



Australian Government
Australian Public Service
Commission

Australian Public Service Commissioner

Annual Report 2017–18

incorporating the annual report
of the Merit Protection Commissioner





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This document must be attributed as *the Australian Public Service Commissioner annual report 2017–18, incorporating the annual report of the Merit Protection Commissioner*.

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Australian Government
Australian Public Service Commission

AUSTRALIAN PUBLIC SERVICE COMMISSIONER
PETER WOOLCOTT AO

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

Dear Minister

In accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*, I am pleased to present the annual report of my predecessor, the Hon John Lloyd PSM, for the year ended 30 June 2018. Mr Lloyd was the Australian Public Service Commissioner for the entire 2017–18 financial year. The report includes the annual report of the Merit Protection Commissioner, as required by section 51 of the *Public Service Act 1999*.

This report was prepared in accordance with section 46(1) of the PGPA Act, which requires that you table the report in parliament. It reflects the guidelines approved on behalf of the parliament by the Joint Committee of Public Accounts and Audit.

The report also contains the Commission's audited financial statements, prepared in accordance with the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015.

In addition, I certify that I am satisfied the Commission has prepared fraud risk assessments and a fraud control plan; has in operation appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, recording or reporting fraud that meet the Commission's needs; and has taken all reasonable measures to appropriately deal with fraud relating to the Commission.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Woolcott', followed by a long, sweeping horizontal line.

Peter Woolcott AO
Australian Public Service Commissioner
8 October 2018

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1

Overview





John Lloyd PSM
Australian Public Service Commissioner

Commissioner's review

The Australian Public Service (APS) reached an interesting juncture in 2017–18.

Government and society are being disrupted and transformed. This presents significant opportunities and ramifications for the APS. The challenges associated with this dynamic environment have been evident throughout 2017–18.

The role of the Australian Public Service Commission (APSC) is impacted. I see this as beneficial because it makes our work more interesting. The APSC staff have been excellent in embracing the challenge to make a significant contribution to ensure the APS has a contemporary employment framework.

I turn now to some of the APSC highlights for 2017–18.

The APSC relocated from Woden to the Treasury Building in Parkes in August 2017. We benefit from the central location and the proximity to other central agencies. Staff also enjoy a more contemporary workspace and better interactive technology.

We piloted a service wide recruitment pathway for graduates with disability. The initiative called GradAccess placed 23 graduates. The first year success will be built on in coming years.

An Indigenous Mentoring Program created 152 partnerships across 44 agencies to support the retention and advancement of Aboriginal and Torres Strait Islander employees. This success guaranteed the launch of a second program in June 2018.

The 2018 APS employee census was completed by over 103,000 employees thereby achieving a response rate of 74 per cent. This result is most encouraging as it shows that APS employees are interested in their employment experience.

The APSC holds significant data about the APS. It follows that we have a continuing focus on improving data quality, accessibility, integration, and security. This means that more data is available on line and we have introduced a fresh look and feel to many of our data publications. We acknowledge our responsibility to ensure the data is used to aid the management of the APS, to assist in identifying key workforce planning issues and to point to areas of attention.

An important initiative was the release of updated guidance on the use of social media and making public comment. It is important that such guidance is relevant and contemporary.

The APSC Centre for Leadership and Learning moved into new premises in the Treasury Building making it a state of the art learning centre. Obviously, the importance of digital capability amongst APS employees received considerable attention. The Centre in collaboration with the Digital Transformation Agency developed 13 learning design standards. The standards serve as architectural blueprints for what good training looks like. The standards will assist agencies to buy training from the market place.

The APS has a responsibility to develop and nurture its talented staff. The Centre for Leadership and Learning played an important role in the work of talent councils to bring through a leadership pipeline for the future.

The APSC continued its important work of international engagement with our neighbours. We partner with Indonesian civil service agencies and the Papua New Guinea Department of Personnel Management to explore avenues to address governance and public sector reform issues.

A new workplace bargaining policy was announced this year. The policy retains much of the previous policy. Salary increases averaging 2 per cent a year are available and the commitment to flexible enterprise arrangements continues.

My tenure as APS Commissioner comes to an end in August 2018.

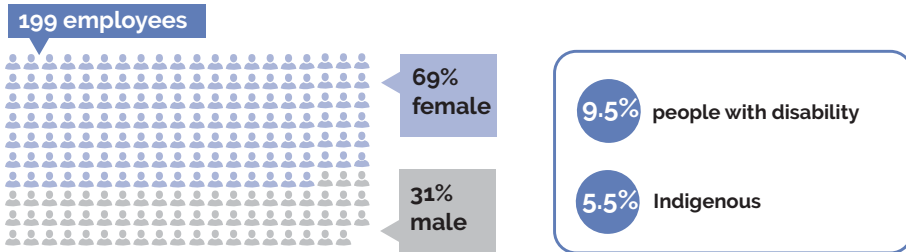
I have found the job a fulfilling and rewarding experience. The APS is staffed by many talented and conscientious people who deliver the Government and the nation a very professional service. We at the APSC have continued the reform journey of striving for a modern employment framework. A framework that equips the APS to be efficient, effective and professional.

I am confident the APS is well positioned to meet its future challenges.

A handwritten signature in black ink, appearing to read 'John Lloyd', with a long horizontal line extending from the top right of the signature.

