,233 pages were automatically purged in 2016–17. The printer fleet's default settings automatically print in grayscale on both sides of the page and all spent printer cartridges are recycled.

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

The non-Defence domestic property portfolio

Finance manages a diverse portfolio of some 90 non-Defence Commonwealth-owned properties in Australia, including office buildings, law courts and other special-purpose facilities, heritage assets, vacant land and contaminated sites. This portfolio is managed in accordance with the legislative framework for environment and heritage matters, including the *Environment Protection and Biodiversity Conservation Act 1999*. Management is in accordance with the principles of environmentally sustainable development, and Finance considers potential environmental and heritage impacts when making decisions about each property, including maintenance, retention and divestment.

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

Table 12 summarises the department's environmental performance in 2016–17 as compared with 2015–16.

Table 12: Environmental performance summary, 2015–16 and 2016–17

Indicator	2015–16	2016–17
Office energy use		
Total office tenant light and power energy consumption (kWh)	1,870,210	1,527,860
Total office tenant light and power energy consumption (MJ)	6,732,756	5,500,294
Office tenant light and power energy use per full-time equivalent (MJ/FTE)	4,391	3,521
Office tenant light and power use per square metre (MJ/m ²)	244	236
Base/central building energy consumption (MJ)	46,045,104	45,567,809
Base/central building energy consumption per square metre (MJ/m ²)	450	449
Greenhouse emissions attributed to office tenant light and power and base/central building energy use (tonnes CO ₂ -e)	9,787	9,240

Table 12: Environmental performance summary, 2015–16 and 2016–17 (continued)

Indicator	2015–16	2016–17
Green power purchased (kWh)	877,347	837,186
Non-office energy use		
Greenhouse emissions attributed to non-office energy use (computer centres, other properties and uses) (tonnes CO ² -e)	1,832	1,411
Vehicle fleet^{a, b}		
Total number of fleet vehicles	31	33
Total fuel purchased (litres)	34,907	24,283
Total distance travelled (kilometres) ^c	327,938	236,226
Average fuel consumption of fleet vehicles (litres/100 kilometres) ^c	10.6	10.3
Total direct greenhouse emissions of fleet (tonnes CO ² -e)	82.4	57.3
Greenhouse emissions		
Total greenhouse emissions (tonnes CO ² -e)	11,702	10,708
Total greenhouse emissions per full-time equivalent (tonnes CO ² -e/FTE)	7.6	6.9
Air travel^b		
Total number of flights	4,986	4,157
Total distance of flights (kilometres)	4,850,176	4,112,248
Potable water consumption^d		
Total potable water use (kilolitres)	16,377	12,068
Potable water use per full-time equivalent (kilolitres/FTE)	10.682	7.73
Potable water use per square metre (kilolitres/m ²)	0.593	0.49
Resource efficiency and waste		
Total office paper purchased by full-time equivalent (A4 reams/FTE)	8.5	8.7
Percentage of office paper purchased with recycled content	86.1%	83.6%
Office paper recycled (tonnes)	99.8	38.7
Total waste produced (tonnes)	254.6	166.91
Total waste produced per full-time equivalent (kilograms/FTE)	166.0	106.9
Percentage of waste diverted from landfill	50.9%	49.5%

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

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

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

c The kilometre data includes estimates for vehicles where the data was considered unreliable. Vehicles with reliable kilometre data were utilised to develop figures for departmental average litres per 100 kilometres, and this average was used for each reporting period to estimate kilometres travelled for vehicles with unreliable data.

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


Cross-government activities

Finance contributes to the environmental outcomes of a number of additional areas in line with government policy and relevant legislation. This includes managing the COMCAR vehicle fleet and providing electorate office accommodation for parliamentarians. These activities are additional to those listed in Table 12.

COMCAR

In 2016–17 COMCAR continued to deliver on its strategy of ensuring an environmentally responsible fleet of vehicles. At 30 June 2017 COMCAR had 104 LPG and 44 petrol-powered sedans in its fleet of 159 vehicles. The LPG vehicles burn fuel more efficiently, improving fuel consumption and contributing to reductions in carbon dioxide output of up to 15 per cent per vehicle. All COMCAR petrol-powered vehicles employ variable cylinder technology, further reducing fuel consumption. Where possible, COMCAR uses E10 fuel for its petrol-powered sedans.

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

A hand holding a pen is positioned over a document that features various financial charts, including a bar chart and a pie chart. The document is titled "Detailed information of changing business acti...". The background is a light, blurred image of a desk and a window.

Part 5: Financial statements

Independent
auditor's report

Statement by the
Secretary and the Chief
Financial Officer

Glossary of terms—
financial statements

Contents—financial
statements



Auditor-General for Australia



INDEPENDENT AUDITOR'S REPORT

To the Minister for Finance

Opinion

In my opinion, the financial statements of the Department of Finance (Finance) for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of Finance as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of Finance, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter

Valuation of the liability and accounting for outstanding insurance claims

Refer to Note C1 'General insurance activities'

The estimation of outstanding insurance claims liability involves significant judgement given the inherent uncertainty in estimating the expected future payments for claims incurred.

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

- the balance being significant relative to the Finance's statement of financial position (\$439 million outstanding insurance claims liability as at 30 June 2017);
- the valuation of outstanding insurance claims relying on the quality of the underlying data. It involves complex judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the estimate; and
- judgement being involved in estimating the period over which claims are expected to settle.

How the audit addressed the matter

To address the key audit matter I have:

- evaluated the design effectiveness and implementation of key actuarial controls, including data reconciliations and Finance's review of the estimate;
- tested a sample of significant claims case estimates and claim payments;
- assessed whether Finance's actuarial methodologies were consistent with those used in the industry and with prior periods; and
- assessed key actuarial assumptions including claim ratios, expected frequency and severity of claims, and discount rates applied. I challenged these assumptions by comparing them with my expectations based on current trends, changes to cases and industry knowledge.

I engaged an expert to assist me in understanding and evaluating Finance's actuarial practices. I also considered the work and findings of the external actuarial expert engaged by Finance.

Key audit matter

Valuation of superannuation provisions

Refer to Note C3 'Superannuation'

Finance administers defined benefit schemes that entitle Commonwealth employees to retirement benefits based on past service.

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

- the balance being significant relative to the Finance's statement of financial position (\$172 billion as at 30 June 2017); and
- the measurement of the provision being complex, requiring significant professional judgement in the selection of long-term assumptions, such as the salary growth and discount rates, which can result in material fluctuations in amounts recorded.

How the audit addressed the matter

To address the key audit matter I have:

- assessed the control process relating to the management of defined benefit schemes including management of members' data and superannuation payments;
- engaged an independent actuary to assist in the review of the methodology, assumptions and judgements used by Finance's actuary in relation to the estimation of the superannuation provision; and
- considered whether Finance's disclosures are adequate and in accordance with the Australian Accounting Standards.

Key audit matter**Valuation of Properties**

Refer to Note D3 'Non-financial assets'

Finance has estimated the fair value of its land, buildings and investment properties to be \$1,824 million as at 30 June 2017.

The valuation of Finance's land, buildings and investment properties is a key audit matter for me due to:

- the estimate of the fair values for these assets using different valuation methodologies; and
- the valuations being dependent on certain key assumptions that require significant management judgement including capitalisation rates, fair market rents, discount rates and conditions of the use of properties. Where observable market data is not available, the valuation is developed based on the most appropriate source data and is subject to a higher level of judgement.

How the audit addressed the matter

To address the key audit matter I have:

- evaluated the competence, capabilities and objectivity of management's valuers;
- obtained an understanding of and critically evaluated Finance's methodologies and their documented basis for key assumptions utilised in the valuation models; and
- tested a sample of property valuations and assessed the reasonableness of the significant data inputs underpinning the investment properties' valuation including rental income and capital expenditure and the Land and Building valuations including market value comparisons.

Accountable Authority's Responsibility for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Australian National Audit Office



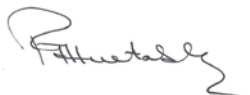
Grant Hehir
Auditor-General
Canberra
5 September 2017

Department of Finance Financial Statements for the period ended 30 June 2017

Statement by the Secretary and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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



Rosemary Huxtable PSM
Secretary
Department of Finance
5 September 2017



Steven Momcilovic
Chief Financial Officer
Department of Finance
5 September 2017

Glossary of terms

AAS	Australian Accounting Standards	IBNER	Claims incurred but not enough reported
AASB	Australian Accounting Standards Board	Investment funds	Administered investment funds managed by the Future Fund Board of Guardians
AMT	Adjusted Market Transactions	IPEA	Independent Parliamentary Expenses Authority
ANI	Australian Naval Infrastructure Pty Ltd	JPS	Judges' Pensions Scheme
ARR	Asset Revaluation Reserve	LSL	Long Service Leave
ASC	ASC Pty Ltd	LTCR	Long Term Cost Report 2014
AUD	Australian dollar	MOP(S) Act	<i>Members of Parliament (Staff) Act 1984</i>
BAF	Building Australia Fund	MPS	Ministerial and Parliamentary Services
BSSA	Business Services Special Account	MRFF	Medical Research Future Fund
CEB	Consumed Economic Benefits	MRFFICs	Medical Research Future Fund Investment Companies
CCEs	Corporate Commonwealth Entities	NBFs	Nation Building Funds
CRF	Consolidated Revenue Fund	NET	Net Assets
CPCSA	Coordinated Procurement Contracting Special Account	OCI	Other comprehensive income
CPI	Consumer Price Index	OPA	Official Public Account
CSC	Commonwealth Superannuation Corporation	PAES	Portfolio Additional Estimate Statements
CSS	Commonwealth Superannuation Scheme	PBS	Portfolio Budget Statements
DAS	Department of Administrative Services	PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
DCAF	DisabilityCare Australia Fund	PM&C	Department of the Prime Minister and Cabinet
DTA	Digital Transformation Agency	PCSS	Parliamentary Contributory Superannuation Scheme
EIF	Education Investment Fund	PSS	Public Sector Superannuation Scheme
EUR	Euro	PSSap	Public Sector Superannuation accumulation plan
FCCJDDS	Federal Circuit Court Judges Death and Disability Scheme	PWS	Parliamentary Workflow System
FFMA	Future Fund Management Agency	RBA	Reserve Bank of Australia
FRR	<i>PGPA (Financial Reporting) Rule 2015</i>	RCN	Replacement Cost of New Assets
FVPL	Fair value through profit or loss	SDO	Service Delivery Office
GBP	British pound	The Board	Future Fund Board of Guardians
G-GPS	Governor-General Pension Scheme	USD	United States dollar
GST	Goods and Services Tax	VSA	Volume sourcing arrangements
HHF	Health and Hospitals Fund	WACC	Weighted average cost of capital
IBNCS	Internet based network connection service	WoAG	Whole of Australian Government
IBNR	Claims incurred but not reported		

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Department of Finance
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2017

Departmental Primary Statements

	Note ref	Actuals		Budget
		30 June	30 June	30 June
		2017	2016	2017
		\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	E1	168,618	170,358	167,373
Supplier expenses				
Centralised procurement expense	H2 B1	135,945	174,202	80,540
Consultants and contractors		47,445	52,635	39,912
Domestic property portfolio expenses	B2	38,105	27,851	56,655
Communication and information technology		42,196	35,065	41,834
Property operating expenses		3,933	5,213	2,318
Insurance claims	C1.1 B3	163,993	94,295	132,090
Other goods and services		21,875	20,904	25,510
Operating lease rentals		14,066	6,034	9,675
Competitive neutrality	H2	3,768	2,252	2,252
Notional reinsurance expense	C1.1	5,000	5,000	5,000
Depreciation and amortisation	D3.1	29,424	27,408	33,483
Non-financial asset write downs		2,596	13,915	3,389
Impairment of financial assets	D1.3	4	826	-
Other expenses		166	2,075	-
Total expenses		677,134	638,033	600,031
Own-source income				
Own-source revenue				
Premium revenue	C1.1	140,290	125,149	136,722
Reinsurance and other recoveries revenue	C1.1	1,823	1,504	-
Centralised procurement revenue	H2 B1	135,978	176,917	81,340
Rental income	H2	67,678	72,119	75,322
Resources received free of charge	H2	1,398	2,030	1,385
Rendering of services	B4	65,372	54,019	49,971
Interest revenue	D1.3	8	6	-
Other revenue		4,885	8,701	7,200
Total own-source revenue		417,432	440,445	351,940
Gains				
Gains	B2	36,760	43,591	-
Total gains		36,760	43,591	-
Total own-source income		454,192	484,036	351,940
Net cost of services		(222,942)	(153,997)	(248,091)
Revenue from Government		278,357	271,315	270,248
Surplus/(deficit) before income tax on continuing operations		55,415	117,318	22,157
Income tax expense	H2	-	3,843	4,052
Surplus/(deficit) after income tax on continuing operations		55,415	113,475	18,105
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserves relating to				
Land, building and leasehold improvements	D3.1 B2	21,879	25,133	-
Total comprehensive income/(loss)		77,294	138,608	18,105

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

Department of Finance
STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

Departmental Primary Statements

	Note ref	Actuals		Budget
		30 June	30 June	30 June
		2017	2016	2017
		\$'000	\$'000	\$'000
Assets				
Financial assets				
Cash and cash equivalents				
Cash and cash equivalents	D1.1	10,780	3,321	5,000
Special Account cash held in OPA	F3.1 B5	739,018	643,912	663,880
Trade receivables	D1.1 B1	74,299	69,969	27,934
Accrued revenue	D1.1	11,770	20,344	8,893
Appropriations receivable				
Special Account capital receivable	F3.1 B5	58,891	82,420	-
Other departmental undrawn	F1.2 B5	152,956	172,670	110,162
Reinsurance and other recoveries	C1.3	5,964	6,383	6,181
Lease incentive assets		7,365	7,986	-
Investments in joint ventures	H1	3,611	4,898	6,112
Other financial assets		2,643	3,434	9,917
Total financial assets		1,067,297	1,015,337	838,079
Non-financial assets				
Land	D3.1 B2	387,641	413,298	396,320
Buildings	D3.1 B2	589,011	637,686	567,090
Leasehold improvements	D3.1	26,740	29,159	-
Investment properties	D3.1 B2	847,703	626,437	588,932
Plant and equipment	D3.1	30,867	28,673	51,668
Intangible assets	D3.1 B4	94,387	71,819	114,283
Prepayments		9,443	11,274	8,552
Assets held for sale	D3.2	4,317	12,137	11,942
Total non-financial assets		1,990,109	1,830,483	1,738,787
Total Assets		3,057,406	2,845,820	2,576,866
Liabilities				
Trade creditors and accruals	D1.1	49,771	53,029	53,962
Unearned revenue	H2 B1	149,183	85,945	109,897
Return of equity - special accounts	H2	57,145	65,323	19,875
Outstanding insurance claims	C1.4 B3	438,663	352,587	329,005
Employee provisions	E2	58,403	61,549	67,743
Finance leases	D1.1	6,475	10,102	-
Lease incentive liabilities		37,690	40,144	-
Other provisions	D4 B2	8,815	24,774	21,138
Other payables		5,591	4,287	2,540
Total liabilities		811,736	697,740	604,160
Net Assets		2,245,670	2,148,080	1,972,706
Equity				
Contributed equity/capital		1,638,593	1,618,297	1,653,311
Retained earnings		407,936	352,521	167,266
Asset revaluation reserves	B2	199,141	177,262	152,129
Total Equity		2,245,670	2,148,080	1,972,706

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

Department of Finance
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2017

Departmental Primary Statements

	Actuals									
	Retained earnings		Asset revaluation reserves		Contributed equity/capital		Total Equity			
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
Note ref	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance										
Balance carried forward	352,521	239,046	177,262	152,129	1,618,297	1,672,193	2,148,080	2,063,368		
Adjusted opening balance	352,521	239,046	177,262	152,129	1,618,297	1,672,193	2,148,080	2,063,368		
Comprehensive income										
Surplus/(deficit) for the period	55,415	113,475	-	-	-	-	55,415	113,475		
Other comprehensive income	-	-	21,879	25,133	-	-	21,879	25,133		
Total comprehensive income	55,415	113,475	21,879	25,133	-	-	77,294	138,608		
Transactions with owners										
Distributions to owners										
Transfer of assets	-	-	-	-	(44,086)	(136,253)	(44,086)	(136,253)		
Return of equity - special accounts	-	-	-	-	(57,145)	(67,662)	(57,145)	(67,662)		
Return of equity - other	-	-	-	-	(2,323)	(6,262)	(2,323)	(6,262)		
Contributions by owners										
Departmental capital budget	-	-	-	-	-	-	-	-		
Equity injection - appropriations & supplementation	-	-	-	-	109,808	157,310	109,808	157,310		
Restructuring	-	-	-	-	14,042	(1,029)	14,042	(1,029)		
Total transactions with owners	-	-	-	-	20,296	(53,896)	20,296	(53,896)		
Closing balance	407,936	352,521	199,141	177,262	1,638,593	1,618,297	2,245,670	2,148,080		
Budget 30 June 2017										
Opening balance	226,357	242,715	152,129	135,684	1,577,718	1,888,616	1,956,204	2,267,015		
Total comprehensive income	18,105	15,135	-	-	-	-	18,105	15,135		
Total transactions with owners	(77,196)	594	-	-	75,593	(170,059)	(1,603)	(169,465)		
Closing balance	167,266	258,444	152,129	135,684	1,653,311	1,718,557	1,972,706	2,112,685		

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

Department of Finance
CASH FLOW STATEMENT
for the period ended 30 June 2017

Departmental Primary Statements

		Actuals		Budget
		30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000
	Note ref			
OPERATING ACTIVITIES				
Cash received				
Rendering of services		273,407	152,999	206,905
Revenue from Government		306,124	259,944	323,425
Insurance premiums		140,301	125,149	136,722
Reinsurance and other recoveries		2,266	1,302	-
Interest and dividends		8	6	-
Rent received		67,678	72,119	-
Net GST received		415	3,415	-
Other		8,515	5,332	7,200
Total cash received		798,714	620,266	674,252
Cash used				
Employees		175,502	169,842	164,941
Suppliers		337,210	326,138	261,551
Insurance claims		76,726	70,713	132,090
Net special account receipts transferred to OPA		-	-	77,196
Total cash used		589,438	566,693	635,778
Net cash received/(used) for operating activities		209,276	53,573	38,474
INVESTING ACTIVITIES				
Cash received				
Proceeds from sale of land and buildings		18,725	8,257	42,215
Proceeds from sale of financial investments		1,175	2,393	-
Proceeds from sale of investment properties		2,905	-	-
Total cash received		22,805	10,650	42,215
Cash used				
Purchase of plant and equipment		8,126	9,423	36,332
Purchase of land and buildings		88,949	84,255	96,221
Purchase of leasehold improvements		620	1,577	3,502
Purchase of intangibles		18,830	11,901	19,664
Purchase of investment properties		30,629	3,720	2,000
Other		40,000	-	-
Total cash used		187,154	110,876	157,719
Net cash received/(used) for investing activities		(164,349)	(100,226)	(115,504)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		125,284	95,225	77,030
Total cash received		125,284	95,225	77,030
Cash used				
Return of contributed equity	H2	67,646	64,845	-
Total cash used		67,646	64,845	-
Net cash received/(used) for financing activities		57,638	30,380	77,030
Net increase/(decrease) in cash held		102,565	(16,273)	-
Cash and cash equivalents at the beginning of the reporting period		647,233	663,506	5,000
Cash and cash equivalents at the end of the reporting period	D1.1	749,798	647,233	5,000

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

	Note ref	Actuals		Budget
		30 June	30 June	30 June
		2017	2016	2017
		\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	E1 B6	195,099	322,425	239,821
Superannuation expense	C3.1 B7	8,961,212	8,715,203	7,876,521
Supplier expenses				
Office expenses		38,106	38,893	46,039
Travel expenses	B6	43,534	61,392	70,719
Operating lease rentals		39,842	38,015	33,038
Communication and information technology		24,681	28,193	25,018
Property operating expenses		11,565	13,061	7,935
Outsource provider expenses		5,467	5,424	4,727
Superannuation administration costs		9,924	10,451	10,280
COMCAR operating expenses		3,171	3,321	3,260
Other goods and services		16,598	12,288	23,343
Investment funds - other expenses	C2.1	22,294	15,091	31,486
Distribution to portfolio special accounts	C2.1 B8	83,469	117,658	476,697
Depreciation and amortisation	D3.1	11,965	16,198	20,691
Investment funds - foreign exchange losses	C2.1	6,925	106,288	-
Non-financial asset write downs	D3.1	2,215	345	106
Impairment of financial assets	D1.3	13	2	-
Grants		2,526	2,991	2,927
Other expenses		1,578	2,301	5,274
Total expenses administered on behalf of Government		9,480,184	9,509,540	8,877,882
Income				
Non- taxation revenue				
Interest	D1.3	30,193	37,254	9,924
Investment funds - interest on term deposits	C2.1	91,566	98,946	476,419
Dividends	D1.3	19,700	16,100	12,700
Investment funds - dividends	C2.1	13,228	6,147	-
Rendering of services		3,339	15,785	3,775
Superannuation contributions	C3.1	1,274,957	1,338,231	1,309,845
Resources received free of charge	H2	4,368	4,302	4,302
Other revenue		18,230	5,428	9,636
Total revenue		1,455,581	1,522,193	1,826,601
Gains				
Gains from sale of financial assets	D1.3	1	-	
Gains from sale of non-financial assets		2	36	
Investment funds - gains on financial investments	C2.1	439,306	383,368	52,136
Other gains		196	970	
Total gains		439,505	384,374	52,136
Total income administered on behalf of Government		1,895,086	1,906,567	1,878,737
Net cost of services		(7,585,098)	(7,602,973)	(6,999,145)
Surplus/(deficit)		(7,585,098)	(7,602,973)	(6,999,145)