John Lloyd PSM
6 August 2018

The Commission at a glance



31 graduates were employed through the APS Indigenous Recruitment Program



486
inquiries received by the
Ethics Advisory Service



51
issues of the Public Service
Gazette published

511

leadership, learning and
development programs
delivered to

9,142

APS participants

2018 Australian Public
Service Employee Census

74% response rate



Strategic APS engagement event series

 **SES CONNECT**

 **AGLN** AUSTRALIAN
GOVERNMENT
LEADERSHIP
NETWORK

APS200

Grads

APSwide

WORKPLACE RELATIONS CAPABILITY

 **APS DIVERSITY AND
GENDER EQUALITY
AWARDS 2017**

**STATE OF THE SERVICE—WHAT IT MEANS FOR A PROFESSIONAL,
CONTEMPORARY PUBLIC SERVICE**

The Commission in brief

The Australian Public Service Commission is a non-corporate Commonwealth agency within the Prime Minister and Cabinet portfolio. Its statutory responsibilities, which are detailed in *the Public Service Act 1999*, include the following:

- developing, promoting, reviewing and evaluating Australian Public Service employment policies and practices
- contributing to learning and development and career management
- contributing to and fostering leadership in the Australian Public Service
- providing advice and assistance on public service matters to agencies
- promoting high standards of integrity and conduct in the Australian Public Service.

The Commission supports two statutory office holders—the Public Service Commissioner, who is the agency head, and the Merit Protection Commissioner. Their functions are set out in sections 41 and 50 of the Public Service Act.

The Public Service Commissioner makes staff available to assist the Merit Protection Commissioner in performing her prescribed functions. The Merit Protection Commissioner’s annual report follows the appendixes to this report.

The Public Service Commission also provides secretariat support to the Remuneration Tribunal and the Defence Force Remuneration Tribunal.

This report’s financial statements incorporate the activities of the Public Service Commissioner, the Merit Protection Commissioner and the two tribunals.

Our minister

During 2017–18 the Commission’s minister changed from Senator the Hon Michaelia Cash, Minister for Jobs and Innovation, to the Hon Kelly O’Dwyer MP, Minister for Revenue and Financial Services, Minister for Women and Minister Assisting the Prime Minister for the Public Service.

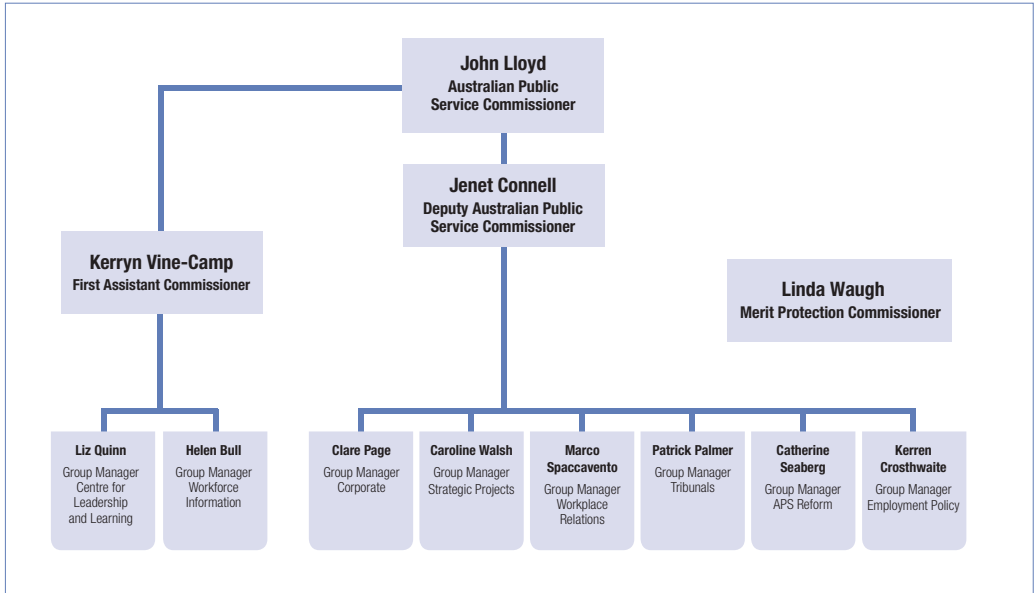
Staff and budget

At 30 June 2018 the Commission had 199 employees. It received \$22.8 million in departmental appropriation funding in 2017–18 and \$20.9 million in fee-for-service revenue.

Organisational structure

Figure 1 shows the Commission's organisational structure at 30 June 2018.

Figure 1: The Commission's organisational structure, 30 June 2018



Note: at 30 June 2018, Mr Bruce Barbour was acting Merit Protection Commission while Ms Waugh was on leave.

Purpose, outcome and program structure

The Commission's purpose, planned outcome and corporate goals are set out in its 2017–18 Portfolio Budget Statements (available at www.pmc.gov.au) and its 2017–18 Corporate Plan (available at www.apsc.gov.au).

Our purpose is to create a high-performing Australian Public Service that delivers quality results for government, business and the community and to make genuine and enduring changes to the way the APS operates.

Our planned outcome is to increase awareness and adoption of best-practice public administration by the Public Service through leadership, promotion, advice and professional development, drawing on research and evaluation (Outcome 1, PBS). The Commission works to achieve this through two PBS programs:

- 1.1: Australian Public Service Commission
- 1.2: Parliamentarians' and Judicial Office Holders' Remuneration and Entitlements.

The Corporate Plan builds on and complements the PBS and identifies four corporate goals that reflect the priorities of Program 1.1:

- modernising the employment framework
- shaping the APS workforce
- building workforce capability
- promoting integrity.

Reporting on performance

The Commission seeks to achieve its purpose, planned outcome and goals by meeting its commitments and performance measures, as detailed in its 2017–18 Corporate Plan and the PBS.

Our annual performance statements (see pages 11 to 30) detail our achievements during the reporting year and the extent to which we met our performance measures, as set out in the Corporate Plan and the PBS.

The close links between the PBS and the Corporate Plan mean that some of our performance measures are reflected in both documents. For greater clarity, our performance statements identify the source of each performance measure by publication and page number.

Funding and financial performance

The Commission's activities are funded through a combination of appropriation and fee-for-service revenue.

Revenue is generated through the sale of leadership programs, learning and development courses, employment services and international capacity-building programs funded through the Department of Foreign Affairs and Trade. Much of this revenue is earned in a competitive market in which agencies choose the source and level of the services they purchase.

As noted, in 2017–18 the Commission received \$22.8 million in departmental appropriation funding and \$20.9 million in fee-for-service revenue.

The Commission's operating result for 2017–18 was a deficit of \$1.2 million. This result includes the effects of the government's net cash funding arrangement, whereby depreciation expenses are no longer funded by an appropriation. Excluding this factor, the Commission delivered an underlying operating surplus of \$0.3 million as a result of prudent management of its financial resources.

Payments of \$33.3 million were made from the special appropriation for the Parliamentarians' and Judicial Office Holders' Remuneration and Entitlements administered program.

Departmental expenses were \$1.9 million higher than the budget estimate as a result of additional fee-for-service activities. Administered expenses were \$32.1 million lower than the budget estimate

as a result of the program no longer funding the remuneration of parliamentarians, which from 1 January 2018 has been funded by the *Parliamentary Business Resources Act 2017*, reported on by the Department of Finance.

Table 1 summarises the Commission's financial performance for 2017–18. It should be read in conjunction with Table A2 (see Appendix A).

Table 1: The Commission's financial performance: a summary

Item	Budget estimate (\$ million)	Actual result (\$ million)
Departmental		
Program 1.1: Australian Public Service Commission	43.0	44.9
Total departmental	43.0	44.9
Administered		
Program 1.2: Parliamentarians' and Judicial Office Holders' Remuneration, Allowances and Entitlements	65.4	33.3
Total administered	65.4	33.3
Total for Outcome 1	108.4	78.2



2

Annual performance statements



Statement of preparation

I, as the accountable authority of the Australian Public Service Commission, present the 2017–18 annual performance statements of the Commission, as required under section 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013*. In my opinion, these annual performance statements reflect the engagement with group managers, accurately reflect the work and performance of the Commission and the changes that occurred through the year, and comply with section 39(2) of the PGPA Act.



Peter Woolcott AO
Australian Public Service Commissioner

The Commission's purpose

The Commission's purpose is set out in the Australian Public Service Commission Corporate Plan 2017–18.

The Commission's role

The Australian Public Service Commission is a non-corporate Commonwealth agency within the Prime Minister and Cabinet portfolio.

Our statutory responsibilities are detailed in the *Public Service Act 1999* and include the following:

- developing, promoting, reviewing and evaluating Australian Public Service employment policies and practices
- contributing to learning and development and career management
- contributing to and fostering leadership in the Australian Public Service
- providing advice and assistance on public service matters to agencies
- promoting high standards of integrity and conduct in the Australian Public Service.

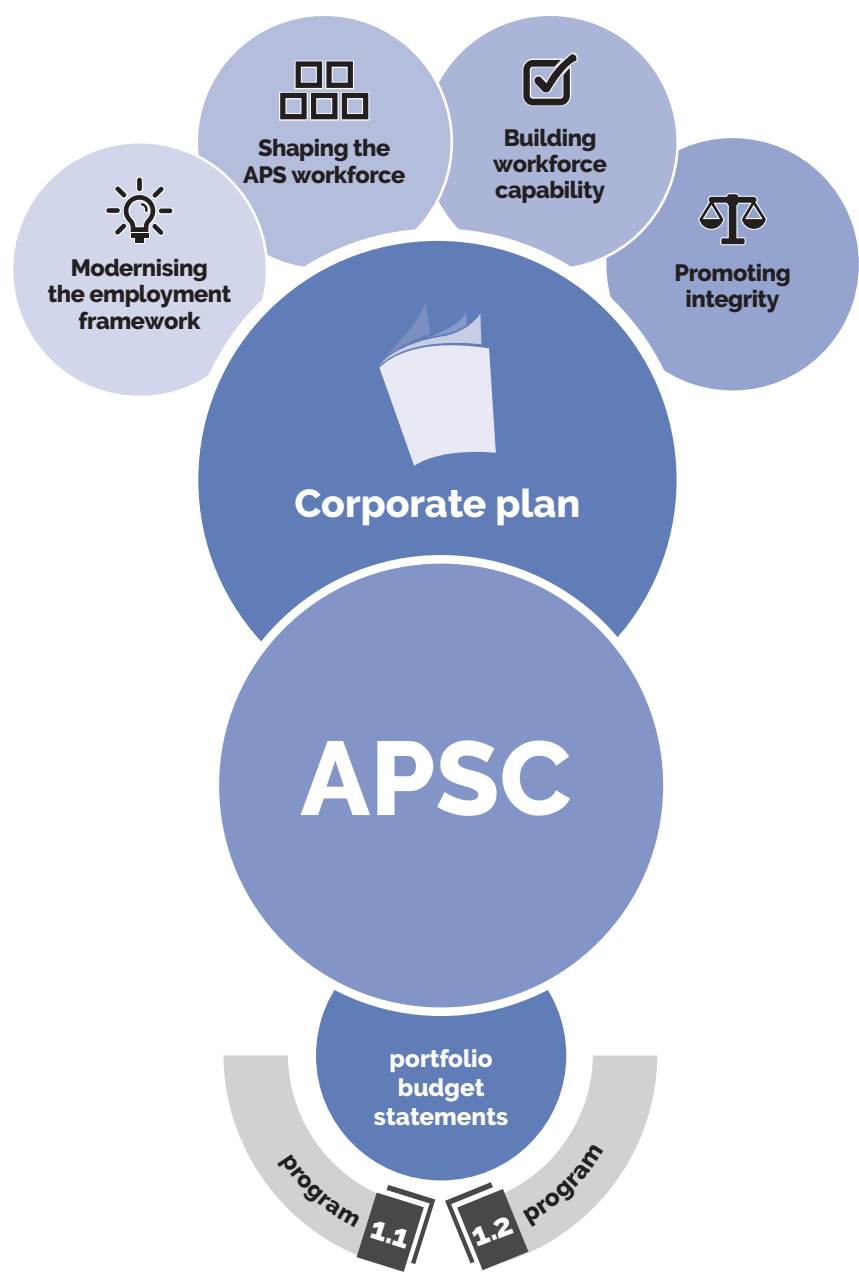
The Commission also provides policy and secretariat support to the Remuneration Tribunal and the Defence Force Remuneration Tribunal.