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

Department of Finance
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME
for the period ended 30 June 2017

Administered Primary Schedules

		Actuals		<i>Budget</i>
		30 June	30 June	30 June
		2017	2016	2017
	Note ref	\$'000	\$'000	\$'000
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Movement in carrying amount of superannuation	C3.1	21,728,419	(30,861,250)	-
Changes in asset revaluation reserves relating to				
Infrastructure, plant and equipment	D3.1	1,461	3,579	-
Leasehold improvements	D3.1	8,672	-	-
Makegood provisions		-	36	-
Items subject to subsequent reclassification to net cost of services				
Gains/(losses) on				
Available for sale financial assets	D1.3	77,963	22,347	-
Total other comprehensive income/(loss)		21,816,515	(30,835,288)	-
Total comprehensive income/(loss)		14,231,417	(38,438,261)	(6,999,145)

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

		Actuals		Budget
		30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000
	Note ref			
Assets				
Financial assets				
Cash and cash equivalents	D1.1	937,956	1,059,534	-
Trade receivables	D1.1	721	1,390	7,083
Investment funds - loans and receivables	C2.2 B8	6,501,484	4,259,529	-
State and Territory Government loans	D1.1	139,752	145,959	139,749
Accrued revenue	D1.1	2,213	1,533	-
Government securities	D1.1	1,472	1,472	921
Commonwealth corporate entities	D1.1 B9	573,417	400,454	378,108
Investment funds - financial assets at FVPL	C2.2 B8	16,190,822	12,494,544	18,446,501
Lease incentive assets		58	21	-
Other financial assets		14,119	11,304	51,595
Total financial assets		24,362,014	18,375,740	19,023,957
Non-financial assets				
Leasehold improvements	D3.1	24,889	18,460	21,067
Infrastructure	D3.1	69,997	67,374	68,085
Plant and equipment	D3.1	4,157	8,255	-
Intangible assets	D3.1	1,071	1,517	2,033
Prepayments		3,491	3,556	3,971
Total non-financial assets		103,605	99,162	95,156
Total Assets		24,465,619	18,474,902	19,119,113
Liabilities				
Trade creditors and accruals	D1.1	12,418	15,585	9,033
Investment funds - financial liabilities	C2.2 B8	99,915	21,859	-
Investment funds - derivative liabilities	C2.2 B8	13,405	26,314	-
Overnight cash balance payable	H2	1,422,029	1,560,747	-
Employee provisions	E2 B6	237,009	312,502	248,756
Superannuation provisions	C3.1 B7	172,352,268	189,367,538	111,015,312
Other provisions	D4	18,314	18,173	14,666
Other payables		66,895	10,498	20,387
Total liabilities		174,222,253	191,333,216	111,308,154
Net Assets		(149,756,634)	(172,858,314)	(92,189,041)

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

Department of Finance
ADMINISTERED RECONCILIATION SCHEDULE
for the period ended 30 June 2017

Administered Primary Schedules

	Note ref	Actuals	
		30 June 2017	30 June 2016
		\$'000	\$'000
Opening assets less liabilities		(172,858,314)	(142,637,157)
Net (cost of)/contribution by services		(7,585,098)	(7,602,973)
Other comprehensive income/(loss)		21,816,515	(30,835,288)
Reserves transferred to Schedule of Comprehensive Income		-	-
Transfers (to)/from the Australian Government			
Appropriation transfers from OPA			
Annual appropriations		298,706	296,509
Administered assets and liabilities appropriations		1,779	1,149
Special appropriations	F2.1	6,560,096	6,218,020
Transfers to OPA		(3,475,849)	(3,394,851)
Transfers from OPA		109	894
Equity (distribution)/injection		41,266	(1,462,997)
Contributions from government to the investment funds	F3.2	5,441,672	6,598,851
OPA WoAG transfers			
Transfers from other entities	H2	633,491,286	610,652,954
Transfers to other entities	H2	(633,488,802)	(610,693,425)
Closing assets less liabilities		(149,756,634)	(172,858,314)

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

Department of Finance
ADMINISTERED CASH FLOW STATEMENT
for the period ended 30 June 2017

Administered Primary Schedules

	Actuals		Budget
	30 June	30 June	30 June
	2017	2016	2017
Note ref	\$'000	\$'000	\$'000
OPERATING ACTIVITIES			
Cash received			
Rendering of services	3,995	19,375	3,775
Superannuation contributions - employers	1,270,538	1,377,495	1,431,477
Superannuation funds contributions - members	2,132,494	1,953,089	1,892,741
Net gains from sale of financial instruments	257,301	234,377	-
Interest and dividends	148,429	153,092	493,652
Realised exchange gains	208,954	-	-
Net GST received	802	-	-
Other	18,396	6,729	3,138
Total cash received	4,040,909	3,744,157	3,824,783
Cash used			
Employees	268,977	264,538	239,759
Suppliers	210,806	218,715	254,171
Investment Funds distribution	83,469	117,658	476,697
Superannuation payments	6,380,557	6,040,352	6,337,437
Realised exchange losses	-	106,288	-
Grants	1,800	2,281	2,927
Net GST paid	-	377	-
Other	612	655	7,376
Total cash used	6,946,221	6,750,864	7,318,367
Net cash received/(used) for operating activities	(2,905,312)	(3,006,707)	(3,493,584)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of plant and equipment	17	40	-
Proceeds from sale of financial investments	19,960,339	15,278,583	2,618,546
Repayments of advances and loans	11,600	11,300	11,601
Matured government securities	-	699	-
Proceeds from sale of non-financial assets	-	5	-
Total cash received	19,971,956	15,290,627	2,630,147
Cash used			
Purchase of plant and equipment	1,405	2,556	4,822
Purchase of leasehold improvements	5,756	4,221	10,320
Purchase of infrastructure	1,352	-	-
Purchase of intangibles	57	-	-
Purchase of financial investments	25,866,742	20,515,947	5,724,176
Total cash used	25,875,312	20,522,724	5,739,318
Net cash received/(used) for investing activities	(5,903,356)	(5,232,097)	(3,109,171)

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

Department of Finance
ADMINISTERED CASH FLOW STATEMENT
for the period ended 30 June 2017

Administered Primary Schedules

	Note ref	Actuals		Budget
		30 June	30 June	30 June
		2017	2016	2017
		\$'000	\$'000	\$'000
FINANCING ACTIVITIES				
Cash received				
Contributed equity		7,575,945	8,553,089	7,154,993
Total cash received		<u>7,575,945</u>	<u>8,553,089</u>	<u>7,154,993</u>
Cash used				
Equity distribution		3,189	1,462,997	2,110,364
Total cash used		<u>3,189</u>	<u>1,462,997</u>	<u>2,110,364</u>
Net cash received/(used) for financing activities		<u>7,572,756</u>	<u>7,090,092</u>	<u>5,044,629</u>
Net increase/(decrease) in cash held		<u>(1,235,912)</u>	<u>(1,148,712)</u>	<u>(1,558,126)</u>
Cash and cash equivalents at the beginning of the reporting period		1,059,534	1,084,959	-
OPA (WoAG)				
Transfers to other entities		(633,627,520)	(610,697,150)	-
Transfers from other entities		633,491,395	610,653,848	-
Total cash from/(to) OPA		<u>(136,125)</u>	<u>(43,302)</u>	<u>-</u>
Finance administered transfers				
Cash to OPA - appropriations		(3,475,849)	(3,394,851)	(3,367,834)
Cash from OPA - appropriations		4,726,308	4,561,440	4,925,960
Total cash from/(to) OPA		<u>1,250,459</u>	<u>1,166,589</u>	<u>1,558,126</u>
Cash and cash equivalents at the end of the reporting period	D1.1	937,956	1,059,534	-

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

A. About This Report

The Department of Finance (Finance) is an Australian Government controlled not-for-profit entity with its purposes for 2016-17 being:

- budget and financial advice, management and reporting - support the Government to deliver its fiscal targets and policy objectives;
- governance - foster leading public sector practice;
- transformation - innovate and improve public sector operations and reform the management and operations of public assets; and
- services - manage efficient, cost-effective services to, and for, the Government.

Finance works collaboratively with the Department of Prime Minister and Cabinet (PM&C), the Department of the Treasury and the Australian Public Service Commission (APSC), to achieve these purposes.

Finance is structured to meet three outcomes per the 2016-17 PBS, with some amendments being applied in the 2016-17 PAES to reflect Machinery of Government Changes which occurred during the year. Comparatives have been amended for any changes in outcomes and programs.

Outcome/Program	How outcomes are achieved	Net contribution / (cost) of services ¹	
		30 June 2017	30 June 2016
Outcome 1: Support sustainable Australian Government finances through providing high quality policy advice and operational support to the government and Commonwealth entities to maintain effective and efficient use of public resources.			
1.1 Budget and Financial Management	<ul style="list-style-type: none">• Advising the Finance Minister and Expenditure Review Committee (ERC) on fiscal and economic policies and related matters;• Supporting the Finance Minister in meeting his financial reporting responsibilities; and• Supporting the delivery of the Budget.	Departmental (\$84.5m)	Departmental (\$81.2m)
Outcome 2: Support an efficient and high-performing public sector through providing leadership to Commonwealth entities in ongoing improvements to public sector governance, including through systems, frameworks, policy, advice, and service delivery.			
2.1 Public Sector Governance	<ul style="list-style-type: none">• Developing and maintaining the public sector resource management framework;• Improving the standard of governance, performance and accountability; and• Undertaking shareholder oversight of Government Business Enterprises (GBEs) and other commercial entities.	Administered \$50.3m Departmental (\$33.1m)	Administered \$46.6m Departmental (\$36.4m)
2.2 Transforming Government	<ul style="list-style-type: none">• Providing leadership and supporting decision making relating to the digital economy and use of technology in government operations; and• Scoping divestment opportunities and managing asset sales and any residual issues arising from previous asset sales.	Departmental (\$46.7m)	Departmental (\$49.4m)
2.3 Property and Construction	<ul style="list-style-type: none">• Providing policy advice, guidance and support on managing Commonwealth property, land and public works across the government; and• Managing specific major capital works projects and the government's non-Defence property portfolio within Australia.	Departmental \$20.0m	Departmental \$29.5m
2.4 Insurance and Risk Management	<ul style="list-style-type: none">• Providing general insurance services and promoting risk management across the government through the Comcover Special Account.	Departmental (\$35.0m)	Departmental \$20.5m

Notes to and forming part of the financial statements

A. About This Report

2.5 Procurement Services	<ul style="list-style-type: none"> Establishing WoAG arrangements for common goods and services to maximise market benefits for Commonwealth entities; and Providing advice on advertising. 	Departmental \$2.9m	Departmental \$5.8m
2.6 Service Delivery Office	<ul style="list-style-type: none"> Providing certain corporate services to client Australian Government entities. 	Departmental (\$4.7m)	N/A
2.7 Public Sector Superannuation	<ul style="list-style-type: none"> Advising the government on managing the Future Fund, the stability of the government's unfunded superannuation liabilities and its associated administered expense items and superannuation arrangements for government employees. This includes the administration and management of superannuation arrangements for Parliamentarians, as well as current and former Governors-General, Federal Judges and Federal Circuit Court Judges. 	Administered (\$7.7b) Departmental (\$6.5m)	Administered (\$7.4b) Departmental (\$4.9m)
2.8 Australian Government Investment Funds	<ul style="list-style-type: none"> Providing advice on investment mandates and governance arrangements for the government's Investment Funds, to maximise the value of the funds to the Government. This includes advice on credit of amounts to the Funds and payments from the Funds. 	Administered \$431.4m	Administered \$249.4m
Outcome 3: Support for Parliamentarians and others as required by the Australian Government through the delivery of, and advice on, entitlements and targeted assistance.			
3.1 Ministerial and Parliamentary Services	<ul style="list-style-type: none"> Providing advice on, access to and payment of parliamentary and post-parliamentary entitlements and targeted assistance to entities. 	Administered (\$376.4m) Departmental (\$35.3m)	Administered (\$524.4m) Departmental (\$37.8m)

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

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

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

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

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

Basis of preparation

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

Basis of accounting

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

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

How to read this report

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

Key judgements and estimates

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

- C1: General insurance activities
- C2: Investment funds
- C3: Superannuation
- D1: Financial instruments
- D3: Non-financial assets
- E2: Employee provisions

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

Prior Year Adjustments

Prior year Departmental appropriation receivable relating to special accounts (non-capital) has been reclassified to cash and cash equivalents (\$643.9 million) as a result of a change in the FRR. The change impacts the Departmental Statement of Financial Position, Cash Flow Statement, Financial Instruments (Note D1.1), Managing Financial Risk – Credit Risk (Note D2.3), Special Account (Note F3.1) and Appropriations (Note F1.2 reconciliation table).

Other minor changes were made to the comparatives in both the Departmental and Administered financial statements as a result of the reclassification of some line items.

New Australian Accounting Standards (AAS)**Adoption of AAS requirements**

During 2016-17, Finance adopted all applicable AAS that became effective during 2016-17. The application of new standards did not materially impact the operations of Finance.

Future AAS requirements

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

- **AASB 9 Financial Instruments** represents the finalisation of the three phase project to replace *AASB 139 Financial Instruments: Recognition and Measurement*. It incorporates new principles for the requirements for recognition, impairment and measurement of financial assets and liabilities and their de-recognition and general hedge accounting. This is likely to impact on the categorisation, recognition and measurement of financial instruments particularly those currently held at fair value through profit or loss (FVPL) or categorised as available for sale. The new standard is effective from 1 January 2018. This will result in Finance reviewing classification and disclosure of items currently included in Note D1 against Finance's business model for managing financial assets. Currently, Finance (Administered) manages investments funds (financial assets at FVPL) and has investments in Commonwealth corporate entities (available for sale financial assets).
- **AASB 16 Leases** will require lessees to recognise a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lessor accounting under AASB 16 remains substantially unchanged from the predecessor standard *AASB 117 Leases*. Accordingly, lessors will continue to classify leases as operating or finance, and account for those two types of leases differently. A lessor is not required to make any adjustments on transition and shall apply the new standard from the date of its initial



application. The new standard is effective from 1 January 2019. For all leases where Finance is lessee, a right of use asset and liability will be recognised on the balance sheet. Currently, Finance (Departmental) has leases for vehicles (predominantly pool vehicles) and properties that Finance occupy. Finance (Administered) manages leases for office premises and private plated vehicles on behalf of Parliamentarians and vehicles for Comcar car-with-driver services provided to Parliamentarians. Disclosures relating to the domestic property portfolio that Finance manages as lessor will require amendment including improved information about risk exposure.

B. Budgetary Variance Reporting

The following are explanations of events that have impacted on Finance's operations and activities for the year that were not provided for in the budget or otherwise included against relevant note disclosures. Users should note that a number of these items have been included in subsequent budgets. Budget numbers are sourced from Portfolio Budget Statements (PBS) for 2016-17 and are provided to the right of primary statements in italics to clearly distinguish them from actual results. Budgeted numbers are not audited.

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

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

The Statement of Financial Position budget for 2016-17 was prepared based on 2014-15 financial results, with adjustments for predicted or known movements at that time.

Note Reference	Affected line items	Variance Reporting
B1: Centralised Procurement	Centralised procurement expense and revenue Unearned revenue Trade receivables	Centralised procurement expense and revenue variances to budget are mainly due to contracts and variations relating to both VSA and IBNCS that were finalised after the budget was set. Unearned revenue and trade receivables variances against budget are primarily due to the 2017-18 IBNCS agency invoices being issued one month earlier compared to prior financial years. This change of procedure was done to ensure a smooth transfer of the relevant components of Finance's CPCS from Finance to DTA in 2017-18.
B2: Property	Land Buildings Investment properties Gains Asset revaluation reserves Domestic property portfolio expenses Other provisions	Property revaluation movements for 2016-17 include: - Revaluation gains in land and buildings largely due to Commonwealth Law Courts. Land increases impacted the Asset Revaluation Reserve while building gains were taken to Net Cost of Services to reverse prior year reductions. Other property movements during 2016-17 include: - Reclassification of John Gorton and Treasury land and buildings to investment property since Finance no longer occupies these premises. - Sale of properties as part of the divestment programme (net book value of assets disposed \$18.9m) with related sale proceeds of \$22.3m. Domestic property portfolio expenses are lower than budget due to expenses being classified as capital expenditure as well as budgeted works not undertaken on behalf of the Department of Immigration and Border Protection (DIBP) at Villawood. Other provisions variance to budget is mostly due to recognition of expenses to remediate Cox Peninsula offset by increases in remediation provision to reflect latest forecasts of costs.

Notes to and forming part of the financial statements

B. Budget Variance Reporting

B3: Insurance	Insurance claims expense	Variance to budget is due to an increase in the expected cost of a prior year liability claim, partially reduced by lower than expected new property claims for the current year.
	Outstanding insurance claims liability	Variance to budget is due to new claims liabilities, and changes in assumptions and experience for prior year claims, which exceeded claim payments.
B4: Restructure of administrative arrangements	Rendering of services revenue	<p>During 2016-17, Finance had multiple restructure of administrative arrangement decisions that resulted in both functions assumed and functions relinquished. These restructures are not reflected in the PBS 2016-17 budget numbers. Please refer to Note C4: Restructuring for further details.</p> <p>Finance assumed responsibility for shared services functions from the Education and Employment portfolio departments on 1 December, now called the Service Delivery Office (SDO) and the Parliamentary Workflow System (PWS). Included in this transfer were Intangible assets of \$4.4m for the SDO and \$7.4m for PWS. Since shared services functions are cost recovered, rendering of services revenue for Finance has increased.</p>
	Intangibles	
B5: Appropriation receivables	Special Account cash held in the OPA	Variance to budget is mainly due to project delays pushing expenditure to later years on major departmental projects, and an underspend relating to the Moorebank project not reflected in the 2016-17 budget. These funds are no longer required and are pending return to the Official Public Account (OPA).
	Special account capital receivable	
	Other departmental undrawn	
B6: Ministerial & Parliamentary Services	Employee benefits Employee provisions	Employee benefits and provisions variance to budget are chiefly due to a significant reduction in the provision for parliamentary retirement travel (formerly Life Gold Pass), as a consequence of the Royal Assent of the <i>Parliamentary Entitlements Legislation Amendment Act 2017</i> . This amendment in legislation included significant changes to parliamentary retirement travel. In addition, the decrease in the current year is caused by the reduction in the provision for Former Prime Ministers entitlements resulting from actuarial movements. These adjustments could not be predicted and therefore no allowance was made in the budget.
	Travel expenses	Travel expenses variance to budget is mostly a result of the establishment of IPEA from 3 April 2017, with travel administration and processing one of the key functions that moved to IPEA.

B7: Superannuation	Superannuation expense Superannuation provisions	The Long Term Cost Report (LTCR) discount rate of 6% is used for budget purposes to reduce the volatility that would occur from year to year if the long-term government bond rate was used. Consistent with Australian Accounting Standards, the long-term government bond rate as at 30 June is used to calculate the superannuation liability and expense for the purpose of financial reporting. Any change in these rates for budget and financial reporting purposes significantly impacts on the superannuation provisions and superannuation expense.
B8: Investment funds	Distribution to portfolio special accounts. Net assets comprising: investment funds – loans and receivables and financial assets at FVPL offset by investment funds – financial liabilities and derivative liabilities	The DCAF net asset balance is higher than originally budgeted due to National Partnership Agreement (NPA) negotiations continuing and as a consequence payments are yet to be made to the states and territories or the Commonwealth.
B9: Investments in Commonwealth Corporate entities	Commonwealth corporate entities	In 2016-17, the ASC Group was restructured with critical infrastructure assets consolidated into Australian Naval Infrastructure Pty Ltd (ANI) with 100 per cent of the shareholding transferring to the Commonwealth in March 2017. Finance on behalf of the Commonwealth also made equity investments in both companies ASC Pty Ltd (ASC) and ANI in exchange for additional shares in 2016-17. More information on the valuation methodology applied is detailed in Note D1.1 under 'Key judgements and estimates'. These decisions and adjustments to investment values were not reflected in the budget.