Reporting approach

In response to the introduction of the Public Governance, Performance and Accountability Act, this section presents a detailed review of the Commission's performance in 2017–18 in delivering on the corporate goals, activities and measures described in the APSC Corporate Plan 2017–18 and the key performance indicators for Programs 1.1 and 1.2 in the Portfolio Budget Statements 2017–18.

Figure 2 provides an overview of the Commission's PBS programs and corporate goals.

Figure 2: The Commission's PBS programs and strategic priorities: an overview



The Corporate Plan: strategic priorities and deliverables



Modernising the employment framework

- Develop and implement workplace relations policies to support the workforce of the future.
- Implement changes to the employment framework to reflect the future of work.
- Promote contemporary termination practices.



Shaping the APS workforce

- Drive strategic workforce planning.
- Embed talent management.
- Build diversity and promote inclusive workplaces.
- Improve recruitment outcomes.
- Foster contemporary approaches to work.
- Promote modern approaches to performance and attendance management.



Building workforce capability

- Grow and support future leaders.
- Transform middle management capability.
- Strengthen digital and data capability.
- Build HR and WR capability.



Promoting integrity

- Evaluate agency approaches to embedding the APS values.
- Ensure approaches to integrity issues align with future workplace arrangements.

Ensuring data informs and shapes the structure and management of the APS workforce.

The Portfolio Budget Statements: program objectives

1.1

Modernise the APS employment framework

Work with Commonwealth employers to improve workplace relations outcomes

Build APS capability

1.2

Meet all requirements for the budgeting and reporting of parliamentarians' and judicial office holders' remuneration and entitlements.

Strategic priority 1

MODERNISING THE EMPLOYMENT FRAMEWORK

[Source of criteria: APSC Corporate Plan 2017–18, page 8; PBS 2017–18, page 115.]

Activity: Develop and implement workplace relations policies to support the workforce of the future

Key performance indicator: Advice provided to government on future policy options

Measure: Satisfaction of government with policy advice

2017–18 result: We provided advice to government on the development of its new Workplace Bargaining Policy 2018. The policy was released on 6 February 2018 and replaced the Workplace Bargaining Policy 2015.

Key performance indicator: Agencies bargaining new agreements consistent with government policies

Measure: Satisfaction of agencies with policy and bargaining advice

2017–18 result: We conducted a survey of agencies to which we provided advice during 2017–18. The survey measured agency satisfaction with the advice and guidance provided on the government's Workplace Bargaining Policy and enterprise bargaining. The survey results showed that the vast majority of agencies were satisfied with the responsiveness, comprehensiveness and clarity of Commission advice and the professionalism and helpfulness of Commission staff.

Measure: Satisfaction of agencies with policy and bargaining advice

2017–18 result: We conducted a survey of agencies to which we provided advice during 2017–18. The survey measured agency satisfaction with the advice and guidance provided on the government's Workplace Bargaining Policy and enterprise bargaining. The survey results showed that the vast majority of agencies were satisfied with the responsiveness, comprehensiveness and clarity of Commission advice and the professionalism and helpfulness of Commission staff.

Activity: Implement changes to the employment framework to reflect the future of work

Key performance indicator: Agencies are satisfied that the framework is sufficiently flexible to enable the future needs of the APS

Measure: Feedback from key stakeholders indicates increased confidence in the framework

2017–18 result: We began work on identifying flexibilities in the existing framework. This work was superseded when government began considering a more significant review of the APS, including its governing legislation.

Activity: Promote contemporary termination practices

Key performance indicator: Managers and agencies review and adapt termination practices to be more streamlined and effective

Measure: Feedback from agencies that the process of hiring and firing employees is more efficient and effective

2017–18 result: In progress. We acknowledge that agencies might benefit from contemporary guidance on managing underperformance in the workplace, including where the employee is under probation and generally not covered by agency underperformance policies. We are developing a toolkit to assist managers and agencies in adapting streamlined and effective underperformance and termination practices. Initial scoping of key factors, research and drafting of more detailed guidance are under way. A process of consultation with agencies is to occur. A new Management Essentials webpage was published; it provides information on termination of employment.

Measure: Feedback from key stakeholders indicates increased knowledge of and confidence in termination practices

2017–18 result: In progress—see comments above.

Measure: Data from agencies indicates increased use of probation and termination to manage underperformance

2017–18 result: In progress—see comments above.

Performance analysis: strategic priority 1

DEVELOPING AND IMPLEMENTING WORKPLACE RELATIONS POLICIES TO SUPPORT THE WORKFORCE OF THE FUTURE

Between 1 July 2017 and 30 June 2018 employees in 30 Commonwealth agencies voted up 34 enterprise agreements. The Commission provided tailored advice to agencies throughout the Commonwealth on policy, legislation, drafting and best practice. The aim was to ensure that all workplace arrangements were consistent with the government's Workplace Bargaining Policy 2015 and its replacement, the Workplace Bargaining Policy 2018.

The Commission remains committed to improving the quality of the guidance and advice it offers to agencies in relation to government policy. In view of this, in July 2018 it surveyed agencies to learn more about their satisfaction with the quality of the advice and guidance provided and their interactions with the Commission. The results showed the following:

- Ninety-six per cent of respondents found the Commission's advice and guidance 'Very Good' or 'Good'.
- Eighty-three per cent of respondents found the Commission's advice and guidance 'Very Comprehensive' or 'Comprehensive'.
- Eighty-three per cent of respondents found the Commission's advice and guidance 'Very Clear' or 'Clear'.
- Ninety-one per cent of respondents found the Commission's staff 'Very Professional' or 'Professional'.
- All respondents found the Commission's staff 'Very Helpful' or 'Helpful'.

A small number of agencies provided their views on areas where the Commission might improve. This included tailoring Commission advice specifically to small agencies, resolving inconsistency on complex matters and reducing turnover among their Commission contacts. The Commission will pursue opportunities to improve in these areas.

Overall, the survey results demonstrated that agencies were satisfied with the Commission's advice on the government's Workplace Bargaining Policy 2018 and the enterprise bargaining process.

Implement changes to the employment framework to reflect the future of work

In 2017–18 the Commission began work on identifying flexibilities in the existing employment framework. This work was superseded when government began considering a more significant review of the APS, including its governing legislation.

Promote contemporary termination practices

During the reporting year the Commission also began work on a toolkit designed to assist managers and agencies in adopting streamlined and effective underperformance policies.

Previous guidance issued by the Commission was the subject of a desktop review. That guidance, as well as guidance published by other Australian public sectors, was reviewed, as were legal briefs and guides issued by the Australian Government Solicitor and other legal bodies.

Detailed questions asking employees about their experience of performance and underperformance management processes in their agencies were included in the 2018 Employee Census, and the responses will be taken into account as the toolkit is developed. A number of APS agencies were also consulted with a view to obtaining copies of their termination guides.

The Commission completed the first draft of a good-practice probation guide, which will become part of the toolkit. The toolkit will also contain guidelines on streamlining termination processes in instances of non-performance or unsatisfactory performance of duties.

Strategic priority 2

SHAPING THE APS WORKFORCE

[Source of criteria: APSC Corporate Plan 2017–18, page 9.]

Activity: Drive strategic workforce planning

Key performance indicator: Agencies have increased capability to undertake strategic workforce planning

Measure: Assessment of the workforce planning capability across the APS, using surveys and focus groups

2017–18 results: The 2018 agency survey continues to provide an opportunity for agencies to assess their own workforce planning capabilities.

Workforce Planning Community of Practice forums were established in early 2017–18, and during the year, the forums facilitated discussion on workforce planning challenges and the sharing of best practice throughout the APS.

Agency participants provided feedback that the forums are useful and offer opportunities to share information and improve knowledge of workforce planning in the APS. These Community of Practice events have successfully raised awareness about the available strategic workforce planning tools, and agencies noted in their feedback that this has made a positive contribution to their workforce planning capability.

Measure: HR metrics are provided to APS agencies within agreed timeframes to assist in strategic workforce planning

2017–18 results: In 2017–18 a range of human resource metrics were made available to agencies to assist in understanding the APS workforce and strategic workforce planning:

- a biannual *APS Statistical Bulletin* summarising a range of employment data
- access to more detailed workforce data through the APS employment data internet interface (APSEDii)
- employment opinion data measuring employee feedback on leadership, engagement, performance management, learning and development and many other workforce management practices
- The 2016–17 *State of the Service Report*, providing data and information on changing workforce trends and workforce capability
- The 2017 *Remuneration Report*, providing an analysis of agencies' annual remuneration data and movement and benchmarks to APS-wide data.

Measure: Feedback from key stakeholders demonstrates a high level of satisfaction with the accessibility, quality and timeliness of advice and data provided

2017–18 results: Feedback at the Workforce Planning Community of Practice forums indicated a high level of satisfaction with the APSC's workforce data. Agencies noted that APSC data, metrics and information products have helped them to more meaningfully analyse and benchmark their workforce.

APSEDii was refreshed with new functionality and greater controls to protect privacy. Feedback received through the Workforce Planning Community of Practice and other forums strongly supported the open data and the functionality of the dashboard.

Measure: Results from the annual agency survey shows improved agency self-assessment of capability

2017–18 result: The 2018 agency survey responses indicated just over a third of agencies had improved their workforce planning capabilities in the preceding year.

Activity: Embed talent management

Key performance indicator: Talent management is aligned with workforce planning and succession management, and informs decisions about the leadership pipeline

Measure: Secretaries and Deputy Secretaries Talent Councils operating effectively

2017–18 result: The Secretaries and Deputy Secretaries Talent Councils operated effectively.

Measure: Tool for measuring potential in the EL2 cohort piloted and rolled out

2017–18 result: Following a 2017 pilot, an Executive Level Identification Tool was made available across the APS on a fee-for-service basis.

Measure: Feedback from key stakeholders indicates they are using talent management to shape the workforce for the future

2017–18 result: The Secretaries and Deputy Secretaries Talent Councils are actively involved in cross-APS talent management that is building a leadership pipeline for the future.

Measure: Results from the annual agency survey shows improved agency self-assessment of talent management maturity

2017–18 result: In 2016–17, ninety-four per cent of agencies were looking to improve their capability in effective talent management over the next three years.

Activity: Build diversity and promote inclusive cultures

Key performance indicators:

APS workforce more closely reflects the diversity of the Australian community

APS workplaces are inclusive, with employees' experience of work reflecting an inclusive culture

Measure: APSED diversity data

2017–18 result: Indigenous and cultural diversity measures have improved over time, and disability rates have been stable.

Diversity groups' representation at 30 June 2018 was as follows:

- Indigenous Australians, 3.3 per cent
- disability, 3.7 per cent
- NESB immigrants, 5.3 per cent
- immigrant children with NESB parents, 9.0 per cent

Source: *APS Statistical Bulletin, June 2018*.

Measure: Census results reflect a positive effect in the perceptions of all employees, and employees from specific diversity groups

2017–18 result: Findings from the 2018 APS Employee Census showed that three-quarters of respondents agreed their agency is committed to creating a diverse workforce and 85 per cent of employees agreed that their supervisor supports people from diverse backgrounds. Almost 90 per cent of APS employees agreed their work group behaved in an accepting manner towards people from diverse backgrounds.