C. General Business Disclosures

This section includes disclosures for operations which are significant in size and/or nature for Finance. In 2016-17, these areas include general insurance activities, the investment funds and superannuation.

C1 : General insurance activities

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

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

Policy and measurement

Premium revenue

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

Notional reinsurance expense

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

Reinsurance and other recoveries

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

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

Claims expense and outstanding claims liabilities

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

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

Assets backing general insurance liabilities

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

Key judgements and estimates

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

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

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

Key actuarial assumptions

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

	30 June 2017		30 June 2016	
	Property	Liability	Property	Liability
Average discount rate	1.9%	2.0%	1.6%	1.7%
Average inflation rate	2.2%	3.5%	2.2%	3.5%
Average weighted term to settlement (years)	1.5	2.1	1.6	2.8
Expense rate	1.8%	1.5%	1.9%	3.1%
Risk margin	16.4%	13.4%	16.1%	19.6%

Process used to determine actuarial assumptions

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

Sensitivity analysis

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

Assumption	Movement	30 June 2017		30 June 2016	
		Property \$'000	Liability \$'000	Property \$'000	Liability \$'000
Average discount rate	1% -1%	1,607 (1,647)	6,776 (6,987)	1,716 (1,788)	6,635 (7,007)
Average inflation rate	1% -1%	(1,627) 1,618	(6,818) 6,744	(1,777) 1,740	(6,750) 6,528
Average weighted term to settlement (years)	+ 1 years - 1 years	(291) 347	(4,755) 4,894	(985) 668	(4,940) 5,142
Expense rate	1% -1%	1,071 (1,071)	3,246 (3,246)	1,080 (1,080)	2,352 (2,352)
Risk margin	1% -1%	(937) 937	(2,907) 2,907	(948) 948	(2,028) 2,028

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

Notes to and forming part of the financial statements

C. General Business Disclosures

Insurance risk management

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

Objectives, policies and processes for managing insurance risk

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

Key processes to manage insurance risk include:

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

Concentration of insurance risk

No reinsurance policies were placed in 2016-17 (2015-16: nil), reflecting the capacity of the Australian Government to cost-effectively self-insure against infrequent large claims.

C1.1 Underwriting result

	Departmental	
	30 June 2017 \$'000	30 June 2016 \$'000
Direct premium revenue		
Premium revenue	140,290	125,149
Premium revenue eliminated on consolidation	1,176	1,163
Total direct premium revenue	141,466	126,312
Notional reinsurance expense	(5,000)	(5,000)
Net premium revenue	136,466	121,312
Net incurred claims		
Insurance claims	(163,993)	(94,295)
Reinsurance and other recoveries revenue	1,823	1,504
Total net claims	(162,170)	(92,791)
Other underwriting expenses	(9,248)	(8,061)
Underwriting result	(34,952)	20,460
Revenue from government	9,067	10,151
Operating surplus/(deficit)	(25,885)	30,611

C1.2 Net claims incurred

	30 June 2017			30 June 2016		
	Current year \$'000	Prior years \$'000	Total \$'000	Current year \$'000	Prior years \$'000	Total \$'000
Gross claims incurred						
Undiscounted	103,563	59,764	163,327	111,006	(25,830)	85,176
Discount and discount movement	(5,658)	2,180	(3,478)	(5,071)	10,356	5,285
Gross claims incurred discounted	97,905	61,944	159,849	105,935	(15,474)	90,461
Reinsurance and other recoveries						
Undiscounted	(472)	(1,380)	(1,852)	(372)	(825)	(1,197)
Discount and discount movement	2	27	29	1	(308)	(307)
Reinsurance and other recoveries discounted	(470)	(1,353)	(1,823)	(371)	(1,133)	(1,504)
Net claims incurred	97,435	60,591	158,026	105,564	(16,607)	88,957
Claims handling expense			4,144			3,834
Total net claims			162,170			92,791

The \$60.6 million increase in prior years net claims incurred is due to valuation increases arising from adverse claims experience in the Liability claims category exceeding favourable claims experience in the Property claims category.

C1.3 Reinsurance and other recoveries receivable

	Departmental	
	30 June 2017 \$'000	30 June 2016 \$'000
Reinsurance and other recoveries		
Reinsurance and other recoveries	6,368	6,758
Discount to present value	(404)	(375)
Total reinsurance and other recoveries	5,964	6,383

C1.4 Outstanding claims liability

	Departmental	
	30 June 2017 \$'000	30 June 2016 \$'000
Gross claims liability - undiscounted	393,671	301,843
Discount to present value	(15,363)	(12,136)
Gross claims liability - discounted	378,308	289,707
Claims handling expense	6,062	7,875
Gross central estimate	384,370	297,582
Risk margin	54,293	55,005
Outstanding claims liability	438,663	352,587
Risk margin adopted	14.1%	18.5%
Probability of adequacy of the risk margin	75%	75%

Notes to and forming part of the financial statements

C. General Business Disclosures

Reconciliation of the movement in discounted outstanding claims liability

	30 June 2017			30 June 2016
	Property \$'000	Liability \$'000	Total \$'000	Total \$'000
Net outstanding claims liability at the beginning of the financial year	109,650	236,554	346,204	322,824
Incurring claims	35,801	61,634	97,435	105,564
Claims payments	(24,224)	(47,307)	(71,531)	(65,577)
Unwinding of discount	1,377	2,832	4,209	4,839
Risk margin release	(2,654)	(7,718)	(10,372)	(9,260)
Changes in assumptions and experience	(11,280)	78,034	66,754	(12,186)
Net outstanding claims liability at the end of the financial year	108,670	324,029	432,699	346,204
Reinsurance and other recoveries	368	5,596	5,964	6,383
Gross outstanding claims liability at the end of the financial year	109,038	329,625	438,663	352,587

C1.5 Claims development table

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

	Prior \$'000	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	Total \$'000
Estimate of net ultimate claims costs												
At end of accident year		48,840	45,062	50,778	121,801	61,550	66,779	114,162	102,138	91,686	86,286	
One year later		47,451	43,312	48,922	108,067	70,345	63,441	106,114	119,144	87,813		
Two years later		45,204	48,191	47,317	100,453	67,843	65,399	96,653	218,627			
Three years later		48,962	45,043	70,257	91,789	68,396	62,028	89,631				
Four years later		46,215	46,681	65,808	84,123	67,312	58,498					
Five years later		47,361	47,758	65,956	82,395	62,705						
Six years later		45,257	44,336	51,423	80,279							
Seven years later		43,452	44,757	49,163								
Eight years later		42,922	44,909									
Nine years later		42,661										
Estimate of net ultimate claims costs		42,661	44,909	49,163	80,279	62,705	58,498	89,631	218,627	87,813	86,286	
Cumulative payments		(42,514)	(44,654)	(46,878)	(76,972)	(48,391)	(44,963)	(49,559)	(52,168)	(25,589)	(9,486)	
Net claims liability - undiscounted	9,004	147	255	2,285	3,307	14,314	13,535	40,072	166,459	62,224	76,800	388,402
Discount to present value	(169)	(3)	(5)	(61)	(77)	(365)	(408)	(1,731)	(3,964)	(3,565)	(4,680)	(15,028)
Net claims liability - discounted	8,835	144	250	2,224	3,230	13,949	13,127	38,341	162,495	58,659	72,120	373,374
Claims handling expense												6,062
Net central estimate												379,436
Net risk margin												53,263
Total net outstanding claims liability												432,699
Reinsurance and other recoveries												5,964
Total gross outstanding claims liability												438,663

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

C2 : Investment funds

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

- **Building Australia Fund (BAF)** - an investment fund established by the *Nation-building Funds Act 2008* to make payments in relation to the creation or development of transport, communication, eligible national broadband network, energy and water infrastructure. The BAF is to be closed by 31 December 2017, subject to the passage of legislation.
- **Education Investment Fund (EIF)** - an investment fund established by the *Nation-building Funds Act 2008* to make payments in relation to the creation or development of higher education, research, vocational education and training, and eligible education infrastructure and to make transitional Higher Education Endowment Fund payments. The EIF is to be closed by 31 December 2017, subject to the passage of legislation.
- **DisabilityCare Australia Fund (DCAF)** - an investment fund established by the *DisabilityCare Australia Fund Act 2013* to reimburse the Commonwealth, States and Territories for costs incurred in relation to the *National Disability Insurance Scheme Act 2013*.
- **Medical Research Future Fund (MRFF)** - a financial asset fund established under the *Medical Research Future Fund Act 2015* to support medical research and innovation into the future. The MRFF commenced on 22 September 2015.

Key judgements and estimates

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

Policy and measurement

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

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

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

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

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

- Manager valuation reports are reviewed to ensure the underlying valuation principles are materially compliant with AAS and applicable industry standards including International Private Equity and Venture Capital Valuation Guidelines as endorsed by the Australian Private Equity and Venture Capital Association Limited.
- Derivative instruments including forward foreign exchange contracts, interest rate swaps, futures and forward contracts on mortgage backed securities are recorded at their fair value on the date the contract is entered into and are subsequently re-measured to their fair values at each reporting date. Further disclosures regarding the use of derivatives by the investment funds is presented in Note C2.3.
 - Asset backed securities, bank bills, negotiable certificates of deposit, mortgaged backed securities, government securities and corporate debt securities which are traded in active markets are valued at the quoted market prices. Securities for which no active market is observable are valued at current market rates using broker sourced market quotations and/or independent pricing services as at the reporting date.

MRFF Investment Companies (MRFFICs)

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

Notes to and forming part of the financial statements

C. General Business Disclosures

C2.1 Investment funds operating results						
	BAF	EIF	DCAF	MRFF	Total	Total
	30 June	30 June	30 June	30 June	30 June	30 June
	2017	2017	2017	2017	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Gains on financial instruments at FVPL						
<i>Foreign exchange gains</i>						
Realised foreign exchange gains	30,858	44,286	86,971	46,840	208,955	-
Net unrealised foreign exchange gains	6,930	12,140	28,986	-	48,056	93,134
Total foreign exchange gains	37,788	56,426	115,957	46,840	257,011	93,134
<i>Interest bearing securities</i>						
Bank bills and negotiable certificates of deposit	30,096	22,340	29,203	24,274	105,913	94,359
Mortgage backed securities	9,903	9,144	16,692	7,502	43,241	45,098
Corporate debt securities	13,282	17,015	34,187	16,904	81,388	78,197
Government debt securities	468	738	1,002	2,263	4,471	5,051
Asset backed securities	1,606	1,802	4,999	3,170	11,577	4,255
MRFFICs loans	-	-	-	5,084	5,084	488
Other income	702	956	4,809	(842)	5,625	6,932
Total interest bearing securities	56,057	51,995	90,892	58,355	257,299	234,380
Realised gains (losses)	9,481	22,154	11,779	56,778	100,192	299,578
Unrealised gains (losses)	(34,048)	(61,977)	(92,202)	13,031	(175,196)	(243,724)
Total gains on financial instruments at FVPL	69,278	68,598	126,426	175,004	439,306	383,368
Interest	24,057	23,740	29,023	14,746	91,566	98,946
Dividends and distribution income	-	-	-	13,228	13,228	6,147
Total revenue	93,335	92,338	155,449	202,978	544,100	488,461
Expenses						
Net realised foreign exchange losses	-	-	-	-	-	106,288
Net unrealised foreign exchange losses	-	-	-	6,925	6,925	-
Suppliers expenses	3,625	3,825	4,718	10,126	22,294	15,091
Total expenses	3,625	3,825	4,718	17,051	29,219	121,379
Net investment funds return	89,710	88,513	150,731	185,927	514,881	367,082
Distributions to portfolio special accounts	-	22,593	-	60,876	83,469	117,658
Net surplus	89,710	65,920	150,731	125,051	431,412	249,424

C2.2 Investment funds financial position

	BAF 30 June 2017 \$'000	EIF 30 June 2017 \$'000	DCAF 30 June 2017 \$'000	MRFF 30 June 2017 \$'000	Total 30 June 2017 \$'000	Total 30 June 2016 \$'000
Assets						
Financial assets designated at FVPL						
<i>Interest bearing securities</i>						
Bank bills	-	-	-	185,648	185,648	138,146
Negotiable certificates of deposit	1,468,548	1,199,830	4,320,250	1,077,549	8,066,177	4,513,442
Corporate debt securities	636,224	802,671	1,212,185	248,802	2,899,882	3,723,831
Mortgage backed securities	390,167	366,137	665,509	203,186	1,624,999	1,574,700
Government debt securities	44,909	62,133	135,341	87,210	329,593	728,976
Asset backed securities	104,920	136,913	440,733	205,102	887,668	629,208
Other fixed income securities	35,027	50,908	38,529	77,305	201,769	272,537
<i>Other investment</i>						
MRFFICs equities	-	-	-	92,306	92,306	54,302
MRFFICs loans	-	-	-	404,765	404,765	259,450
Listed equities and managed investment schemes	-	-	-	436,821	436,821	114,396
Collective investment vehicles	-	-	67,838	759,437	827,275	390,687
Restricted cash	2,442	3,953	7,513	102,404	116,312	-
<i>Derivatives</i>						
Currency contracts	15,994	24,665	54,169	22,045	116,873	90,385
Interest rate swap agreements	249	482	-	-	731	3,811
Credit default swaps	-	-	-	3	3	489
Forward contracts on mortgage backed securities	-	-	-	-	-	184
Total financial assets designated at FVPL	2,698,480	2,647,692	6,942,067	3,902,583	16,190,822	12,494,544
Loans and receivables						
Cash and cash equivalents	1,092,625	1,146,802	3,484,102	742,447	6,465,976	4,236,507
Interest receivable	1,929	1,937	3,995	1,461	9,322	8,341
Dividends and distribution receivables	-	-	-	1,833	1,833	1,591
Unsettled sales	-	-	9,576	10,833	20,409	11,607
Imputation credits refundable	-	-	-	3,944	3,944	1,483
Total loans and receivables	1,094,554	1,148,739	3,497,673	760,518	6,501,484	4,259,529
Total assets	3,793,034	3,796,431	10,439,740	4,663,101	22,692,306	16,754,073
Liabilities						
Financial liabilities designated at FVPL						
<i>Derivatives</i>						
Currency contracts	655	1,438	2,397	3,984	8,474	20,544
Interest rate swap agreements	423	807	-	75	1,305	3,687
Credit default swaps	-	-	-	3,626	3,626	2,083
Total financial liabilities designated at FVPL	1,078	2,245	2,397	7,685	13,405	26,314
Financial liabilities measured at amortised cost						
Trade creditors and accruals	953	1,037	1,373	2,533	5,896	5,470
Unsettled purchases	5,815	7,256	36,885	44,063	94,019	16,389
Total financial liabilities measured at amortised cost	6,768	8,293	38,258	46,596	99,915	21,859
Total liabilities	7,846	10,538	40,655	54,281	113,320	48,173
Net assets	3,785,188	3,785,893	10,399,085	4,608,820	22,578,986	16,705,900

Notes to and forming part of the financial statements

C. General Business Disclosures

Collective investment vehicles

The investment funds, directly and via the MRFFICs have committed to provide capital to various collective investment vehicles. The total of these commitments at balance date is \$95 million (2016: \$40 million). The investment fund's commitments, being capital calls, are set out in the various underlying subscription documents. While the actual timing of the capital calls to be made by the managers of these vehicles is uncertain, as it is dependent on the managers sourcing suitable investment opportunities, the investment funds have recorded the commitments as being current in accordance with the underlying legal documents. The investment funds have appropriate liquidity planning in place to ensure a suitable allocation of resources will be available to cover these future commitments of capital.

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

Description of underlying Strategy	Capital committed as at 30 June 2017 local currency	Outstanding commitments as at 30 June 2017 AUD equivalent \$'000	Net capital cost as at 30 June 2017 AUD equivalent \$'000	Fair value as at 30 June 2017 AUD equivalent \$'000
Directly held by MRFF and DCAF				
Debt	AUD 200,000,000	-	200,000	212,777
Debt	USD 40,000,000	31,289	21,108	21,184
Alternatives	AUD 615,000,000	-	616,004	593,314
Total		31,289	837,112	827,275
Via MRFFICs				
Alternatives	AUD 75,000,000	-	81,073	73,533
Alternatives	USD 141,000,000	14,856	176,694	175,035
Private equity	AUD 36,275,000	16,591	19,684	20,552
Private equity	EUR 52,682,166	14,044	53,201	62,149
Private equity	USD 139,075,213	17,794	148,273	162,798
Total		63,285	478,925	494,067

C2.3 Managing financial risk

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

C2.3.1 Market risk

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

Interest rate risk*Interest rate risk exposure*

The investment funds are exposed to risk of loss arising from movement in the prices of various assets flowing through interest rate changes. The total exposure for each class of financial asset is set out below.

Financial assets exposed to interest rate risk	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
2017	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	6,465,976	-	-	6,465,976
Interest bearing securities	3,772,130	10,423,606	-	14,195,736
Other financial assets	-	-	2,030,594	2,030,594
Total investment	10,238,106	10,423,606	2,030,594	22,692,306
Total interest rate swaps (notional amount)				
Pay	(245,922)	(114,428)	-	
Receive	114,428	245,922	-	
2016				
Cash and cash equivalents	4,236,507	-	-	4,236,507
Interest bearing securities	4,335,503	7,245,337	-	11,580,840
Other financial assets	-	-	936,726	936,726
Total investment	8,572,010	7,245,337	936,726	16,754,073
Total interest rate swaps (notional amount)				
Pay	(78,754)	(168,092)	-	
Receive	168,092	78,754	-	

Interest rate derivative contracts

The investment funds had open positions in exchange traded interest rate futures contracts and interest rate swap agreements at reporting date. Interest rate derivatives contracts are used by the investment fund's managers to manage the exposure to interest rate risk and to ensure it remains within approved limits. The notional value of the open contracts and their fair value are set out below.

	Notional value	Fair market value	Notional value	Fair market value
	30 June	30 June	30 June	30 June
	2017	2017	2016	2016
	\$'000	\$'000	\$'000	\$'000
Open contracts				
Buy domestic interest rate futures contracts	243,344	(2,591)	420,405	1,784
Sell domestic interest rate futures contracts	(180,967)	443	(134,984)	(115)
Buy international interest rate futures contracts	1,221,606	(4,108)	509,630	(3,313)
Sell international interest rate futures contracts	(2,852,079)	79,650	(2,528,442)	49,096
Receiver (fixed) interest rate swap agreements	245,922	(200)	78,754	3,811
Payer (fixed) interest rate swap agreements	(114,428)	(374)	(168,092)	(3,687)
Buy forward contracts on mortgage backed securities	-	-	63,833	187
Sell forward contracts on mortgage backed securities	-	-	(2,787)	(3)
Total open contracts		72,820		47,760

Notes to and forming part of the financial statements

C. General Business Disclosures

Interest rate sensitivity analysis

The impact of a change in interest rates is disclosed in the table below, with all other variables held constant. The table demonstrates the impact on the operating result of a 30 basis point (2016: 30 basis point) change in bond yields with all other variables held constant. It is assumed that the 30 basis point change occurs as at the reporting date and there are concurrent movements in interest rates and parallel shifts in the yield curves. A 30 basis point movement would impact on the debt portfolios' (including derivatives) contribution to the investment fund's operating result. The impact on the operating result includes the increase/(decrease) in interest income on floating rate securities from the basis point change.