Since 2017 there has been a small positive increase in perceptions of workplace inclusion by employees who identify as Aboriginal and/or Torres Strait Islander or with disability. The shift in perceptions occurred primarily among employees identifying as Aboriginal and/or Torres Strait Islander.

Activity: Improve recruitment outcomes

Key performance indicator: Right people are recruited and transition successfully to the APS: productive, aligned with values, contributing strengths

Measure: Feedback from users indicates that the new Induction portal supported an effective Induction process

2017–18 result: Nil. While designed and developed in 2017–18, the induction portal was not launched until early 2018–19.

Measure: Feedback from agencies indicates greater satisfaction with recruitment outcomes and processes

2017–18 result: In progress. Research project on contemporary recruitment practices indicates agencies have made progress in using existing system. New Management Essentials website information includes streamlined documents on recruitment.

Measure: New APSC guidance about better practice recruitment is published and used by agencies and employees

2017–18 result: In progress. We have reviewed recruitment practices in a range of agencies. A webpage is under development that will include information and guides on contemporary and innovative recruitment practices, including links to existing guides.

We have conducted a survey and focus groups with recent job applicants in order to better understand their recruitment experience.

Activity: Foster contemporary approaches to work

Key performance indicator: All levels of the APS are engaged in discussion around contemporary approaches to work

Measure: Feedback from key stakeholders indicates that strategic workforce planning and implementation is geared towards contemporary approaches to work

2017–18 result: Work began on identifying flexibilities in the existing framework. This work was superseded when government began considering a more significant review of the APS, including its governing legislation

Activity: Promote modern approaches to performance and attendance management

Key performance indicator: APS agencies have implemented more effective attendance management approaches

Measure: Reduced rates of unscheduled absence

2017–18 result: The Executive agreed to deprioritise these activities early in the year. Resources were shifted to the emerging APS reform agenda.

Key performance indicator: APS agencies have implemented more effective performance management approaches

Measure: Results from the annual agency survey show increased use of modern attendance management approaches

2017–18 result: The Executive agreed to deprioritise these activities early in the year. Resources were shifted to the emerging APS reform agenda.

Measure: Results from the annual agency survey show increased use of modern performance management approaches

2017–18 result: The Executive agreed to deprioritise these activities early in the year. Resources were shifted to the emerging APS reform agenda.

Measure: Census results show improved employee perceptions of performance management

2017–18 result: Results from the 2018 APS Employee Census show that 48 per cent of employees found their overall experience with performance management in their agency useful for their development, up from 45 per cent in 2017.

Performance analysis: strategic priority 2

DRIVE STRATEGIC WORKFORCE PLANNING

The Commission works with APS agencies to support workforce planning by providing tools and guidance and by facilitating knowledge sharing.

In 2017–18 the APS Job Family model was updated to include, among other things, more contemporary APS roles. By the end of the reporting year the Commission had grown its Job Family data holdings from about 90,000 to 110,000 APS employees, representing over 70 per cent of the workforce. We will continue to work with agencies to improve APS roles and associated Job Family representation over time.

The APSC also provides for agencies access to a range of data for benchmarking purposes and produces publications such as the biannual *APS Statistical Bulletin*, the annual *Remuneration Report* and the annual *State of the Service Report*. In 2017–18 a refreshed version of APSEDii (the Employment Data internet interface) was released to the public, allowing open interrogation of APS employment data in an aggregated and de-identified format.

In 2017 the Commission established a Workforce Planning Community of Practice to facilitate knowledge sharing across the APS. By the end of the reporting year the Community of Practice had representation in 80 per cent of APS agencies. The initiative has received strong positive feedback.

Embed talent management

Implementing talent management more broadly in the APS will ensure the service has people with the vision, capability and diverse perspectives to lead it in the future. In an increasingly complex operating environment, having a strong and diverse leadership pipeline is crucial if the APS is to effectively support the government and Australia's citizens now and in the future. During 2017–18 the Secretaries Board endorsed a proposal for SES talent to be managed at a cross-APS level, with active support from agencies. For the larger group below the SES, the Secretaries Board agreed that talent would be best managed at the portfolio or agency level, under the guidance of agency executive boards.

The Commission continued to support the Secretaries and Deputy Secretaries Talent Councils during 2017–18, providing assistance and advice for regular council meetings and overseeing two talent assessment rounds. Following the 2016–17 pilot of an Executive Level talent identification tool, the Commission made the identification tool and guidance available to agencies on request.

Build diversity and promote inclusive workplaces

During 2017–18 the Commission continued to build diversity and inclusive workplaces by supporting progressive implementation of the Commonwealth Aboriginal and Torres Strait Islander

Employment Strategy, *Balancing the Future*: the Australian Public Service Gender Equality Strategy 2016–19, and the *As One: Making it Happen*—APS Disability Employment Strategy 2016–19.

The following were among our achievements:

- *The Indigenous Recruitment Guide*. Published in March 2018, the guide provides information on culturally inclusive recruitment practices and clarification of provisions that support Indigenous employment.
- *The Indigenous Mentoring Pilot*. This initiative established 152 partnerships across 44 Commonwealth agencies to support the retention and advancement of Aboriginal and Torres Strait Islander employees.
- *The excELerate Pilot*. Developed in collaboration with APS agencies, this career development program for high-performing Indigenous employees at the APS 5–6 level aims to build readiness for Executive Level positions. The first intake of 43 participants from 22 agencies began in June 2018.
- *The Diversity and Gender Equality Awards*. These were held in November 2017 to showcase and recognise the commitment of agencies, employee networks and individual employees in supporting diversity and inclusion throughout the APS.
- *The GradAccess Pilot*. This involved developing and implementing a centralised recruitment pathway for people with disability into APS graduate programs. The pilot uses section 27 affirmative measure of the Australian Public Service Commissioner’s Directions 2016 and is in partnership with a number of agencies.
- *The RecruitAbility Scheme*. A review of the scheme was carried out and the recommendations are being progressively implemented to better support agencies, ensuring that the scheme is applied appropriately to contemporary recruitment methods.

Supporting senior leaders

The Commission continues to support senior leaders through forums designed to help promote positive change across the APS, to build diverse and inclusive workplaces.

- *The Secretaries Equality and Diversity Council*. Working closely with the Council, the Commission engages in agreed projects and provides guidance on the strategic direction for diversity and inclusion.
- *The Indigenous SES Network*. The Commission provides secretariat support to the Network and the network’s steering committee.
- *The APS Disability Champions Network*. The Commission provides secretariat support to the network, helping to progress initiatives aligned to the APS Disability Employment Strategy 2016–19.

Facilitating information sharing and promoting best practice

The Commission engages with agencies and the private sector to facilitate the sharing of information and to promote best practice in order to progress diversity and inclusion goals.

- *Officer-level briefing forums.* These are held for agencies' diversity officers following Secretaries Equality and Diversity Council meetings to inform them of the outcomes as well as act as a communication channel for diversity areas throughout the APS.
- *HR inclusion forums.* The first quarterly forum was held in May 2018. The purpose of the forums is to offer agencies' human resource practitioners guidance and the opportunity to share inclusive HR strategies and practices.

The Indigenous Liaison Officer Network

The Commission coordinates regular meetings of agencies' Indigenous liaison officers to build shared capability and confidence in supporting agencies' Indigenous employees.

Improve recruitment outcomes

During 2017–18 the Commission designed and developed an induction portal for improving recruitment outcomes. The project will be launched in early 2018–19.

Foster contemporary approaches to work

The Commission began work on identifying flexibilities in the existing employment framework. This work was superseded when government began considering a more significant review of the APS, including its governing legislation

Promote modern approaches to performance and attendance management

The Commission's Executive agreed to de-prioritise these activities early in the year. Resources were shifted to the emerging APS reform agenda.

Nonetheless, the Commission continued to promote modern approaches to performance and attendance management primarily through the showcasing of work being done by agencies. The Commission supported a 'community of practice' and facilitated a number of forums for each of these areas. These meetings allowed for the sharing of agency knowledge and various approaches, tools and experiences, as well as hearing from external subject matter experts.

Additionally, articles on attendance management and further showcasing of work being undertaken by agencies were included as part of the monthly APS News newsletter. There was significant engagement from readers, especially on the article 'Clear expectations, when is a text OK?' which was one of the most read stories in APS News.

In 2017–18, the Commission refreshed online guidance to support the management of absences. The online guide provides practical guidance to boost engagement and create a high-performance culture.

Strategic Priority 3

BUILDING WORKFORCE CAPABILITY

[Source of criteria: APSC Corporate Plan 2017–18, page 13.]

Activity: Grow and support future leaders

Key performance indicator: Leadership development is contemporary and builds confidence in the practice of leadership

Measure: Evaluation and assessment data indicates a positive shift in capability

2017–18 result: All seven leadership programs for EL2 and SES staff have resulted in significant positive percentage point shifts of capability. There is strong overall agreement on the value of the programs, with more than 95 per cent of participants intending to implement their learning back in their workplace.

Activity: Transform middle management capability

Key performance indicator: Managers are more confident and skilful in performing their role, including exercising their authority

Measure: Management in Action Program is released and implemented across the APS

2017–18 result: The APS Management in Action Program was released for agency use in May 2017.

Key performance indicator: Managers are more capable and confident, particularly in relation to diversity and inclusion

Measure: Evaluation and assessment data indicates positive shift in capability

2017–18 result: Evaluation data from the Learning Centre and in-agency delivery indicates an average increase in capability of 50 percentage points across the Management in Action Program objectives.

Activity: Strengthen digital and data capability

Key performance indicator: Staff in agencies have appropriate digital and data capability

Measure: Digital and data capability initiatives delivered on time

2017–18 result: The digital and data capability initiatives were delivered on time.

Measure: Evaluation data shows capability shifts

2017–18 result: Evaluation data from the pilot statistics workshops indicated an average increase in capability of 35 to 40 percentage points. Evaluation data from the pilot digital leadership program showed an average increase in capability of 56 percentage points.

Activity: Build HR capability

Key performance indicator: Workplace Relations Capability Program implemented

Measure: Satisfaction of participants in the Workplace Relations Capability Program

2017–18 result: The Workplace Relations Capability Program was launched in October 2017. Almost 300 human resource and workplace relations practitioners from across the Commonwealth have attended small group sessions and events since the start of the program. Evaluation of the associated events indicates that agencies were satisfied with the content of APSC events. Survey feedback showed that most attendees were likely or very likely to attend future events.

Measure: Satisfaction of agency management with their workplace relations capability

2017–18 result: The APSC is preparing a review of the Workplace Relations Capability Program, to start at the 12-month anniversary of the program's introduction. Results from this review will inform future aspects of the program and help us understand the program's impact on the satisfaction of agency management with their workplace relations capability. It is too early to determine whether the program has had an impact.

Key performance indicator: HR Boost project implemented

Measure: Participating agencies report improved HR capability

2017–18 result: The focus on HR capability was overtaken by the broader APS reform agenda.

Performance analysis: strategic priority 3

GROW AND SUPPORT FUTURE LEADERS

During 2017–18 more than 500 middle and senior managers representing over 50 agencies participated in the suite of seven APS leadership programs. Evaluation results for all programs pointed to positive shifts in capability. The programs with the highest overall capability shift were Women in Leadership (+42 percentage points), SES Band 1 Leadership Development (+41), EL2 Leadership in Practice (+38) and SES Orientation (+27). The large capability shifts could be a result of the nature of the target audience: these programs cater largely for individuals at career transition points or undergoing a role change.