Sensitivity by year	Risk variable	Change in risk variable %	Net cost of services \$'000
2017	Discount rate	+0.3%	28,426
		-0.3%	(25,210)
2016	Discount rate	+0.3%	9,297
		-0.3%	(8,262)

Foreign currency risk

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

Financial assets exposed to currency risk	USD \$'000	EURO \$'000	GBP \$'000	Other \$'000	Total \$'000
2017					
Cash and cash equivalents	166,145	145,664	17,409	2,664	331,882
Interest bearing securities	2,588,045	786,828	935,295	487,845	4,798,013
Listed equities	176,180	35,579	18,735	57,021	287,515
Collective investment vehicles	359,017	62,149	-	-	421,166
Other investments	(3,843)	(184)	86	(203)	(4,144)
Receivables	10,202	393	105	72	10,772
Payables	(62,422)	(1,909)	(5,169)	(12,766)	(82,266)
Total physical exposure	3,233,324	1,028,520	966,461	534,633	5,762,938
Forward exchange contracts					
Buy foreign currency	644,388	222,139	2,369	179,289	1,048,185
Sell foreign currency	(3,219,690)	(1,256,797)	(966,600)	(591,455)	(6,034,542)
Total derivative exposure	(2,575,302)	(1,034,658)	(964,231)	(412,166)	(4,986,357)
Net exposure	658,022	(6,138)	2,230	122,467	776,581

Financial assets exposed to currency risk

2016					
Cash and cash equivalents	189,460	59,848	34,739	(9,715)	274,332
Interest bearing securities	2,299,678	840,596	734,972	750,879	4,626,125
Listed equities	880	-	-	-	880
Collective investment vehicles	227,276	73,653	-	-	300,929
Other investments	(1,507)	1,133	(221)	(981)	(1,576)
Receivables	11,197	417	7	(1)	11,620
Payables	(490)	-	(5,448)	(10,350)	(16,288)
Total physical exposure	2,726,494	975,647	764,049	729,832	5,196,022
Forward exchange contracts					
Buy foreign currency	690,496	224,773	5,849	2,995	924,113
Sell foreign currency	(3,031,318)	(1,194,599)	(771,607)	(653,436)	(5,650,960)
Total derivative exposure	(2,340,822)	(969,826)	(765,758)	(650,441)	(4,726,847)
Net exposure	385,672	5,821	(1,709)	79,391	469,175

Foreign currency sensitivity analysis

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

Sensitivity by year	Risk variable	Change in risk variable %	Net cost of services \$'000
2017	Exchange rate	+10.2%	168,120
		-10.2%	(168,120)
2016	Exchange rate	+10.5%	89,666
		-10.5%	(89,665)

Other price risk

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

	30 June 2017 \$'000
Domestic equities and managed investment schemes	149,310
International equities and managed investment schemes	287,511
Total equity price risk exposure	436,821

Equity derivative contracts

Equity futures are used to manage the exposure to equity price risk. The notional value and fair value of the MRFF open positions at 30 June 2017 are set out in the following table.

	Notional value 30 June 2017 \$'000	Fair market value 30 June 2017 \$'000
Buy domestic equity futures contracts	1,553	(13)
Buy international equity futures contracts	289,362	(523)
Total equity derivative contracts	290,915	(536)

Equity price sensitivity analysis

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

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

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

Impact on operating results	30 June 2017 \$'000
20% increase in Australian equities	36,497
15% increase in International equities	150,914
Total	187,411
20% decrease in Australian equities	(36,498)
15% decrease in International equities	(150,981)
Total	(187,479)

C2.3.2 Liquidity risk

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

C2.3.3 Credit risk management

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

	30 June 2017 \$'000	30 June 2016 \$'000	As at 30 June 2017, the investment funds had an exposure of greater than 10% of its net assets to interest bearing securities issued by domestic banks and cash deposits held with banks. Exposures to individual counterparties greater than 5% of the net assets of the investment funds are identified in this table.
Interest bearing securities issued by			
Commonwealth Bank of Australia	5,129,916	4,383,243	
Westpac Banking Corporation	2,176,750	1,338,045	
National Australia Bank	2,329,367	1,628,136	
Australia and New Zealand Banking Group	4,066,284	1,609,695	
Total	13,702,317	8,959,119	

Credit exposure by credit rating

	30 June 2017 \$'000	30 June 2016 \$'000	The investment funds use Moody's and Standard & Poors credit rating scales to report exposure to credit risk. The long term credit risk exposures range from 'AAA' (extremely strong capacity to meet financial commitments) to 'below investment grade/not rated'. The investments classified as below investment grade are held in debt mandates. This table provides information regarding the credit risk exposures of the debt instruments held by the investment funds at reporting date according to the credit ratings of the underlying debt instruments.
Long-term rated securities			
AAA	2,412,711	2,183,656	
AA	6,719,131	5,080,944	
A	2,673,234	3,201,138	
BBB	48,901	237,124	
Below investment grade/not rated	300,483	292,349	
Short-term rated securities			
A-1+	8,251,826	4,520,022	
Other			
US Government Guaranteed	255,427	302,115	
Total debt securities held	20,661,713	15,817,348	
Other non-debt financial assets	2,030,593	936,725	
Total financial assets	22,692,306	16,754,073	

Credit risk derivatives

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

	Notional value	Fair market value	
	30 June	30 June	
	2017	2017	
	\$'000	\$'000	
Buy credit protection	87,139	(3,626)	The notional value of the open credit default swap positions, the impact on increasing or reducing credit exposures and their fair value are set out in this table for the MRFF.
Sell credit protection	130	3	
Total	87,269	(3,623)	

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

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

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

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

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

Policy and measurement

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

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

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

	CSS	PSS	PCSS	Other			Total
	\$'000	\$'000	\$'000	G-GPS \$'000	JPS \$'000	FCCJDDS \$'000	\$'000
30 June 2017							
Revenues	102,724	1,171,578	655	-	-	-	1,274,957
Expenses	2,449,306	6,381,040	40,642	577	88,722	925	8,961,212
OCI	2,625,127	18,929,411	102,364	(851)	71,762	606	21,728,419
Liabilities	82,539,357	87,317,499	1,138,463	22,036	1,333,185	1,728	172,352,268
30 June 2016							
Revenues	111,649	1,225,581	1,001	-	-	-	1,338,231
Expenses	2,970,646	5,608,162	48,356	773	86,562	704	8,715,203
OCI	(9,730,040)	(20,827,810)	(181,590)	(1,244)	(121,172)	606	(30,861,250)
Liabilities	86,124,618	100,612,550	1,242,850	22,168	1,363,326	2,026	189,367,538

C3.2 Scheme information

The funding arrangements for the various schemes are as follows:

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

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

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

Notes to and forming part of the financial statements

C. General Business Disclosures

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

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

Regulatory Framework

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

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

Governance

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

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

CSC is supported by a custodian and other specialist providers.

The trustee for the PCSS is established by the enabling Act and comprises five trustees, being two Senators, two members of the House of Representatives and the Finance Minister. Finance acts as adviser to the Trust. The Secretary of Finance also has certain powers under the Act in relation to administration of the PCSS.

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

C3.3 Risks and assumptions

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

Composition of scheme assets

The fair value of scheme assets for CSS and PSS at 30 June 2017 is \$20.4 billion (30 June 2016 was \$19.6 billion). The assets are diversified in the following sectors: Australian equity 20%; International equity 23%; Property 10%; Private capital 6%; Infrastructure 3%; Corporate bonds 6%; Alternative strategies 14% and Cash and sovereign bonds 18%. This includes \$287.1 million (2016: \$465.9 million) of Commonwealth Government Bonds.

Key judgements and estimates

Principal actuarial assumptions are as follows:

	2017	2016
Discount rate ¹		
CSS	3.0%	2.7%
PSS and Other Schemes	3.5%	2.7%
Expected salary growth rate (CSS/PSS)	2.0%pa to June 2019 3.5%pa thereafter +promotional increase	2.0%pa to June 2019 4%pa thereafter +promotional increase
Expected pension increase rate (CPI)	2.5%	2.5%

¹ The release of a 30 year bond during the year has provided the opportunity to improve the matching of the liability duration of the individual schemes and the duration of Commonwealth issued bonds. This has resulted in the use of a different discount rate for CSS compared to the other schemes.

Other material assumptions

CSS, PSS, and PCSS

Assumptions have been made regarding rates of retirement, death (for active, preserved and pension members), mortality improvements, invalidity, resignation, retrenchment, retention and take up rates of pensions in the scheme. Assumptions have also been made for the ages of spouses and rates of member contributions. These assumptions are consistent to those used within the LTCR 2014.

Membership data as at 30 June 2016 has been rolled forward to 30 June 2017 by making allowance for estimated investment earnings, contributions, salary increases, benefit payments and benefit accruals, using the actuarial assumptions from the LTCR where other information is not available. The defined benefit obligation calculated is based on the rolled forward membership data that was then adjusted to reflect the difference between expected benefit payments and actual benefit payment to 30 June 2017.

The fair value of scheme assets as at 30 June 2017 (CSS and PSS only) were estimated using the unaudited net scheme assets available to pay benefits at 31 May 2017 rolled forward to 30 June 2017 with cash flow items provided by the CSC. An estimate of the actual rate of investment return earned by the scheme during June 2017 was used in determining the fair value of scheme assets.

Other Schemes – G-GPS, JPS and FCCJDDS

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

Notes to and forming part of the financial statements

C. General Business Disclosures

Sensitivity analysis for significant actuarial assumptions

The impact of a change in the defined benefit obligation reported as at 30 June 2017 under several scenarios is presented below. The defined benefit obligation has been recalculated by changing the assumptions as outlined below, whilst retaining all other assumptions.

Assumption	Impact on defined benefit obligation					
	0.5% increase			0.5% decrease		
	Movement in \$'000			Movement in \$'000		
	CSS	PSS	Other	CSS	PSS	Other
Discount rate ¹	(5,270,031)	(9,791,412)	(168,885)	5,854,364	11,320,490	188,754
Salary growth rate	139,506	2,363,395	181,433	(133,602)	(2,211,991)	(164,190)
Pension increase rate	4,839,188	7,430,954	n/a	(4,419,636)	(6,675,455)	n/a

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

C3.4 Commonwealth Superannuation Scheme (CSS)**Employer productivity contributions**

The expected employer productivity contribution for 2018 is \$12.3 million (2017 actual \$14.0 million).

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13.2 years for CSS 1976 and 7.3 years for CSS 1922.

Reconciliation of the	Present value of the defined benefit obligation		Fair value of the scheme assets		Net defined benefit liability	
	30 June	30 June	30 June	30 June	30 June	30 June
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Value at beginning of the year	89,197,538	80,288,765	3,072,920	3,490,457	86,124,618	76,798,308
Current service cost	177,183	192,944	-	-	177,183	192,944
Interest cost	2,344,345	2,898,414	-	-	2,344,345	2,898,414
Interest income	-	-	72,222	120,712	(72,222)	(120,712)
Total expense	2,521,528	3,091,358	72,222	120,712	2,449,306	2,970,646
Actual return on scheme assets less interest income	-	-	162,175	(82,340)	(162,175)	82,340
Actuarial (gains) / losses adjusted in other comprehensive income arising from						
Changes in demographic assumptions	-	-	-	-	-	-
Changes in financial assumptions	(3,031,074)	10,546,599	-	-	(3,031,074)	10,546,599
Liability experience	568,122	(898,899)	-	-	568,122	(898,899)
Total other comprehensive income	(2,462,952)	9,647,700	162,175	(82,340)	(2,625,127)	9,730,040
Contributions by scheme participants	56,426	61,993	56,426	61,993	-	-
Productivity contributions	14,041	17,265	14,041	17,265	-	-
Net appropriation from CRF	-	-	3,409,440	3,374,376	(3,409,440)	(3,374,376)
Benefits paid	(3,993,754)	(3,906,514)	(3,993,754)	(3,906,514)	-	-
Taxes, premiums and expenses paid	(2,200)	(3,029)	(2,200)	(3,029)	-	-
Value at end of the year	85,330,627	89,197,538	2,791,270	3,072,920	82,539,357	86,124,618

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

C3.5 Public Sector Superannuation Scheme (PSS)

Employer productivity contributions

The expected productivity contributions for 2018 is \$167.9 million (2017 actual \$172.8 million).

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 20.3 years.

Reconciliation of the	Present value of the defined benefit obligation		Fair value of the scheme assets		Net defined benefit liability	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Value at beginning of the year	117,145,347	91,382,837	16,532,797	16,583,042	100,612,550	74,799,795
Current service cost	3,672,212	2,864,799	-	-	3,672,212	2,864,799
Interest cost	3,147,248	3,351,821	-	-	3,147,248	3,351,821
Interest income	-	-	438,420	608,458	(438,420)	(608,458)
Total expense	6,819,460	6,216,620	438,420	608,458	6,381,040	5,608,162
Actual return on scheme assets less interest income	-	-	1,056,557	(382,259)	(1,056,557)	382,259
<i>Actuarial (gains) / losses adjusted in other comprehensive income arising from</i>						
Changes in demographic assumptions	-	-	-	-	-	-
Changes in financial assumptions	(20,058,075)	21,274,332	-	-	(20,058,075)	21,274,332
Liability experience	2,185,221	(828,781)	-	-	2,185,221	(828,781)
Total other comprehensive income	(17,872,854)	20,445,551	1,056,557	(382,259)	(18,929,411)	20,827,810
Contributions by scheme participants	520,909	533,697	520,909	533,697	-	-
Productivity contributions	172,842	188,761	172,842	188,761	-	-
Net appropriation from CRF	-	-	746,680	623,217	(746,680)	(623,217)
Benefits paid	(1,810,227)	(1,586,172)	(1,810,227)	(1,586,172)	-	-
Taxes, premiums and expenses paid	(26,176)	(35,947)	(26,176)	(35,947)	-	-
Value at end of the year	104,949,301	117,145,347	17,631,802	16,532,797	87,317,499	100,612,550

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

Notes to and forming part of the financial statements

C. General Business Disclosures

C3.6 Other Schemes

For the purposes of disclosure, the smaller schemes have been grouped under "other":

			PCSS	G-GPS	JPS	FCCJDDS
			\$'000	\$'000	\$'000	\$'000
Expected benefit payments for 2018			42,903	1,572	49,924	518
			Years	Years	Years	Years
Maturity profile of defined benefit obligation			15.8	9.3	15.1	2.0
Reconciliation of the	Present value of the defined benefit obligation		Fair value of the scheme assets		Net defined benefit liability	
	30 June	30 June	30 June	30 June	30 June	30 June
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Value at beginning of the year	2,630,370	2,280,245	-	-	2,630,370	2,280,245
Current service cost	61,087	53,685	-	-	61,087	53,685
Interest cost	69,779	82,710	-	-	69,779	82,710
Total expense	130,866	136,395	-	-	130,866	136,395
Actuarial (gains) / losses adjusted in other comprehensive income arising from						
Changes in demographic assumptions	-	-	-	-	-	-
Changes in financial assumptions	(210,924)	317,749	-	-	(210,924)	317,749
Liability experience	37,043	(14,349)	-	-	37,043	(14,349)
Total other comprehensive income	(173,881)	303,400	-	-	(173,881)	303,400
Net appropriation from CRF	-	-	91,943	89,670	(91,943)	(89,670)
Benefits paid	(91,943)	(89,670)	(91,943)	(89,670)	-	-
Value at end of the year	2,495,412	2,630,370	-	-	2,495,412	2,630,370

C4 : Restructuring

Net assets received from or relinquished to another Australian Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Finance assumed responsibility for shared services functions from the Education and Training and Employment portfolios following a restructure of administrative arrangements on 1 December 2016. Shared services functions transferred included financial and human resources services and the Parliamentary Workflow System.

Finance relinquished responsibility of functions associated with Whole of Australian Government Information and Communications Technology (WOAG ICT) policy, procurement and strategy-related functions to the Digital Transformation Agency (DTA) following a restructure of administrative arrangements on 27 October 2016. Relevant staff, appropriations, assets and liabilities were transferred in 2016-17; however, a final transfer of the relevant components of Finance's CPCSA will occur in 2017-18 following the establishment of the *DTA ICT Coordinated Procurement Special Account*.

Finance relinquished responsibility of functions associated with: auditing, reporting, providing advice and processing claims relating to travel expenses and allowances of parliamentarians and MOP(S) Act staff following a restructure of administrative arrangements on 3 April 2017. These functions were transferred to the Independent Parliamentary Expenses Authority (IPEA).

Prior year restructures included functions relinquished by Finance to PM&C and the DTA (formerly DTO) relating to the Gov 2.0 function (as part of restructure of administrative arrangements on 21 September 2015) and the transferring of the Boardlinks program to PM&C (following a restructure of administrative arrangements on 6 January 2016).

Notes to and forming part of the financial statements

C. General Business Disclosures

	Shared Services to Finance	WoAG ICT to DTA	Travel entitlements to IPEA	Travel entitlements to IPEA	Gov 2.0 to DTA 30 June 2016	Gov 2.0 to PM&C 30 June 2016
	30 June 2017 \$'000	30 June 2017 \$'000	30 June 2017 \$'000	30 June 2017 \$'000	June 2016 \$'000	June 2016 \$'000
FUNCTIONS ASSUMED						
Assets recognised						
Appropriation and other receivables	5,221	-	-	-	-	-
Intangibles	11,818	-	-	-	-	-
Other non-financial assets	171	-	-	-	-	-
Prepayments	1,298	-	-	-	-	-
Total assets recognised	18,508	-	-	-	-	-
Liabilities recognised						
Payables	1,336	-	-	-	-	-
Employee provisions	3,130	-	-	-	-	-
Total liabilities recognised	4,466	-	-	-	-	-
Net assets/(liabilities) recognised	14,042	-	-	-	-	-
Income assumed						
Recognised by the receiving entity	15,184	-	-	-	-	-
Recognised by the losing entity	3,837	-	-	-	-	-
Total income for assumed function	19,021	-	-	-	-	-
Expenses assumed						
Recognised by the receiving entity ¹	17,359	-	-	-	-	-
Recognised by the losing entity	11,932	-	-	-	-	-
Total expenses for assumed function	29,291	-	-	-	-	-
FUNCTIONS RELINQUISHED						
Assets relinquished						
Receivables	-	3,443	1,027	107	431	24
Intangibles and prepayments	-	-	-	-	1,003	26
Total assets relinquished	-	3,443	1,027	107	1,434	50
Liabilities relinquished						
Payables	-	807	-	3,945	-	-
Employee provisions	-	2,636	1,027	617	431	24
Total liabilities relinquished	-	3,443	1,027	4,562	431	24
Net assets/(liabilities) relinquished	-	-	-	(4,455)	1,003	26

¹ Includes depreciation but excludes departmental overheads.

D. Operating Resources

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

D1 : Financial instruments

Policy and measurement

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

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

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

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

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

Notes to and forming part of the financial statements

D. Operating Resources

D1.1 Categories of financial instruments

	Note ref	Departmental		Administered	
		30 June	30 June	30 June	30 June
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
Financial Assets					
<i>Loans and receivables</i>					
Cash and cash equivalents	H2				
OPA balance	H2	-	-	936,797	1,058,038
Special Account cash held by Finance	F3.1	9,162	2,088	-	-
Operating cash balance		1,618	1,233	1,159	1,496
Special Account cash held in OPA	F3.1	739,018	643,912	-	-
Trade receivables		74,299	69,969	721	1,390
Investment funds - loans and receivables	C2.2	-	-	6,501,484	4,259,529
State and Territory Government loans		-	-	139,752	145,959
Accrued revenue		11,770	20,344	2,213	1,533
Total loans and receivables		835,867	737,546	7,582,126	5,467,945
<i>Held-to-maturity investments</i>					
Government securities		-	-	1,472	1,472
Total held-to-maturity investments		-	-	1,472	1,472
<i>Available-for-sale financial assets</i>					
Commonwealth corporate entities		-	-	573,417	400,454
Total available-for-sale financial assets		-	-	573,417	400,454
<i>Financial assets designated at FVPL</i>					
Investment funds - financial assets at FVPL	C2.2	-	-	16,190,822	12,494,544
Total financial assets designated at FVPL		-	-	16,190,822	12,494,544
Total financial assets		835,867	737,546	24,347,837	18,364,415
Financial Liabilities					
<i>Financial liabilities measured at amortised cost</i>					
Trade creditors and accruals		49,771	53,029	12,418	15,585
Investment funds - financial liabilities	C2.2	-	-	99,915	21,859
Finance leases		6,475	10,102	-	-
Total financial liabilities measured at amortised cost		56,246	63,131	112,333	37,444
<i>Financial liabilities designated at FVPL</i>					
Investment funds - derivative liabilities	C2.2	-	-	13,405	26,314
Total financial liabilities designated at FVPL		-	-	13,405	26,314
Total financial liabilities		56,246	63,131	125,738	63,758

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

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

Investments in Commonwealth corporate entities (CCEs)

CCEs are 100% owned by the Commonwealth and managed by Finance on behalf of the Commonwealth. However, as the CCEs are not controlled by Finance the CCEs have been reported as investments and measured at fair value.

The following are details of all CCEs managed by Finance:

- CSC is a trustee and administrator of Commonwealth superannuation schemes. The value of CSC has been measured using the net assets (NET) reported in its audited accounts and internal management accounts. A change in the net assets would result in an equal change in reported fair value. Further information about CSC is included in Note C3.2.
- On 26 March 2017, the ASC Group was restructured, with the critical infrastructure assets consolidated into Australian Naval Infrastructure (ANI) Pty Ltd and 100 per cent of the shareholding of ANI transferred to the Commonwealth. The value of ANI has been measured using the net assets (NET) reported in the ANI 30 June 2017 balance sheet. A change in the net assets would result in an equal change in reported fair value.
- ASC Pty Ltd (ASC) provides ongoing capability for the through life support of the Collins class submarine and shipbuilder for the Air Warfare Destroyers. ASC has been measured using reporting date value of the future cash flows of the company sourced from the 2017-22 Corporate Plan and an extended forecast model out to 2027 based on information in the ASC internal valuation. This forecasting also takes into account the separation of ANI. These cash flows have been discounted using the weighted average cost of capital (WACC). The WACC is calculated based on a number of inputs derived from either professional judgement or observable historical market data of comparable entities. The impact of WACC changes is included as part of Market Risk analysis in Note D2.1.

Notes to and forming part of the financial statements

D. Operating Resources

D1.2 Fair value information by financial asset class

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

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

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

Fair value measurements at the end of the reporting period

	Level	Inputs used	Valuation technique	Administered	
				30 June 2017	30 June 2016
				\$'000	\$'000
Financial assets					
State and Territory Government loans	2	N/A	Income approach	231,180	244,520
Investments in CCEs	3	NET	Cost approach	318,616	38,181
Investments in CCEs	3	WACC	Income approach	254,801	362,273
<i>Investment funds - financial assets at FVPL</i>					
Investment funds- other investments	1	N/A	Market approach	553,207	120,380
Investment funds- interest bearing securities	2	PI ¹	Market approach	14,195,737	11,580,840
Investment funds- derivative assets	2	N/A	Market approach	117,607	94,869
Investment funds- other investments	2	N/A	Market approach	2,875	880
Investment funds- other investments	3	NET	Market approach	1,321,396	697,575
Total financial assets				16,995,419	13,139,518
Financial liabilities					
Investment funds - derivative liabilities	2	N/A	Market approach	13,405	26,314
Total financial liabilities				13,405	26,314

¹Price Index (PI) values based on observable market data relating to prices, industry accepted pricing models and broker/dealer quotes

Movements of recurring level 3 financial assets

	Administered	
	30 June 2017	30 June 2016
	\$'000	\$'000
Opening balance of investments in CCEs	400,454	378,108
Equity injections	95,000	-
Total gains/(losses) recognised in other comprehensive income	77,963	22,346
Closing balance of investments in CCEs	573,417	400,454
Opening balance of investment funds - financial assets at FVPL	697,575	-
Purchase	656,697	693,734
Sales	(30,379)	(6,219)
Total gains/(losses) recognised in net cost of services	(2,128)	10,060
Transfers into level 3	(369)	-
Closing balance of investment funds - financial assets at FVPL	1,321,396	697,575

D1.3 Net gains or losses on financial assets

	Note ref	Departmental		Administered	
		30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Loans and receivables					
Interest revenue earned on:					
OPA deposits		-	-	14,877	21,307
Housing agreements		-	-	5,515	5,582
State and Territory Government loans		-	-	9,707	10,245
Other interest revenue		8	6	-	-
Impairment of financial assets		(4)	(826)	(13)	(2)
Net gains/(losses) on loans and receivables		4	(820)	30,086	37,132
Held-to-maturity investments					
Interest revenue earned on Government Securities		-	-	94	120
Net gain/(losses) on held-to-maturity investments		-	-	94	120
Available-for-sale financial assets					
Dividends		-	-	19,700	16,100
Investment funds - dividends	C2.1	-	-	13,228	6,147
Gain/(loss) recognised in equity		-	-	77,963	22,347
Gains from sale of financial assets					
Sale proceeds		-	-	1	-
Carrying value of asset sold		-	-	-	-
Previous revaluation gains recognised in equity		-	-	-	-
Net gains/(losses) from available-for-sale financial assets		-	-	110,892	44,594
Financial assets designated as FVPL					
Investment funds - foreign exchange losses	C2.1	-	-	(6,925)	(106,288)
Investment funds - interest on term deposits	C2.1	-	-	91,566	98,946
Investment funds - gains on financial investments	C2.1	-	-	439,306	383,368
Net gains/(losses) on financial assets designated as FVPL		-	-	523,947	376,026
Net gains/(losses) on financial assets		4	(820)	665,019	457,872

Policy and measurement

Foreign exchange gains/losses

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

D2 : Managing financial risk

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

D2.1 Market risk

Market risk refers to the risk that a change in market parameters will impact on assets held by Finance. Other than balances held by the investment funds, investments in CCEs and the OPA which are exposed to interest rate risk and foreign currency risk, Finance holds basic financial instruments that are not exposed to market risks. The following table discloses market risks in relation to the OPA and investments in CCEs. Disclosures in relation to the investment funds are included as part of Note C2.3.

Sensitivity analysis of interest rate risk exposure

2017	Risk variable	Change in risk variable %	Effect on	
			Surplus/ (deficit) \$'000	Equity \$'000
Overnight cash deposits with the RBA	Deposit rate	+0.3%	3,521	-
		-0.3%	(3,521)	-
Investments in CCEs	Discount rate	+0.3%	-	(2,313)
		-0.3%	-	2,374
2016		%	\$'000	\$'000
Overnight cash deposits with the RBA	Deposit rate	+0.3%	2,878	-
		-0.3%	(2,878)	-
Investments in CCEs	Discount rate	+0.3%	-	(3,187)
		-0.3%	-	3,235

D2.2 Liquidity risk

Liquidity risk is the risk that an entity will be unable to pay its debts when they fall due. As Finance is appropriation funded, the risk of Finance not meeting its obligations associated with financial liabilities is highly remote. Internal policies and procedures are also in place to ensure there are appropriate resources available to meet obligations. Finance's credit terms for goods and services are payment within 30 days. Disclosures in relation to the investment funds are included as part of Note C2.3.

D2.3 Credit risk

Credit risk is the risk that entities owing debts to Finance will not pay those debts as and when they fall due. Finance is exposed to a moderate level of credit risk in relation to the investment fund's assets; all other financial assets are considered to be low risk. Trade and other receivables (excluding State and Territory Government loans) have standard 30 days terms. Additional disclosures for the investment funds credit risk are included in Note C2.3.

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

	Note ref	Departmental		Administered	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
		\$'000	\$'000	\$'000	\$'000
Financial assets					
Not past due nor impaired					
Cash and cash equivalents		749,798	647,233	937,956	1,059,534
Trade receivables		47,265	68,417	182	815
Investment funds - loans and receivables	C2.2	-	-	6,501,484	4,259,529
Investment funds - financial assets at FVPL	C2.2	-	-	16,190,822	12,494,544
State and Territory Government loans		-	-	139,752	145,959
Accrued revenue		11,770	20,344	2,213	1,533
Government securities		-	-	1,472	1,472
Total not past due nor impaired		808,833	735,994	23,773,881	17,963,386
Past due or impaired					
Trade receivables		27,034	1,552	539	575
Total past due or impaired		27,034	1,552	539	575
Total financial assets		835,867	737,546	23,774,420	17,963,961
<i>Ageing of financial instrument assets that were past due or impaired</i>					
0 to 30 days		26,911	756	10	124
31 to 60 days		18	456	8	35
61 to 90 days		7	54	94	22
90+ days		98	286	427	394
Total past due but not impaired		27,034	1,552	539	575

Notes to and forming part of the financial statements

D. Operating Resources

D3 : Non-financial assets

Policy and measurement

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

Finance's asset recognition threshold is \$5,000; all purchases under this threshold are expensed in the year of acquisition, other than when they form part of a group of similar items which are significant in total in which case they are recognised on a group basis.

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

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

Revaluation adjustments - Property, infrastructure, plant and equipment

The ARR is an equity account held at asset class level. The ARR cannot be negative, therefore when the values of assets reduce due to revaluation, the amount in excess of the ARR for that class of asset is posted directly to the surplus/(deficit). Similarly, an increase can only be recognised in the reserve once the previous decreases recognised in the surplus/(deficit) have been reversed to surplus/(deficit).

Revaluation adjustments - investment property

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

Obligations relating to non-financial assets

Obligations relating to the dismantling, removal, remediation, restoration (also referred to as 'make good') and other expenditure associated with Finance's non-financial assets are included in the asset measurement when the recognition requirements for a provision are met. Details of provisions are disclosed in Note D4.

Depreciation/amortisation

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

Asset class	2017 & 2016 (no change)
Buildings on freehold land	3 to 100 years
Leasehold improvements	Lesser of useful life or lease term
Intangibles	3 to 7 years
Infrastructure, plant and equipment	1 to 45 years

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

Assets held for sale

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

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

			Departmental				
	Land	Buildings	Leasehold	Invest-	Plant and	Intang-	Total
	\$'000	\$'000	improve- ments \$'000	ment property \$'000	equip- ment \$'000	ible assets \$'000	\$'000
As at 1 July 2016							
Gross book value	413,298	637,686	29,159	626,437	40,574	123,160	1,870,314
Accumulated depreciation, amortisation and impairment	-	-	-	-	(11,901)	(51,341)	(63,242)
Opening balance as at 1 July 2016	413,298	637,686	29,159	626,437	28,673	71,819	1,807,072
<i>Additions</i>							
Purchase or internally developed	-	88,949	620	30,629	8,126	18,830	147,154
Transfers from agencies	-	-	128	-	43	11,818	11,989
<i>Items recognised in equity</i>							
Revaluations	21,280	-	(12)	-	611	-	21,879
<i>Items recognised in NCOS</i>							
Revaluations	-	29,343	-	5,227	-	-	34,570
Depreciation/amortisation expense	-	(11,681)	(1,616)	-	(8,047)	(8,080)	(29,424)
Transfers to assets held for sale	(3,090)	-	-	-	-	-	(3,090)
<i>Disposals</i>							
Transfers to agencies/restructuring	-	(4,086)	-	-	-	-	(4,086)
Write-offs	(2,332)	-	-	-	(78)	-	(2,410)
Reclassification	(36,800)	(151,200)	(1,539)	188,000	1,539	-	-
Other disposals	(4,715)	-	-	(2,590)	-	-	(7,305)
Closing balance as at 30 June 2017	387,641	589,011	26,740	847,703	30,867	94,387	1,976,349
Total as at 30 June 2017 represented by							
Gross book value							
Fair value (gross)	387,641	499,195	28,300	847,703	30,623	-	1,793,462
Internally developed software	-	-	-	-	-	58,674	58,674
Purchased software	-	-	-	-	-	13,048	13,048
Work in progress - at fair value	-	89,816	36	-	244	-	90,096
Work in progress - at cost	-	-	-	-	-	76,514	76,514
Accumulated depreciation, amortisation and impairment	-	-	(1,596)	-	-	(53,849)	(55,445)
Total as at 30 June 2017	387,641	589,011	26,740	847,703	30,867	94,387	1,976,349

*Further information**Domestic property portfolio*

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

The government's non-defence domestic property portfolio currently has approximately 100 Commonwealth-owned properties across Australia. These include office buildings, law courts, special purpose facilities, heritage assets, vacant land and contaminated sites that have been classified as either investment properties, land, buildings, or assets held for sale.

Notes to and forming part of the financial statements

D. Operating Resources

Other assets

Other assets held by Finance include leasehold improvements, office equipment and information technology assets required to support the delivery of Finance outcomes and finance lease assets in relation to the electronic work environment.

	Administered				
	Leasehold improve- ments \$'000	Infrastructure \$'000	Plant and equipment \$'000	Intangible assets \$'000	Total \$'000
As at 1 July 2016					
Gross book value	52,628	67,374	17,468	3,182	140,652
Accumulated depreciation, amortisation and impairment	(34,168)	-	(9,213)	(1,665)	(45,046)
Opening balance as at 1 July 2016	18,460	67,374	8,255	1,517	95,606
<i>Additions</i>					
By purchase	5,756	1,352	1,405	57	8,570
<i>Items recognised in equity</i>					
Revaluations	8,672	3,341	(1,880)	-	10,133
<i>Items recognised in the surplus/(deficit)</i>					
Depreciation/amortisation expense	(6,575)	(2,070)	(2,817)	(503)	(11,965)
<i>Disposals</i>					
Write-offs	(1,424)	-	(791)	-	(2,215)
Other disposals	-	-	(15)	-	(15)
Closing balance as at 30 June 2017	24,889	69,997	4,157	1,071	100,114
Total as at 30 June 2017 represented by					
Gross Book Value					
Fair value (gross)	25,011	69,997	2,271	-	97,279
Internally developed software	-	-	-	165	165
Purchased software	-	-	-	72	72
Work in progress - at fair value	-	-	1,886	-	1,886
Work in progress - at cost	-	-	-	3,002	3,002
Accumulated depreciation, amortisation and impairment	(122)	-	-	(2,168)	(2,290)
Total as at 30 June 2017	24,889	69,997	4,157	1,071	100,114
Further information					
Administered non-financial assets include the Intra Government Communication Network (ICON), leasehold improvements and IT assets for electoral and state offices, and other information technology assets to support Administered outcomes.					

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

Key judgements and estimates

Valuation of land, buildings and investment properties

Independent valuations are obtained annually as at 30 June for land, buildings and investment properties. These valuations include calculations of estimated market cash flows which are adjusted to take into account physical, economic and external factors relevant to the asset under consideration. In relation to investment properties, allowances have been factored in for average vacancy periods and costs of establishing a new tenant, as leases become due for renewal and properties become vacant.

Valuation of leasehold improvements, plant and equipment

The estimated cost to replace the asset has been calculated and then adjusted to take into account obsolescence and physical deterioration (accumulated depreciation). The obsolescence has been determined based on professional judgement regarding physical, economic and external factors relevant to the asset under consideration. Leasehold improvements for One Canberra Avenue were valued on acquisition in 2016. An independent valuation in relation to all other leasehold improvements and plant and equipment was undertaken as at 30 June 2017.

Valuation of infrastructure

Finance manages a secure fibre network within the Australian Capital Territory known as the ICON. Replacement cost has been established based on contemporary technology and construction approaches. Significant judgement concerning the nature of the physical environment has been made to establish the adopted replacement cost. An independent valuation was undertaken as at 30 June 2017.

Highest and best use

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

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

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

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

Finance only holds non-financial assets that fall into the following two categories (or levels) of the fair value hierarchy:

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

Notes to and forming part of the financial statements

D. Operating Resources

Departmental							
Technique / inputs used / level	Land \$'000	Buildings \$'000	Leasehold improve- ments \$'000	Invest- ment property \$'000	Plant and equip- ment \$'000	Assets held for sale \$'000	Total \$'000
Market Approach / AMT / 2	174,997	6,105	-	63,590	13,490	4,317	262,499
Cost Approach / RCN; CEB / 3	-	-	26,740	-	17,377	-	44,117
Cost Approach / RCN / 2	-	284,706	-	-	-	-	284,706
Income Approach / AMT / 2	212,644	298,200	-	784,113	-	-	1,294,957
Total assets at fair value 30 June 2017	387,641	589,011	26,740	847,703	30,867	4,317	1,886,279
Market Approach / AMT / 2	183,144	6,257	-	63,737	13,069	12,137	278,344
Cost Approach / RCN; CEB / 3	-	-	29,159	-	15,604	-	44,763
Cost Approach / RCN / 2	-	220,429	-	-	-	-	220,429
Income Approach / AMT / 2	230,154	411,000	-	562,700	-	-	1,203,854
Total assets at fair value 30 June 2016	413,298	637,686	29,159	626,437	28,673	12,137	1,747,390

Administered				
Technique / inputs used / level	Leasehold improvements \$'000	Infrastructure \$'000	Plant and equipment \$'000	Total \$'000
Cost Approach / RCN;CEB / 3	24,889	69,997	-	94,886
Market Approach / AMT / 2	-	-	2,575	2,575
Cost Approach / AMT;CEB / 3	-	-	1,582	1,582
Total assets at fair value 30 June 2017	24,889	69,997	4,157	99,043
Cost Approach / RCN;CEB / 3	18,460	67,374	-	85,834
Market Approach / AMT / 2	-	-	6,598	6,598
Cost Approach / AMT;CEB / 3	-	-	1,657	1,657
Total assets at fair value 30 June 2016	18,460	67,374	8,255	94,089

Inputs used

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

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

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

Recurring level 3 fair value measurements reconciliation

The recurring level 3 fair value measurements reconciliation is not materially different to the property, infrastructure, plant and equipment and intangibles movement table for both Departmental and Administered, refer to Note D3.1.

D4 : Other provisions**Policy and measurement**

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

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

	Departmental		Administered	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Property				
Excess lease space	203	682	1,513	154
Provision for remediation costs	8,612	24,092	5,509	4,828
Other				
Act of Grace	-	-	9,825	11,533
Same Sex Relationships Act	-	-	1,467	1,658
Total other provisions	8,815	24,774	18,314	18,173
Movements of other provisions				
Opening balance	24,774	36,638	18,173	18,014
Additional provisions made	4,291	385	3,169	1,419
Amounts used	(20,250)	(10,577)	(2,832)	(259)
Amounts reversed	-	(1,672)	(196)	(1,001)
Closing balance	8,815	24,774	18,314	18,173

Further information**Remediation**

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

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

Excess lease space

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

Act of Grace

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

Same Sex Relationships Act

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

Notes to and forming part of the financial statements

E. Our People

E. Our People

This section describes the employment and post-employment benefits provided to Finance employees engaged under the *Department of Finance Enterprise Agreement 2015-2018* and *Public Service Act 1999*.

As part of its Administered operations, Finance facilitates payment of salary and related benefits to staff employed by current and former Members of Parliament under the *Members of Parliament (Staff) Act 1984* (MOP(S) Act) as well as payment of post-employment benefits for former Parliamentarians and Prime Ministers under relevant legislation.

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

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

E1 : Employee expenses

Policy and measurement

Personal leave

Personal leave is expensed in the year that it is taken.

Superannuation expense

Finance's staff are members of the CSS, PSS, PSSap, or other non-government superannuation funds. The CSS and PSS are defined benefit schemes. The PSSap is a defined contribution scheme. Finance makes employer contributions to employees' defined benefit schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government. Finance accounts for these amounts as if they were contributions to defined contribution plans.

	Departmental		Administered	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Wages and salaries	127,734	122,179	187,882	185,062
Superannuation expense				
Defined contribution plans	13,991	14,136	30,247	29,784
Defined benefit plans	10,714	10,297	7,562	6,870
Leave and other entitlements	12,538	20,422	17,870	14,805
Increase (decrease) in post-employment benefits liability ¹	-	-	(75,596)	62,878
Separations and redundancies	2,952	2,377	10,296	5,995
Other employee expenses	689	947	16,838	17,031
Total employee expenses	168,618	170,358	195,099	322,425

¹ The Royal Assent of the *Parliamentary Entitlements Legislation Amendment Act 2017* on 22 February 2017 included changes to parliamentary retirement travel resulting in a significant reduction to the provision for parliamentary retirement travel (formerly Life Gold Pass). The decrease in the current year is also caused by the reduction in the provision for former Prime Ministers entitlements following actuarial movements.

E2 : Employee provisions**Policy and measurement****Leave provisions**

Leave provisions includes provisions for annual leave and long service leave (LSL).

Key judgements and estimates**Leave provisions**

The provision for LSL for employees engaged under the *Public Service Act 1999* has been determined by reference to the short hand method as set out in the *Resource Management Guide No. 125 Commonwealth Entities Financial Statements Guide*. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

The provision for LSL for employees engaged under the MOP(S) Act is determined by reference to an actuarial assessment every three years, with the most recent assessment in 2017.

Post-employment benefits

Finance has made judgements in relation to the valuation of post-employment benefits such as entitlements of former Prime Ministers and former Senators and Members.

Changes to Life Gold Pass travel announced in the 2014-15 Budget came into effect during 2017 with the introduction of the *Parliamentary Entitlements Legislation Amendment Act 2017*. This legislation has resulted in significant reductions in Life Gold Pass (now parliamentary retirement) travel, as only retired former Prime Ministers and their spouse or de facto partner remain eligible for travel. The legislation was also renamed from *Members of Parliament (Life Gold Pass) Act 2002* to *Parliamentary Retirement Travel Act 2002*.

This provision will be transferred from Finance to IPEA following proclamation of the *Parliamentary Business Resources Act 2017*, expected by the end of 2017.

	Departmental		Administered	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Leave provisions				
Long service leave	35,101	36,491	14,147	16,130
Other leave	23,302	25,058	22,038	19,335
Post-employment benefits	-	-	200,824	277,037
Total employee provisions	58,403	61,549	237,009	312,502

Notes to and forming part of the financial statements

E. Our People

E3 : Key management personnel remuneration

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of Finance. Finance has determined the KMP to be the Finance Minister, the Special Minister of State and the members of the Finance Executive Board which includes the Secretary, Deputy Secretaries, Chief Financial Officer and the First Assistant Secretaries of the Corporate Services and Information Technology and Workplace divisions. KMP remuneration is reported in the table below.

	Departmental 30 June 2017 \$
<i>Short-term employee benefits</i>	
Salary	2,392,122
Executive vehicle scheme	197,523
Other benefits	7,520
Total short-term employee benefits	2,597,165
<i>Post-employment benefits</i>	
Superannuation	427,551
Total post-employment benefits	427,551
<i>Other long-term benefits</i>	
Annual leave	266,823
Long service leave	225,281
Total other long-term benefits	492,104
Total termination benefits	-
Total key management personnel remuneration¹	3,516,820

Number of key management personnel included in the table above²

10

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

² This number includes staff who have been engaged by Finance for part of the year and therefore more than one individual may have filled a single position over the course of the year.

E4 : Related parties

Finance is an Australian Government controlled entity. Related parties to Finance are KMP including the Minister for Finance, the Special Minister of State, the Finance Executive Board and other Australian Government entities. KMP remuneration for members of the Executive Board is disclosed in Note E3.

Transactions with related parties

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

F. Funding

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

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

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

F1 : Annual appropriations

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

	Departmental		Administered	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Ordinary annual services				
Annual Appropriation				
Ordinary annual services	283,961	271,152	304,384	287,148
Capital budget	-	-	4,919	4,832
Section 74 receipts of PGPA Act	56,305	58,956	2,952	312
Section 75 transfers of PGPA Act ¹	614	(837)	(9,221)	-
Total	340,880	329,271	303,034	292,292
Appropriation applied ²	(351,978)	(319,077)	(298,468)	(296,821)
Variance	(11,098)	10,194	4,566	(4,529)
Other services				
Annual appropriation				
Equity injection	69,808	157,310	-	-
Assets and liabilities	-	-	1,890	1,759
Total	69,808	157,310	1,890	1,759
Appropriation applied ²	(127,968)	(59,374)	(1,779)	(1,149)
Variance ³	(58,160)	97,936	111	610

¹ Amount of \$2.4 million was transferred to the DTA under a section 75 determination following the Administrative Arrangements Order of 27 October 2016. Amount of \$2.2 million was transferred to IPEA under a section 75 determination following its establishment commencing 3 April 2017. Amount of \$5.2 million was transferred from Departments of Education and Employment for the Shared Services Centre function commencing at Finance on 1 December 2016. For further information, refer to Note C4.

¹ Amount of \$9.2 million was transferred to IPEA under a section 75 determination following its establishment commencing 3 April 2017.

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

³ The negative variance is due primarily to prior year appropriations being spent in the current year.

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

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

Notes to and forming part of the financial statements

F. Funding

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

	Departmental		Administered	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
Appropriation Act (No. 2) 2012-13	90	90	847	847
Appropriation Act (No. 2) 2013-14 ¹	1,246	1,246	8,153	8,153
Appropriation Act (No. 2) 2014-15	-	4,900	16	451
Appropriation Act (No. 2) 2015-16	7,260	107,508	218	1,562
Supply Act (No. 2) 2016-17	20,207	n/a	697	n/a
Appropriation Act (No. 2) 2016-17	40,969	n/a	975	n/a
Appropriation Act (No. 4) 2012-13 ⁴	-	-	5,000	5,000
Appropriation Act (No. 4) 2014-15	-	14,189	-	-
Appropriation Act (No. 4) 2015-16	2,226	2,226	153	153
Appropriation Act (No. 4) 2016-17	n/a	n/a	218	n/a
Appropriation Act (No. 1) 2013-14 ^{2,5}	7,064	7,064	480	480
Appropriation Act (No. 1) 2014-15 ⁶	-	85,711	174	174
Appropriation Act (No. 1) 2015-16 ⁶	3,168	17,291	105	35,579
Appropriation Act (No. 1) 2016-17 ³	100,006	n/a	24,653	n/a
Appropriation Act (No. 3) 2013-14	-	4,345	-	-
Appropriation Act (No. 3) 2014-15 ⁶	-	-	2,720	2,720
Appropriation Act (No. 3) 2015-16 ⁶	-	2,186	1,847	2,125
Appropriation Act (No. 3) 2016-17	2,955	n/a	11,194	n/a
Appropriation Act (No. 1) 2014-15 - Capital ⁶	-	8,810	3,166	3,166
Appropriation Act (No. 1) 2015-16 - Capital ⁶	-	-	3,189	3,189
Supply Act (No.1) 2016-17 - Capital	474	n/a	1,602	n/a
Appropriation Act (No.1) 2016-17 - Capital	474	n/a	2,869	n/a
Total unspent appropriations	186,139	255,566	68,276	63,599

Reconciliation to appropriations receivable

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

	Departmental	
	30 June 2017	30 June 2016
	\$'000	\$'000
Total unspent appropriations	186,139	255,566
<i>Adjustments:</i>		
Moorebank reallocation and terminated superannuation reforms measure	(405)	(405)
Strategic Reviews hand back	(802)	(802)
Cash at bank - 30 June	(1,560)	(1,597)
Expected GST refund outstanding at year end	(1,588)	(1,718)
Recorded against special accounts receivable in ledger	(3,675)	-
Recorded against capital receivable for special account in ledger	(58,891)	(73,112)
Transfer of function to PM&C (withheld under s. 51 of the PGPA Act)	(6,262)	(6,262)
Supplementation	40,000	1,000
Closing appropriations receivable balance	152,956	172,670

Other quarantined amounts and adjustments

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

¹ Balance includes quarantines for \$0.4 million for Moorebank Unit Relocation and a terminated superannuation reforms measure.

² Balance includes a quarantine for \$0.8 million for Strategic Reviews hand back.

³ Balance includes cash at bank as at 30 June 2017 of \$1.1 million plus expected GST refund of \$1.6 million (2016: cash at bank \$1.1 million, GST refund \$1.7 million).

⁴ Balance includes a quarantine for \$5.0 million for Moorebank Unit Relocation.

⁵ Balance includes a quarantine for \$0.5 million as a result of a net appropriation decrease at additional estimates.

⁶ The balances remaining in these appropriations have been withheld under s.51 of the PGPA Act as they are 2014-15 and 2015-16 Administered appropriations that are no longer required (the former s.11 process).

Note: Balances unspent against 2012-13 and 2013-14 appropriations are scheduled for repeal in 2017-18.

Appropriations from 2014-15 onwards are part of the revised repeal process where appropriations will automatically repeal after 3 years (on 1 July each year).

F2 : Special appropriations

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

	Appropriation Applied	
	30 June 2017	30 June 2016
	\$'000	\$'000
Administered		
<i>Medibank Private Sale Act 2006</i>	(474)	(152)
<i>Superannuation Act 1922</i>	(81,985)	(90,133)
<i>Superannuation Act 1976</i>	(4,291,400)	(4,210,930)
<i>Superannuation Act 1990</i>	(1,936,684)	(1,697,599)
<i>Governance of Australian Government Superannuation Schemes Act 2011</i>	(1,208)	(634)
<i>Parliamentary Contributory Superannuation Act 1948</i>	(42,665)	(44,038)
<i>Parliamentary Superannuation Act 2004</i>	(6,932)	(6,039)
<i>Members of Parliament (Life Gold Pass) Act 2002</i>	(564)	(788)
<i>Parliamentary Entitlements Act 1990</i>	(162,243)	(170,960)
<i>Governor-General Act 1974</i>	(1,561)	(1,503)
<i>Judges' Pensions Act 1968</i>	(47,101)	(43,602)
<i>Federal Circuit Court of Australia Act 1999</i>	(616)	(527)
<i>Public Governance, Performance and Accountability Act 2013 (PGPA Act)</i>	(109)	(894)
<i>Same-Sex Relationships (Equal Treatment in Commonwealth Laws – Superannuation) Act 2008</i>	(60)	(59)
<i>Commonwealth of Australia Constitution Act s.66 (Ministers of State Act 1952 s.5)</i>	(5,016)	(4,900)
Total special appropriations applied¹	(6,578,618)	(6,272,758)

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

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

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

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

Commonwealth of Australia Constitution Act s.66 (Minister of State Act 1952 s.5): For the 2016-17 reporting period this appropriation was limited to \$5.5 million and the unspent balance of \$0.5 million has lapsed.

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

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

Notes to and forming part of the financial statements

F. Funding

The Attorney-General's Department, the Department of Defence, the Department of Foreign Affairs and Trade, the Department of Parliamentary Services, the Department of the House of Representatives and the Department of the Senate drew from the special appropriation authorised by the *Parliamentary Entitlements Act 1990*. The money spent has been included in the table above.

From 3 April 2017, when IPEA was established, it drew from its own budget of the *Parliamentary Entitlements Act 1990*. The money spent has not been included in the table above.

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

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

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

		Appropriations applied	
		30 June 2017 \$'000	30 June 2016 \$'000
Relationship			
Attorney-General's Department			
Total receipts		441	418
Total payments	Solicitors-General pension payments	(441)	(418)
Australian Secret Intelligence Organisation (ASIO)			
Total receipts	Commonwealth New Building Project	-	2,852
Total payments	undertaken on behalf of ASIO	-	(2,852)

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

Section 83 of the Constitution provides that no amount may be paid out of the CRF except under an appropriation made by law. Finance in its central agency role provided information to all agencies in 2011 regarding the need for specific risk assessments in relation to section 83. It is not possible to fully remove the potential for section 83 breaches for all payments. In the vast majority of cases Finance relies on information provided by its clients to pay appropriate entitlements.

Ministerial and Parliamentary Services special appropriation payments under the *Parliamentary Entitlements Act 1990*: For the period 1 July 2016 to 23 February 2017, Finance identified risks in relation to special appropriation payments under the *Parliamentary Entitlements Act 1990*. For this period, 16 breaches were identified; these amounted to \$25,214 of which \$24,941 has been recovered to date.

Legislation (*Parliamentary Entitlements Legislation Amendment Act 2017*) to remediate the risk of breaching section 83 of the Constitution received Royal Assent on 22 February 2017, with the change to the appropriation to address the risk of section 83 breaches taking effect on and from 23 February 2017.

Superannuation payments under the *Parliamentary Superannuation Act 2004*:

For the period 1 July 2016 to 30 June 2017, one breach relating to payments made under the *Parliamentary Superannuation Act 2004* was identified amounting to \$1,306.92. As at 30 June 2017, the amount had not been recovered.

F3 : Special accounts

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

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

F3.1 Departmental special accounts

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

	Comcover	Property	BSSA	CPCSA	Total
	30 June	30 June	30 June	30 June	30 June
	2016	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening cash held by Finance	1,531	309	-	30	1,870
Opening cash in OPA	379,042	164,377	5,794	110,820	660,033
Opening capital appropriation receivable ¹	-	54,309	-	-	54,309
Balance brought forward	380,573	218,995	5,794	110,850	716,212
Appropriations credited	10,151	139,052	-	3,412	152,615
Other receipts	127,586	89,400	645	129,956	347,587
Payments made	(83,767)	(208,153)	(583)	(195,491)	(487,994)
Balance carried forward	434,543	239,294	5,856	48,727	728,420
Balance represented by					
Cash held by Finance	1,478	198	-	412	2,088
Cash held in OPA	433,065	156,676	5,856	48,315	643,912
Capital appropriation receivable ¹	-	82,420	-	-	82,420
Special account balance	434,543	239,294	5,856	48,727	728,420

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

Comcover Special Account

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

Notes to and forming part of the financial statements

F. Funding

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

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

Business Services Special Account (BSSA)

Establishing Instrument: *Financial Management and Accountability Determination 2006/64 — Business Services Special Account Establishment 2006*. Purpose: For expenditure relating to sentencing and disposing of records associated with the former Department of Administrative Services (DAS), managing and settling any personal injury and other legal claims arising from activities associated with the former DAS, and to conclude any other activity arising from the former DAS. This account is non-interest bearing. The special account ceased on 1 April 2017.

Coordinated Procurement Contracting Special Account (CPCSA)

Establishing Instrument: *Financial Management and Accountability Determination 2008/08 — Coordinated Procurement Contracting Special Account Establishment 2008*. Purpose: For expenditure relating to the Whole of Australian Government (WoAG) contract for providing fleet management and leasing services, centralised government advertising activities, and other co-coordinated procurement contracts for the benefit of government entities. The account is non-interest bearing. The special account determination sunsets on 1 October 2018.

F3.2 Administered special accounts

	BAF	EIF	HHF	DCAF	MRFF	Total
	30 June	30 June	30 June	30 June	30 June	30 June
	2017	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward	-	-	-	-	-	-
Increase						
Contribution from Government	-	-	-	4,164,314	1,277,358	5,441,672
Investment realised	3,149,128	4,175,785	-	7,697,048	5,584,742	20,606,703
Other receipts	120,755	142,409	-	217,805	176,708	657,677
Total increase	3,269,883	4,318,194	-	12,079,167	7,038,808	26,706,052
Decrease						
Purchase of investment	(3,266,263)	(4,291,746)	-	(12,073,738)	(6,968,436)	(26,600,183)
Other payments	(3,620)	(26,448)	-	(5,429)	(70,372)	(105,869)
Total decrease	(3,269,883)	(4,318,194)	-	(12,079,167)	(7,038,808)	(26,706,052)
Balance carried forward	-	-	-	-	-	-
	BAF	EIF	HHF	DCAF	MRFF	Total
	30 June	30 June	30 June	30 June	30 June	30 June
	2016	2016	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward	-	-	-	-	-	-
Increase						
Contribution from Government	-	-	-	3,449,500	3,149,351	6,598,851
Investment realised	3,444,840	4,018,017	1,859,077	4,272,238	2,663,546	16,257,718
Other receipts	154,968	170,789	61,815	120,383	18,228	526,183
Total increase	3,599,808	4,188,806	1,920,892	7,842,121	5,831,125	23,382,752
Decrease						
Purchase of investment	(3,589,595)	(4,129,347)	(401,400)	(7,839,207)	(5,829,632)	(21,789,181)
Other payments	(10,213)	(59,459)	(1,519,492)	(2,914)	(1,493)	(1,593,571)
Total decrease	(3,599,808)	(4,188,806)	(1,920,892)	(7,842,121)	(5,831,125)	(23,382,752)
Balance carried forward	-	-	-	-	-	-

Building Australia Fund (BAF) Special Account

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

Education Investment Fund (EIF) Special Account

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

Health and Hospitals Fund (HHF) Special Account

Establishing Instrument: *Nation-building Funds Act 2008*, s.215. Purpose: For making payments in relation to health infrastructure. The Future Fund Board of Guardians may invest amounts standing to the credit of the special account in any financial assets, although the special account itself is non-interest bearing. This special account ceased 29 October 2015.

DisabilityCare Australia Fund (DCAF) Special Account

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

Medical Research Future Fund (MRFF)

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

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

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

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

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

G. Managing Other Uncertainties

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

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

G1 : Commitments

Commitments are defined as:

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

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

	Departmental		Administered	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
BY TYPE				
Commitments receivable				
Domestic property portfolio - rent receivable ¹	983,098	954,950	-	-
Subleasing - rent receivable ²	11,170	12,587	-	-
Net GST recoverable	38,512	46,869	12,730	12,325
Total commitments receivable	1,032,780	1,014,406	12,730	12,325
Commitments payable³				
Capital commitments				
Land and buildings ⁴	40,206	107,539	105	500
Intangible assets development	5,089	10,350	-	-
Infrastructure, plant & equipment	1,215	2,661	-	144
Total capital commitments	46,510	120,550	105	644
Other commitments				
Operating leases ⁵	377,122	386,288	140,125	135,168
Finance leases ⁶	7,075	11,433	-	-
Net GST payable	89,373	86,814	-	-
Total other commitments	473,570	484,535	140,125	135,168
Total commitments payable	520,080	605,085	140,230	135,812
Net commitments by type	512,700	409,321	(127,500)	(123,487)
BY MATURITY				
Commitments receivable				
Within 1 year	78,114	81,338	3,271	3,385
Between 1 to 5 years	397,162	365,459	7,725	6,886
More than 5 years	557,504	567,609	1,734	2,054
Total commitments receivable	1,032,780	1,014,406	12,730	12,325
Commitments payable				
Capital commitments				
Within 1 year	38,911	105,387	105	644
Between 1 to 5 years	7,599	15,163	-	-
Total capital commitments	46,510	120,550	105	644
Operating lease commitments				
Within 1 year	17,482	21,134	36,059	36,820
Between 1 to 5 years	90,864	102,450	84,988	75,749
More than 5 years	268,776	262,704	19,078	22,599
Total operating lease commitments	377,122	386,288	140,125	135,168
Finance lease commitments				
Within 1 year	3,190	3,267	-	-
Between 1 to 5 years	3,885	8,166	-	-
Total finance lease commitments	7,075	11,433	-	-

	Departmental		Administered	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Other commitments				
Within 1 year	6,461	6,191	-	-
Between 1 to 5 years	34,440	31,334	-	-
More than 5 years	48,472	49,289	-	-
Total other commitments	89,373	86,814	-	-
Total commitments payable	520,080	605,085	140,230	135,812
Net commitments by maturity	512,700	409,321	(127,500)	(123,487)

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

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

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

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

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

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

G2 : Contingencies

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

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

Unquantifiable contingent liabilities

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

G3 : Subsequent events

There were no subsequent events after the reporting period.

H. Other Information

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

H1 : Investments in joint ventures

	Departmental 2017 \$'000	2016 \$'000
Thurgoona Industrial Estate (Finance owns 86.07%)	1,791	3,079
Baranduda Industrial Park (Finance owns 77.40%)	1,820	1,819
Total investments in joint ventures	3,611	4,898

Cash distributions (Equity returns) received from joint ventures: \$1.2m (2015-16: \$1.4m)

Investments in joint ventures are not expected to be sold or fully realised within the next 12 months.

Finance's investment in joint ventures is accounted for using the 'Equity Method' which means the investment asset is carried at cost adjusted for post-acquisition changes in Finance's share of net assets of the joint ventures. Finance has equity in two joint arrangements, one with the City of Albury (Thurgoona Industrial Estate) and one with the City of Wodonga (Baranduda Industrial Park). These joint arrangements involve the development and sale of industrial lots in separate precincts situated within the local government boundaries of Albury and Wodonga.

Equity contributions involve land, estate development costs, rates, maintenance and selling costs. Development works have been completed and finished lots are currently being marketed.

The terms of each agreement provide that the "rights, duties, obligations, and liabilities of the parties shall be several and not joint nor joint and several". This means that the arrangements are not partnerships.

H2 : Other policy and disclosures

This section of the report provides additional information in relation to line items in the primary statements that do not have specific disclosures in the preceding notes. They are additional disclosures directed at the interests of particular users and their needs.

Centralised procurement

Finance develops and manages procurement arrangements for common goods and services to maximise market benefits for Commonwealth entities. The largest arrangements are VSA and IBNCS.

VSA

Finance manages a number of Volume Sourcing Arrangements and a number of custom support agreements with Microsoft to provide software licensing and custom support benefits to related Commonwealth entities. The arrangements are funded on a user pays basis and includes an administration fee.

IBNCS

Finance manages telecommunications services to related Commonwealth entities. This arrangement is funded on a user pays basis. These services include Network Carriage Services, Virtual Connection Management Services, Internet Protocol Carriage Services and Major Internet Connection Services.

Other activities

Finance manages other centralised procurement arrangements including WoAG travel, fleet monitoring, campaign advertising and major office machines. The Coordinated Procurement Contracting Special Account is detailed at Note F3.1.

VSA, IBNCS and Strategic Sourcing functions of the Centralised Procurement Contracting Special Account has transferred to DTA post 30 June as a result of Machinery of Government changes, further information is detailed in the Restructuring Note at C4.

Competitive neutrality (including income tax expense)

Finance is exempt from all forms of taxation except Fringe Benefits Tax and GST.

Finance applies the Australian Government's Competitive Neutrality Policy Statement (June 1996) to properties in the portfolio that are leased and managed in a competitive environment. The taxation equivalent regime is applied as a competitive neutrality charge (shown as competitive neutrality and income tax expense in the Statement of Comprehensive Income) and a notional payment is calculated quarterly to cover indirect taxes such as payroll tax, council rates, stamp duty and land tax and income tax based upon accounting income; as if they have been applied to these properties. These amounts have been paid or are payable by Finance to the OPA.

Rental income

Rental income includes rent received from tenants occupying buildings that are part of the Australian Government's non-Defence property portfolio. It also includes revenue received from sub-leasing arrangements with other entities for non-Commonwealth owned properties.

Resources received free of charge

Resources free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would be purchased if they had not been donated. Use of the resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature. Resources received free of charge predominantly relate to Australian National Audit Office audit fees for Finance's financial statements and WoAG financial statements (2017: \$1.4 million). Resources received free of charge also includes a small portion for the recognition of land transferred from the NSW Government in the current year.

Resources received free of charge for Administered includes rent received free of charge for office space in the Ministerial Wing of Parliament House.

Resources provided free of charge

As outlined in the Restructuring Note at C4, IPEA was established effective 3 April 2017, with some functions from Finance transferring. Finance has continued to provide corporate services to IPEA free of charge. No separate disclosures are required.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash held with outsiders, cash in special accounts and demand deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Cash is recognised at its nominal amount. Cash or cash equivalent balances that are held for investment purposes are classified as investments.

Unearned revenue

Mainly relates to amounts received in advance for goods and services yet to be rendered by Finance to related Commonwealth entities for centralised procurement and domestic property and construction activities. Revenues are recognised in relation to these items when the relevant good or service has been provided.

Return of equity - special accounts

A provision is raised annually for the estimated balance of surplus funds to be returned to the OPA in the following year for the Property Special Account. In any year, the level of this provision reflects the estimated surplus funds arising from Finance's property operations and gross divestment proceeds. The variance to budget for the cash return is due to the budget being based on the 2014-15 provision.

Official Public Account (OPA)

Collections of revenue to the Government are transferred to the OPA which is administered by Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of the Government. These transfers to and from the OPA are adjustments to the administered cash held by Finance on behalf of the Government and reported as such in the Administered Cash Flow Statement and the Administered Reconciliation Schedule. OPA balances are disclosed in the Administered Schedule of Assets and Liabilities under cash and cash equivalents and the overnight cash balance payable. Given the fluctuation in daily balances, no budget is prepared for these items. The OPA balance is disclosed at Note D1.1.



Part 6: Appendices

Appendix 1: Workforce
statistics

Appendix 2: Other
management matters

Appendix 3: Entity
resources and
resources by
outcome

Appendix 1: Workforce statistics

The following tables show our workforce statistics for 2016–17 including staff numbers and whether they are ongoing, non-ongoing or casual, their substantive classification and their gender, location and remuneration.

Table 13: Ongoing, non-ongoing and casual staff, by substantive classification and gender, 30 June 2016 and 30 June 2017

Employment type	Gender	APS Classification									
		SES 1–3		EL 2		APS 6–EL 1		APS 1–5		Total	
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Ongoing	Female	29	31	100	93	373	367	303	275	805	766
	Male	45	45	107	96	332	326	166	167	650	634
	<i>Subtotal</i>	74	76	207	189	705	693	469	442	1,455	1,400
Non-ongoing	Female	–	–	–	2	4	7	5	12	9	21
	Male	–	–	–	1	–	1	5	10	5	12
	<i>Subtotal</i>	–	–	–	3	4	8	10	22	14	33
Casual	Female	–	–	–	1	–	–	62	57	62	58
	Male	–	–	1	2	–	–	280	243	281	245
	<i>Subtotal</i>	–	–	1	3	–	–	342	300	343	303
Total		74	76	208	195	709	701	821	764	1,812	1,736

Table 14: Ongoing and non-ongoing Aboriginal and Torres Strait Islander staff, 30 June 2016 and 30 June 2017

Staff numbers		
Employment type	2016	2017
Ongoing	24	31
Non-ongoing	–	–
Total	24	31

Table 15: Ongoing, non-ongoing and casual staff, by attendance type, 30 June 2016 and 30 June 2017

Employment type	Attendance type							
	Full-time		Part-time		Casual		Total	
	2016	2017	2016	2017	2016	2017	2016	2017
Ongoing	1,290	1248	165	152	–	–	1,455	1400
Non-ongoing	11	31	3	2	–	–	14	33
Casual	–	–	–	–	343	303	343	303
Total	1,301	1279	168	154	343	303	1,812	1,736^a

a. Due to machinery-of-government changes, 84 ongoing and six non-ongoing employees joined Finance from Shared Services, 91 employees moved from Finance to the Digital Transformation Agency, and 41 employees moved to the Independent Parliamentary Expenses Authority.

Table 16: Ongoing, non-ongoing and casual staff, by location, 30 June 2016 and 30 June 2017

Location	Employment type							
	Ongoing		Non-ongoing		Casual		Total	
	2016	2017	2016	2017	2016	2017	2016	2017
ACT ^a	1,413	1359	13	31	191	167	1,617	1,557
NSW	12	12	–	–	54	49	66	61
NT	2	1	–	–	2	2	4	3
QLD	8	7	–	–	27	25	35	32
SA	3	4	–	–	15	11	18	15
TAS	1	1	1	1	3	3	5	5
VIC	11	10	–	–	36	33	47	43
WA	5	6	–	1	15	13	20	20
Total	1,455	1,400	14	33	343	303	1,812	1,736

a. Figures include one employee deployed to Indonesia as at 30 June 2017 and two employees deployed to Indonesia and Solomon Islands as at 30 June 2016.

Remuneration

Table 17: Available salary ranges (excluding casuals), 30 June 2017

APS classification	Minimum (\$)	Maximum (\$)
SES 1–3	163,712	N/A ^a
EL 2 (non-SES)	126,308	157,345
APS 6 – EL 1 (non-SES)	79,925	133,471
APS 1–5 (non-SES)	45,249	81,516

a. The Secretary, in consultation with Finance's Executive Board, determines the salaries of all SES staff.

Note: These figures reflect base salary only and exclude superannuation and other benefits.

Table 18: Actual salary ranges (excluding casuals), 30 June 2017

APS classification	Minimum (\$)	Maximum (\$)
SES 1–3	163,712	342,720
EL 2 (non-SES)	126,308	157,345
APS 6 – EL 1 (non-SES)	79,925	136,354
APS 1–5 (non-SES)	45,249	81,516

Note: Figures reflect base salary only and exclude superannuation and other benefits.

Appendix 2: Other management matters

Advertising and market research

Under section 311A of the *Commonwealth Electoral Act 1918*, Finance is required to disclose payments for advertising and market research (payments over the reportable threshold of \$13,000 (GST inclusive)).

During 2016–17, Finance’s total reportable expenditure for advertising and market research was \$297,927.31 (see Table 19).

Finance also manages whole-of-government campaign and non-campaign advertising contracts, however Finance does not report expenditure under these contracts as the agency responsible for the campaign reports.

Table 19: Advertising and market research expenditure, 2016–17

Organisation	Purpose	Expenditure (\$, GST inclusive)
Market research organisations		
Australian Market Research Pty Ltd	Customer survey, analysis services and department activity survey	157,551.00
Piazza Research	Chief Financial Officer Survey	27,293.99
Media advertising organisations		
Dentsu Mitchell Media Australia	Advertising for expressions of interest for the Canberra office divestment, recruitment and office relocation advertising.	113,082.32
Total reportable payments		297,927.31

Grants

Information on [grants awarded by Finance](#) during the period 1 July 2016 to 30 June 2017 is available on our website.

Disability reporting

Since 1994, non-corporate Commonwealth entities have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission’s State of the Service reports and the APS Statistical Bulletin. From 2010–11, entities have no longer been required to report on these functions.

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

Information Publication Scheme

Entities subject to the *Freedom of Information Act 1982* are required to publish information to the public as part of the Information Publication Scheme. This requirement is in Part II of the Act and has replaced the former requirement to publish a section 8 statement in an annual report. Each agency must display on its website a plan showing what information it publishes in accordance with the scheme’s requirements. [Finance’s plan](#) is available on our website.

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

Appendix 3: Entity resources and resources by outcome

Table 20: Entity resource statement, 2016–17

	Actual available appropriations for 2016–17 \$'000 (A)	Payments made 2016–17 \$'000 (B)	Balance remaining 2016–17 \$'000 (A) – (B)
Ordinary annual services^a			
Departmental appropriation^b	462,358	351,978	110,380
Section 75 transfers	614		614
Total	462,972	351,978	110,994
Administered expenses			
Outcome 1	—	—	
Outcome 2 ^c	16,739	12,908	
Outcome 3 ^c	295,516	285,561	
Total	312,255	298,468	
Total ordinary annual services [A]	775,227	650,446	
Other services^d			
Departmental non-operating			
Equity injections	199,967	127,968	71,999
Total	199,967	127,968	71,999
Administered non-operating			
Administered assets and liabilities	18,055	1,779	
Total	18,055	1,779	
Total other services [B]	218,023	129,747	
Special appropriations			
Special appropriations limited by criteria/entitlement			
<i>Medibank Private Sale Act 2006</i>		474	
<i>Superannuation Act 1922</i>		81,985	
<i>Superannuation Act 1976</i>		4,291,400	
<i>Superannuation Act 1990</i>		1,936,684	
<i>Governance of Australian Government Superannuation Schemes Act 2011</i>		1,208	
<i>Parliamentary Contributory Superannuation Act 1948</i>		42,665	
<i>Parliamentary Superannuation Act 2004</i>		6,932	
<i>Members of Parliament (Life Gold Pass) Act 2002</i>		564	
<i>Parliamentary Entitlements Act 1990</i>		162,243	

Table 20: Entity resource statement, 2016–17 (*continued*)

	Actual available appropriations for 2016–17 \$'000 (A)	Payments made 2016–17 \$'000 (B)	Balance remaining 2016–17 \$'000 (A) – (B)
<i>Governor-General Act 1974</i>		1,561	
<i>Judges' Pensions Act 1968</i>		47,101	
<i>Federal Circuit Court of Australia Act 1999</i>		616	
<i>Public Governance, Performance and Accountability Act 2013</i>		109	
<i>Same-Sex Relationships (Equal Treatment in Commonwealth Laws— Superannuation) Act 2008</i>		60	
Special appropriations limited by amount			
<i>Commonwealth of Australia Constitution Act (s.66)</i>		5,016	
Total special appropriations [C]		6,578,618	
Special accounts			
Opening balance	728,420		
Appropriation receipts ^e	136,593		
Non-appropriation receipts to Special Accounts	27,185,239		
Payments made		27,243,181	
Closing balance			807,071
Total special accounts [D]	28,050,252	27,243,181	
Total resourcing and payments [A+B+C+D]	29,043,502	34,601,992	
Less appropriations drawn from annual or special appropriations above and credited to special accounts	136,593		
Total net resourcing and payments for Department of Finance	28,906,909	34,601,992	

a *Appropriation Act (No.1) 2016–17 and Appropriation Act (No.3) 2016–17*. The amount includes prior year departmental appropriations and section 74 retained revenue receipts.

b Includes an amount of \$64.396m that has been credited to the Property Special Account, \$4.151m that has been credited to the Comcover Special Account and \$9.067m that has been credited to the Co-ordinated Procurement Special Account.

c Includes an amount of \$4.919m in 2016–17 for the administered capital budget. For accounting purposes, this amount has been designated as 'contributions by owners'.

d *Appropriation Act (No. 2) 2016–17 and Appropriation Act (No. 4) 2016–17*.

e Appropriation receipts from Appropriation Act (No.1) and Appropriation Act (No.2) included above.

Outcome 1: Support sustainable Australian Government finances through providing high quality policy advice and operational support to the government and Commonwealth entities to maintain effective and efficient use of public resources.

Table 21: Expenses for Outcome 1, 2016–17

	Budget ^a 2016–17 \$'000 (A)	Actual expenses 2016–17 \$'000 (B)	Variation 2016–17 \$'000 (A) – (B)
Program 1.1: Budget and financial management			
Departmental expenses			
Departmental appropriation ^b			
Budget advice	50,518	53,746	(3,228)
Financial reporting	35,524	27,766	7,758
Expenses not requiring appropriation in the budget year ^c	3,692	6,217	(2,525)
Total for Program 1.1	89,734	87,729	2,005
Outcome 1 totals by appropriation type			
Departmental expenses			
Departmental appropriation ^b	86,042	81,512	4,530
Expenses not requiring appropriation in the budget year ^c	3,692	6,217	(2,525)
Total expenses for Outcome 1	89,734	87,729	2,005
	2015–16	2016–17	
Average staffing level (number) ^d	423	422	

a Full-year budget, including any subsequent adjustment made to the 2016–17 Budget at Additional Estimates.

b Departmental appropriation combines ordinary annual services (Appropriation Act Nos. 1 and 3) and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

c Expenses not requiring appropriation in the budget year are made up of depreciation expenses and amortisation expenses.

d Represents actual average staffing level (ASL) number for 2015–16 and 2016–17. Machinery-of-government changes have been reflected in 2016–17.

Outcome 2: Support an efficient and high-performing public sector through providing leadership to Commonwealth entities in ongoing improvements to public sector governance, including through systems, frameworks, policy, advice and service delivery.

Table 22: Expenses for Outcome 2, 2016–17

	Budget ^a 2016–17 \$'000 (A)	Actual expenses 2016–17 \$'000 (B)	Variation 2016–17 \$'000 (A) – (B)
Program 2.1: Public Sector Governance			
Administered expenses			
Ordinary annual services (Appropriation Act Nos. 1 and 3)			
Grant in aid—Australian Institute of Policy and Science	36	36	–
Grant in aid—Chifley Research Centre	228	228	–
Grant in aid—Green Institute	86	86	–
Grant in aid—Menzies Research Centre	228	228	–
Grant in aid—Page Research Centre	86	86	–
Grant in aid—Royal Humane Society of Australasia	26	26	–
Grant in aid—RSPCA Australia Inc	36	36	–
Departmental expenses			
Departmental appropriation ^b			
Financial framework	17,688	13,686	4,002
Procurement framework	13,776	12,865	911
Government shareholder oversight	5,290	3,533	1,757
Special financial claims	2,198	2,219	(21)
Special accounts			
Business Services Special Account ^c	–	122	(122)
Expenses not requiring appropriation in the budget year ^d	1,595	2,311	(716)
Total for Program 2.1	41,273	35,462	5,811

Table 22: Expenses for Outcome 2, 2016–17 (continued)

	Budget ^a 2016–17 \$'000 (A)	Actual expenses 2016–17 \$'000 (B)	Variation 2016–17 \$'000 (A) – (B)
Program 2.2: Transforming government			
Departmental expenses			
Departmental appropriation ^b			
Transforming the public sector	28,855	28,719	136
Digital transformation agenda	20,932	23,569	(2,637)
Expenses not requiring appropriation in the budget year ^d	4,059	2,716	1,343
Total for Program 2.2	53,846	55,004	(1,158)
Program 2.3: Property and construction			
Departmental expenses			
Special accounts			
Property Special Account 2014 ^e	145,722	87,683	58,039
Total for Program 2.3	145,722	87,683	58,039
Program 2.4: Insurance and risk management			
Departmental expenses			
Special accounts			
Comcover Special Account ^f	145,390	177,077	(31,687)
Total for Program 2.4	145,390	177,077	(31,687)
Program 2.5: Procurement services			
Departmental expenses			
Special accounts			
Coordinated Procurement Contracting Special Account	127,415	164,760	(37,345)
Total for Program 2.5	127,415	164,760	(37,345)
Program 2.6: Service Delivery Office			
Departmental expenses			
Departmental appropriation ^b			
Service Delivery Office	14,663	15,940	(1,277)
Expenses not requiring appropriation in the budget year ^d	551	1,798	(1,247)
Total for Program 2.6	15,214	17,738	(2,524)
Program 2.7: Public sector superannuation			
Administered expenses			
Ordinary annual services (Appropriation Act Nos. 1 and 3)			

Table 22: Expenses for Outcome 2, 2016–17 (continued)

	Budget ^a 2016–17 \$'000 (A)	Actual expenses 2016–17 \$'000 (B)	Variation 2016–17 \$'000 (A) – (B)
Act of grace	4,794	672	4,122
Compensation and legal expenses	500	373	127
Superannuation administration costs	9,924	9,924	-
Special appropriations			
<i>Federal Circuit Court of Australia Act 1999</i>	927	925	2
<i>Governance of Australian Government Superannuation Schemes Act 2011</i>	1,000	1,263	(263)
<i>Governor-General Act 1974</i>	578	577	1
<i>Judges' Pensions Act 1968</i>	88,757	88,722	35
<i>Parliamentary Contributory Superannuation Act 1948</i>	40,033	40,642	(609)
<i>Parliamentary Superannuation Act 2004</i>	7,192	6,932	260
<i>Same-Sex Relationships (Equal Treatment in Commonwealth Laws General Law Reform) Act 2008^g</i>	44	(131)	175
<i>Superannuation Act 1922</i>	18,991	18,991	-
<i>Superannuation Act 1976</i>	2,430,317	2,430,315	2
<i>Superannuation Act 1990</i>	6,381,038	6,381,040	(2)
Departmental expenses			
Departmental appropriation ^b			
Public Sector Superannuation	8,866	6,329	2,537
Expenses not requiring appropriation in the budget year ^d	254	297	(43)
Total for Program 2.7	8,993,215	8,986,871	6,344
Program 2.8: Australian Government Investment Funds			
Administered expenses			
Special Accounts			
DisabilityCare Australia Fund Special Account	343,411	4,718	338,693
Medical Research Future Fund Special Account	77,006	77,927	(921)
Building Australia Fund Special Account	126,094	3,625	122,469
Education Investment Fund Special Account	26,351	26,418	(67)
Total for Program 2.8	572,862	112,688	460,174

Table 22: Expenses for Outcome 2, 2016–17 (*continued*)

	Budget ^a 2016–17 \$'000 (A)	Actual expenses 2016–17 \$'000 (B)	Variation 2016–17 \$'000 (A) – (B)
Outcome 2 totals by appropriation type:			
Administered expenses			
Ordinary annual services (Appropriation Act Nos. 1 and 3)	15,944	11,695	4,249
Special appropriations	8,968,877	8,969,276	(399)
Special accounts	572,862	112,688	460,174
Departmental expenses			
Departmental appropriation ^b	112,268	106,860	5,408
Special accounts	418,527	429,642	(11,115)
Expenses not requiring appropriation in the budget year ^d	6,459	7,122	(663)
Total Expenses for Outcome 2	10,094,937	9,637,283	457,654
	2015–16	2016–17	
Average staffing level (number) ^h	643	661	

a Full-year budget, including any subsequent adjustment made to the 2016–17 Budget at Additional Estimates.

b Departmental appropriation combines ordinary annual services (Appropriation Act Nos. 1 and 3) and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

c The Business Services Special Account ceased on 1 April 2017.

d Expenses not requiring appropriation in the budget year is made up of depreciation expenses and amortisation expenses.

e Figure includes an elimination adjustment for rent charged to Finance and excludes income tax expense.

f Figure includes an elimination adjustment for insurance charged to Finance.

g The negative expense is due to a decrease in the provision relating to this line item.

h Represents actual average staffing level (ASL) number for 2015–16 and 2016–17. Machinery-of-government changes have been reflected in 2016–17.

Outcome 3: Support for parliamentarians and others as required by the Australian Government through the delivery of, and advice on, entitlements and targeted assistance

Table 23: Expenses for Outcome 3, 2016–17

	Budget ^a 2016–17 \$'000 (A)	Actual expenses 2016–17 \$'000 (B)	Variation 2016–17 \$'000 (A) – (B)
Program 3.1: Ministerial and Parliamentary Services			
Administered expenses			
Ordinary annual services (Appropriation Act Nos. 1 and 3)			
Electorate and ministerial support costs	284,539	250,507	34,032
Australian Political Exchange Program	902	399	503
Australian Political Parties for Democracy Program	2,200	1,700	500
Special appropriations			
<i>Commonwealth of Australia Constitution Act (s.66)</i>	4,966	5,016	(50)
<i>Members of Parliament (Life Gold Pass) Act 2002^b</i>	1,168	(40,338)	41,506
<i>Parliamentary Entitlements Act 1990</i>	184,549	157,277	27,272
Expenses not requiring appropriation in the budget year ^c	12,371	11,964	407
Departmental expenses			
Departmental appropriation ^d			
Services to Senators, Members and their staff	40,669	40,512	157
Car-with-driver and associated transport services	674	852	(178)
Expenses not requiring appropriation in the budget year ^c	2,449	4,417	(1,968)
Total for Program 3.1	534,487	432,306	102,181
Outcome 3 totals by appropriation type			
Administered expenses			
Ordinary annual services (Appropriation Act Nos. 1 and 3)	287,641	252,606	35,035
Special appropriations	190,683	121,955	68,728
Expenses not requiring appropriation in the budget year ^c	12,371	11,964	407

Table 23: Expenses for Outcome 3, 2016–17 (continued)

	Budget ^a 2016–17 \$'000 (A)	Actual expenses 2016–17 \$'000 (B)	Variation 2016–17 \$'000 (A) – (B)
Departmental expenses			
Departmental appropriation ^d	41,343	41,364	(21)
Expenses not requiring appropriation in the budget year ^c	2,449	4,417	(1,968)
Total Expenses for Outcome 3	534,487	432,306	102,181
	2015–16	2016–17	
Average staffing level (number) ^e	229	224	

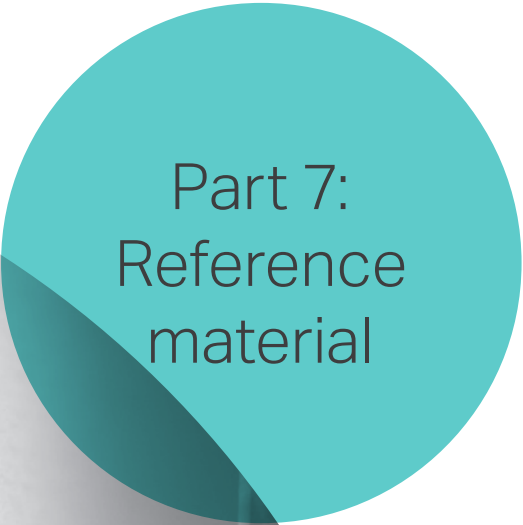
a Full-year budget, including any subsequent adjustment made to the 2016–17 Budget at Additional Estimates.

b The negative expense is due to a decrease in the provision relating to this line item.

c Expenses not requiring appropriation in the budget year is made up of depreciation expenses and amortisation expenses.

d Departmental appropriation combines ordinary annual services (Appropriation Act Nos. 1 and 3) and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

e Represents actual average staffing level (ASL) number for 2015–16 and 2016–17. Machinery-of-government changes have been reflected in 2016–17.



Part 7: Reference material

Abbreviations and
acronyms

Glossary

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Abbreviations and acronyms

APS	Australian Public Service
AC	Companion of the Order of Australia
ANI	Australian Naval Infrastructure Pty Ltd
ARTC	Australian Rail Track Corporation
ASL	average staffing level
BPORs	Budget Process Operational Rules
CAS	Central Advertising System
CO ₂ -e	carbon dioxide equivalent
CGRGs	Commonwealth Grants Rules and Guidelines
CSC	Commonwealth Superannuation Corporation
EL	executive level
ERC	Expenditure Review Committee
FBO	Final Budget Outcome
Finance	Department of Finance
FTE	full-time equivalent
HHF	Health and Hospitals Fund
ICT	information and communications technology
ICC	Independent Communications Committee
IPEA	Independent Parliamentary Expenses Authority
IPP	Indigenous Procurement Policy
kWh	kilowatt hour
LGBTI	lesbian, gay, bisexual, transgender and intersex
LPG	liquefied petroleum gas
MJ	milliJoule
MJ/m ²	milliJoule per square metre.
M&PS	Ministerial and Parliamentary Services
MOP(S) Act	<i>Members of Parliament (Staff) Act 1984</i>
MRFF	Medical Research Future Fund
MYEFO	Mid-Year Economic and Fiscal Outlook
NAIDOC	National Aborigines and Islanders Day Observance Committee
OECD	Organisation for Economic Co-operation and Development

PBS	Portfolio Budget Statements
PSM	Public Service Medal
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PRODAC	Australian Government Property Data Collection
SES	Senior Executive Service
SCS	Shared and Common Services Program
SDO	Service Delivery Office
WSA	Western Sydney Airport
WHS Act	<i>Work Health and Safety Act 2011</i>

Glossary

Term	Meaning
accountable authority instructions	Instructions issued to manage the affairs of an entity to promote the efficient, effective, economical and ethical use of Commonwealth resources.
Act of Grace payment	A voluntary payment made by the Commonwealth to an individual or other body in special circumstances when a government entity's conduct or Commonwealth legislation or policy has resulted in an unintended, inequitable, anomalous or otherwise unacceptable result. Act of Grace payments must be authorised by the Finance Minister or a delegate under section 65 of the <i>Public Governance, Performance and Accountability Act 2013</i> (PGPA Act). An Act of Grace payment is used when the obligation to the applicant is moral, rather than legal.
administered items	Items that are usually managed by an entity on behalf of the government. Entities do not have control over these items, which are normally related to activities governed by eligibility rules and conditions established by legislation (for example, grants, subsidies and benefit payments).
annual performance statements	Commonwealth entities report, through their annual performance statements, on the extent to which they have fulfilled the purposes they articulate at the beginning of a reporting year in their corporate plan. They must also report on performance criteria in the Portfolio Budget Statements, Portfolio Additional Estimates Statements or other portfolio estimates statements.
appropriation	Public monies the parliament authorises the Australian Government to withdraw from the Consolidated Revenue Fund for a specified purpose.
AusTender	The central web-based facility for the publication of Australian Government procurement information, including business opportunities, annual procurement plans and procurement contracts awarded.
Australian Government Information Interoperability Framework	Identifies components that support an environment where information generated and held by government is valued and managed as a national strategic asset. The framework articulates the principles that underpin sound information management and establishes the concepts, practices and tools that will drive the successful sharing of information across government boundaries. Information interoperability is the ability to confidently exchange information across portfolio boundaries.

Term	Meaning
Australian Government Office Occupancy Report	Covers office accommodation with 500 square metres or more, which is owned or leased by the Commonwealth. The report sets out the occupational density for entities against the current target of 14 square metres of office space per occupied work point.
Australian Government Property Data Collection	<p>Australian Government Property Data Collection (PRODAC) is a central database on the office space leased and owned by the Australian Government.</p> <p>This information is used to help entities to identify better practices, progressively improve the management and use of office space and inform whole-of-government property policy.</p> <p>PRODAC collects building, lease and cost information relating to office space leased and owned by the Australian Government.</p> <p>All Non-corporate Commonwealth Entities are in scope of the PRODAC data collection.</p>
Budget	Sets out the fiscal and economic outlook for Australia, and includes expenditure and revenue estimates for the current financial year, the budget year, and three forward financial years. It identifies the government's social and political priorities and how they will be achieved. The Budget is usually announced in May each year.
Budget Process Operational Rules	<p>Standing rules endorsed annually by Cabinet which set out the major administrative and operational arrangements that underlie the management of the Australian Government budget process.</p> <p>The BPORs also identify the requirements that apply to all new policy proposals and other Budget proposals, including those brought forward for consideration outside of the budget process.</p>
carbon dioxide equivalent (CO ₂ -e)	One tonne of carbon dioxide equivalent would fill the average-sized three-bedroom house.
career starter	A person who is completing a Year 12 certificate, or equivalent, by the end of the relevant year, or has completed a Year 12 certificate within the last 24 months.
Central Advertising System	Coordinated procurement arrangement that consolidates government advertising expenditure and buying power to secure optimal media discounts on Commonwealth-wide media rates.
central agencies	The Department of the Prime Minister and Cabinet, the Treasury and the Department of Finance.
Central Budget Management System	The ICT system used to manage the flow of financial information between Finance and Commonwealth entities to facilitate cash and appropriations management, the preparation of budget documentation and financial reporting.

Term	Meaning
<i>Charter of Budget Honesty Act 1998</i>	Provides a legislative framework for the conduct and reporting of fiscal policy, government decisions and Commonwealth financial statements. It aims to improve discipline, transparency and accountability in the conduct of fiscal policy.
COMCAR	An Australian Government agency that provides car-with-driver and other ground transport services to the Prime Minister, the Governor-General, members of parliament, judges and international guests of government.
Comcover	The Australian Government's self-managed general insurance fund.
co-mingled recycling	A process that allows for mixed recyclables to be disposed of in a single container. Recyclable materials include glass, plastic, metal and aluminium cans and containers.
Commonwealth government entity	A department of state of the Commonwealth; a department of the parliament; an executive agency, or statutory agency, within the meaning of the <i>Public Service Act 1999</i> .
Commonwealth Grants Rules and Guidelines	Establish the Commonwealth grants policy framework. The CGRGs contain the key legislative and policy requirements and explain the better practice principles of grants administration. They apply to grants administration performed by ministers' accountable authorities, officials as well as third parties who undertake grants administration on behalf of the Commonwealth.
Commonwealth Procurement Rules	Rules representing the government policy framework under which Commonwealth entities undertake their own procurement in line with both Australia's international obligations and good practice. They enable agencies to design processes that are robust and transparent and instill confidence in the Australian Government's procurement.
Commonwealth Property Management Framework	Establishes the principles for the efficient, effective, economical and ethical use of property resources and applies to property leased and owned by non-corporate Commonwealth entities.
consolidated financial statements	Statements that present the whole-of-government financial results inclusive of all Australian Government-controlled bodies, including bodies outside the general government sector, such as Australia Post and the Reserve Bank of Australia.
Consolidated Revenue Fund	Consists of all revenues and moneys raised or received by the executive government of the Commonwealth. The fund is self-executing in nature, which means that all money received by the Commonwealth automatically forms part of the fund.

Term	Meaning
consultant	A person or organisation providing professional, independent and expert advice or services. Typically the term is used to describe the application of expert skills to investigate or diagnose a defined issue or problem; carry out defined research, reviews or evaluations; or provide independent advice, information or creative solutions to assist an entity in management decision-making.
contestability	Competition in public sector functions to improve both efficiency and effectiveness in the delivery of government objectives.
costings or cost estimates	An assessment of the financial impact of a proposed policy change. Commonwealth entities are required to provide costings for any new policy proposals and seek Cabinet endorsement. Finance must agree to these costings before they can be incorporated in a submission for Cabinet.
enhanced Commonwealth performance framework	Meets the obligation under paragraph 5(b) of the <i>Public Governance, Performance and Accountability Act 2013</i> (PGPA Act) to establish a performance framework across Commonwealth entities. The framework aims to improve the line of sight between what was intended and what was delivered. Corporate plans (and Portfolio Budget Statements) and annual reports (including annual performance statements) are the bookends of the performance framework.
enterprise agreement	An employment agreement made directly between an employer and employees.
Expenditure Review Committee	The ministerial committee responsible for examining all proposals against the government's overall fiscal strategy, advising Cabinet on budget spending priorities and initiating reviews of individual ongoing programs.
Final Budget Outcome	The Final Budget Outcome (FBO) encompasses Australian Government general government sector fiscal outcomes for the financial year and is based on external reporting standards. The <i>Charter of Budget Honesty Act 1998</i> requires that a Final Budget Outcome be released no later than three months after the end of the relevant financial year. The financial statements in the Final Budget Outcome are similar to those in the budget but provide actual outcomes rather than estimates
fiscal policy	The government's approach to taxation and spending, both of which can affect the economy.
fraud	Dishonestly obtaining a benefit, or causing a loss, by deception or other means. Accountable authorities of Commonwealth entities must take all reasonable measures to prevent, detect and deal with fraud in accordance with section 10 of the Public Governance, Performance and Accountability Rule 2014.

Term	Meaning
full-time equivalent (FTE)	The average number of effective FTE employees in an entity. Part-time employees are converted to full-time equivalents.
Future Fund	A government fund established for accumulating assets to offset future Australian Government superannuation liabilities.
government business enterprise	A Commonwealth entity or Commonwealth company that is prescribed as a government business enterprise by the rules of the PGPA Act.
govCMS	An open source web content management and hosting service developed to help agencies create modern, affordable and responsive websites, making it easier to collaborate and innovate. govCMS helps reduce the technology and compliance burden on government agencies.
GrantConnect	The new single point of discovery for information about all government grants. Individuals and organisations are able to register to receive notifications on grant opportunities relevant to them. Information on grant opportunities is presented to the public in a standard and consistent format.
green brief	A summary of a proposal and the associated financial implications, and Finance and central agency views on a proposal to be considered by the Expenditure Review Committee of Cabinet.
headcount	The actual number of employees employed by the department.
Independent Parliamentary Expenses Authority	Audits and reports on parliamentarian's work expenses. Provides advice to parliamentarians and their staff on travel and work related expenses to support them in undertaking their duties, requiring that taxpayer funds be spent appropriately and in compliance with the relevant principles and regulations.
Independent Communications Committee	Provides independent advice to accountable authorities of non-corporate Commonwealth entities proposing to conduct information and advertising campaigns where expenditure is expected to be \$250,000 or greater.
Indigenous Procurement Policy	<p>A mandatory procurement-connected policy to leverage the Commonwealth's annual multi-billion procurement spend to drive demand for Indigenous goods and services, stimulate Indigenous economic development and grow the Indigenous business sector.</p> <p>The IPP has three main parts:</p> <ul style="list-style-type: none"> • a target number of contracts that need to be awarded to Indigenous businesses • a mandatory set-aside for remote contracts and contracts valued between \$80,000 and \$200,000 • minimum Indigenous participation requirements in contracts valued at or above \$7.5 million in certain industries.

Term	Meaning
measure	A policy or decision of the government that affects revenues, expenses or capital.
Mid-Year Economic and Fiscal Outlook	Provides an update of the government's budget estimates by examining expenses and revenues in the year to date, as well as provisions for new decisions taken since the Budget to allow assessment of the government's fiscal performance against the fiscal strategy statement. The Treasurer is required to publicly release and table in parliament a mid-year economic and fiscal outlook report by the end of January each year, or within six months after the Budget, whichever is later.
National Property Efficiency Program	The program capitalises on the Commonwealth's position as a major purchaser of leases and facilities management services in the Australian property market. It is delivered through two key activities: <ul style="list-style-type: none"> • absorbing entities' lease requirements, where feasible, into existing vacant office accommodation (Operation Tetris) undertaken in the ACT in 2015–16 and to be rolled out nationally from 2016–17; • ensuring that leases and other property services are delivered through coordinated procurements that will maximise the Commonwealth's substantial purchasing power.
non-ongoing staff member	A person engaged as an employee under subsection 22(2)(b) or (c) of the <i>Public Service Act 1999</i> .
ongoing staff member	A person engaged as an ongoing employee under subsection 22(2)(a) of the <i>Public Service Act 1999</i> .
outcome	The government's objectives in each portfolio area. Outcomes are desired results, impacts or consequences for the Australian community influenced by the actions of the Australian Government. Actual outcomes are the results or impacts actually achieved.
Operation Tetris	Requires government entities to fill vacant leased office space in the Australian Capital Territory rather than to enter into new leases or to renew expiring leases.
performance information	Evidence about performance that is collected and used systematically. It relates to appropriateness, effectiveness and efficiency and the extent to which an outcome can be attributed to an intervention.
Portfolio Budget Statements	Statements that inform parliamentarians and the public of the proposed allocation of resources to government outcomes. They also assist the Senate standing committees with their examination of the government's budget. Portfolio Budget Statements are tabled in parliament on budget night and published as budget-related papers.
potable water	Water that is suitable for human consumption.

Term	Meaning
procurement	Encompasses the whole process of acquiring goods and services. It begins when a need is identified and a decision made on the procurement requirements. It continues through the process of risk assessment, awarding of a contract and delivery of and payment for the goods and services and, where relevant, the ongoing management of the contract and consideration of disposal.
programs	Actions taken by the government to deliver stated outcomes.
Public Service Modernisation Fund	Identifies and recommends transformation initiatives across government for investment through the Modernisation Fund announced in the 2017–18 Budget that provided \$500 million of projected savings to be reinvested in reforms ‘such as automation of public services and business re-engineering’.
purposes	In the context of the PGPA Act, purposes include the objectives, functions or role of the entity. Finance’s purposes are described in the 2016–17 Corporate Plan.
red tape	A colloquial term for unnecessary regulation.
resource management framework	Governs how the Commonwealth public sector uses and manages public resources. The PGPA Act is the cornerstone of the framework.
risk management	The systematic application of management through policies, procedures and practices to clearly identify, analyse, evaluate, treat and monitor risks associated with those opportunities. Risk is broadly defined as the effect of uncertainty on objectives or the impacts of unforeseen events or undesirable outcomes.
rules	In the context of the PGPA Act, legislative instruments made by the Finance Minister under sections 101 to 105 of the Act prescribing matters: <ul style="list-style-type: none"> • required or permitted by the Act • necessary or convenient to be prescribed for carrying out or giving effect to the Act.
Service Delivery Office	Provides corporate transactions services to other Australian Government agencies. The office is one of six hubs under the Shared and Common Services Program, which is an APS-wide initiative to provide common services across agencies through the development of centres of excellence (hubs).
Shared and Common Services Program	Delivers standardisation and streamlining of corporate services and business processes across the APS by consolidating the current service provision arrangements into seven public sector service providers by 2019–20.
test labs	Provide Finance staff with the chance to collaborate and be involved in creating innovative approaches to some of Finance’s products, processes, services and strategy.

Compliance index

This schedule is made for section 46(3) of the *Public Governance, Performance and Accountability Act 2013*.

Description	Requirement	Location/ Page
Letter of transmittal	Mandatory	iii
Aids to access		
Table of contents	Mandatory	v–vi
Alphabetical index	Mandatory	193–197
Glossary of abbreviations and acronyms	Mandatory	180–8
List of requirements	Mandatory	189–92
Details of contact officer	Mandatory	ii
Department's website address	Mandatory	ii
Electronic address of report	Mandatory	ii
Review by accountable authority		
Review by departmental Secretary	Mandatory	6–8
Overview of the department		
Role and functions	Mandatory	12
Organisational structure	Mandatory	18
Outcomes and program structure	Mandatory	14
Purposes as included in the corporate plan	Mandatory	12
Portfolio structure	Mandatory	11
Details of variations and reasons for changes to outcomes and programs from Portfolio Budget Statements, Portfolio Additional Estimates Statements and other portfolio estimates statements.	If applicable, mandatory	14
Report on performance of the entity		
Annual performance statements		
Annual performance statement in accordance with paragraph 39(1) (b) of the PGPA Act and Section 16F of the PGPA Rule.	Mandatory	35–58
Report on financial performance		
Discussion and analysis of the department's financial performance.	Mandatory	59–62
Department's resource statement and total payments.	Mandatory	62
Significant changes in financial results during or after the previous or current reporting period, discussion and details.	If applicable, Mandatory	N/A

Description	Requirement	Location/ Page
Management and accountability		
Corporate Governance		
Information on compliance with section 10 of the PGPA Rule (fraud systems).	Mandatory	iii
Certification by the Secretary that: <ul style="list-style-type: none"> • fraud risk assessments and fraud control plans have been prepared • appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place • all reasonable measure have been taken to deal appropriately with fraud relating to the department. 		iii
Outline of structures and processes in place for the department to implement principles and objectives of corporate governance.	Mandatory	64–9
Statement of significant issues reported to the minister under paragraph 19(1)(e) of the PGPA Act that relates to non-compliance with finance law and action taken to remedy non-compliance.	If applicable, mandatory	N/A
External scrutiny		
Significant developments in external scrutiny and the department's response to the scrutiny.	Mandatory	69–73
Judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the department.	If applicable, mandatory	72–3
Reports on operations of the department by the Auditor-General (other than report under section 43 of the PGPA Act), a Parliamentary Committee, or Commonwealth Ombudsman.	If applicable, mandatory	69–70
Capability reviews on the department during the reporting period.	If applicable, mandatory	N/A
Management of human resources		
Assessment of the department's effectiveness in managing and developing employees to achieve departmental objectives.	Mandatory	73–9
Statistics on the department's APS employees on an ongoing and non-ongoing basis; including the following: <ul style="list-style-type: none"> • staffing classification level • full-time employees • part-time employees • gender • staff location • employees who identify as Indigenous. 	Mandatory	166–7
Enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory	77

Description	Requirement	Location/ Page
Number of SES and non-SES employees covered by the above arrangements.	Mandatory	77
Salary arrangements available for APS employees by classification level.	Mandatory	167
Non-salary benefits provided to employees.	Mandatory	78
Number of employees at each classification level who received performance payments.	If applicable, mandatory	78
Aggregate amounts of performance pay at each classification level.	If applicable, mandatory	N/A
Average amount of performance pay, and range of such payments, at each classification level.	If applicable, mandatory	N/A
Aggregate amount of performance payments.	If applicable, mandatory	N/A
Assets management		
Assessment of effectiveness of assets management where asset management is a significant part of the department's activities.	If applicable, mandatory	47–57, 84–5
Purchasing		
Assessment of the department's performance against the <i>Commonwealth Procurement Rules</i>	Mandatory	82–3
Consultants		
Summary statement detailing the number of new contacts engaging consultants entered into during the reporting period; the total actual expenditure on all new consultancy contracts entered into during the reporting period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on the ongoing consultancy contracts (inclusive of GST).	Mandatory	83
Summary statement regarding the engagement of consultants in the format specified at paragraph 17AG (7)(b) of the PGPA Rule.	Mandatory	83
Summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory	83
Statement regarding actual expenditure on contracts for consultancies in the format specified at paragraph 17AG (7)(d) of the PGPA rule.		83
Australian National Audit Office Access Clauses		
If the department entered into a contract with a value of more than \$100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises — the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, mandatory	82

Description	Requirement	Location/ Page
Exempt contracts		
If the department entered into a contract or there is a standing offer with a value greater than \$10,000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act — a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, mandatory	82
Small business		
Summary statement detailing procurement initiatives supporting small business using the text specified at paragraph 17AG (10)(a) of the PGPA Rule.	Mandatory	82
Outline of procurement activities to support small and medium enterprises.	Mandatory	82
If the entity is considered by the Minister for Finance as 'material in nature'—a statement must be included using the text as specified a paragraph 17AG (10)(c) of the PGPA Rule.	If applicable, mandatory	82
Financial statements		
Financial statements	Mandatory	87–164
Other mandatory information		
Statement in relation to advertising campaigns conducted as specified at paragraph 17AH (1)(a)(i) of the PGPA rule.	If applicable, mandatory	168
Statement confirming that no advertising campaigns were conducted for the reporting period, as specified at paragraph 17AH (1)(b)(ii) of the PGPA rule	If applicable, mandatory	168
Statement providing information on grants awarded for the reporting period, as specified at paragraph 17AH (1)(b) of the PGPA Rule.	If applicable, mandatory	168
Mechanisms for disability reporting, referencing the department's website for information.	Mandatory	76
Website address where the department's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	169
Correction of material errors in previous annual report	If applicable, mandatory	N/A
Information required by other legislation.	Mandatory	83–6, 80–1, 168

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