APS leadership programs continue to be refreshed to ensure that they are building the desired capability. The first and second cohorts of the redeveloped SES Band 2 leadership program completed the program in August 2017 and May 2018. Two further groups began during the first half of 2018. The program focuses on strengthening skills in systems thinking and working across boundaries. It includes an immersive visit to a regional community, during which participants learn about local leaders' experiences dealing with complex matters affected by government policies at the local level. The program produced strong responses from participants, who were challenged at both personal and professional levels.

A pilot Women in Leadership program concluded in November 2017. Aimed at Executive Level employees, the program strengthens participants' leadership identity, presence and practice. The pilot produced positive outcomes, with participants identifying significant increases in capability

and self-confidence in many program areas—in particular, ‘brand’, ‘presence’ and ‘networking’. A second cohort began in February 2018, the program having been fully subscribed for a number of months before it started.

Transform middle management capability

The APS Management in Action program was released for agency use in May 2017. It uses scenario-based learning to build skills in the use of management authority to achieve business outcomes. The Commission has run the program twice in the APS Learning Centre and has provided facilitators for four in-agency deliveries. Evaluation data suggests a capability increase of 50 percentage points across the program’s learning objectives.

Strengthen digital and data capability

During 2017–18 the Commission developed a suite of learning programs aligned with the framework in the APS Data Literacy Learning Guide. This included five elearning modules and a face-to-face statistics workshop. The elearning modules were to be released in July 2018. The statistics workshop was piloted in June 2018 and will be released in early 2018–19. Evaluation results from the pilot workshops show an average increase in capability of 35 to 40 percentage points.

The Commission partnered with the Digital Transformation Agency during the reporting year to build digital capability in the APS. We worked with subject matter experts to develop learning design standards for 12 specialist digital capabilities. These standards are available for agency use via the Digital Transformation Agency’s Digital Training Marketplace. Further standards will be developed in 2018–19.

The Commission designed, developed and piloted a digital leadership program that will be rolled out during 2018–19. The program is designed to support senior executives in building an agency culture that seizes opportunities to deliver digital products and services in keeping with the evolving expectations of citizens, business and other users of government services. Early results are promising: pilot program participants reported an average shift in capability of 56 percentage points, and all intend to experiment with what they learnt during the program in their workplace.

A talent attraction and retention strategy focused on digital specialists was also developed during 2017–18. The Commission piloted a digital aptitude and skills assessment with 100 participants from 20 agencies.

Build HR and WR capability

In 2016 the Commission undertook research into the subject of building workplace relations capability and surveyed workplace relations and human resource practitioners. Workplace relations is a constantly evolving field, so the Workplace Relations Capability Program seeks to enhance workplace relations knowledge and capability throughout the APS.

Since the Capability Program was launched, on 31 October 2017, the Commission has held two events, hosting over 170 guests and featuring panels of senior Commonwealth public servants and former Fair Work Commissioners to discuss aspects of contemporary workplace relations.

The program has also hosted small group sessions: over 100 Commonwealth human resource and workplace relations practitioners have participated. The ultimate aim is to bring practitioners and ideas together to build and enhance workplace relations capability.

A three-part guide to enterprise bargaining, developed in consultation with Commonwealth agencies, will also be published. The guide will provide practical advice for agencies throughout the bargaining process. The development of formal industrial relations training to assist people starting out in industrial relations in the Commonwealth is being considered with a view to enhancing the capability of existing practitioners.

The Commission will also be reviewing the program 12 months after its beginning, with the aim of refining aspects of the program and its operation.

The Commission built the HR Boost community in 2017–18 and met twice. The community included SES Band One representatives from 10 APS agencies. During the year the community shared knowledge and experiences, coordinated development opportunities for staff, and were involved in a number of presentations. The HR Boost community, along with innovation leaders throughout the APS, discussed what HR will be like in the future and how it can support an organisation's capability as we seek to adapt to and capitalise on the future of work.

The HR Boost community will be incorporated in the SES Band One Connect community in 2018–19 with its broader community of agencies.

Strategic priority 4

PROMOTING INTEGRITY

[Source of criteria: APSC Corporate Plan 2017–18, page 14.]

Activity: Evaluate agency approaches to embedding the APS values

Key performance indicator: APS agencies have measures in place to embed the APS values effectively

Measure: By 30 June 2018 develop and scope an evaluation of agency approaches

2017–18 result: Initial scoping of an evaluation of agency approaches has been completed.

Key performance indicator: Census data indicates that managers and employees understand their professional obligations as APS employees

Measure: By 30 June 2019:

- evaluate agency approaches using a mix of qualitative and quantitative measures
- research relevant jurisdictions to identify best-practice approaches
- promote best-practice approaches to APS agencies.
- continue publication of timely, relevant, accessible guidance on integrity issues in the APS

2017–18 result: In progress. Guidance on integrity issues in the APS continues to be published.

Activity: Ensure approaches to integrity issues align with future workplace arrangements

Key performance indicator: Feedback from agencies indicates a reduction in the average time taken to complete inquiries

Measure: Arrangements for inquiries into conduct are revised to make them simpler and more flexible

2017–18 result: A number of initiatives have been developed; consultation with relevant agencies is complete.

Key performance indicator: Proportion of completed misconduct cases referred for review to the MPC declines

Measure: New arrangements are released and implemented by agencies

2017–18 result: While the proportion of completed misconduct cases referred for review to the MPC remains broadly comparable with that for previous years, new arrangements have been developed in consultation with agencies to facilitate better decision making.

Performance analysis: strategic priority 4

EVALUATE AGENCY APPROACHES TO EMBEDDING THE APS VALUES

Initial scoping of an evaluation of agency approaches to embedding the APS values has been completed. This scoping mapped out the qualitative and quantitative criteria necessary to accurately capture how successfully the values have been embedded in APS workplaces. Along with determining the preferred tools and methodologies, the scoping study has positioned the evaluation to boost the Commissioner's function in upholding high standards of integrity and conduct in the APS.

Ensure approaches to integrity issues align with future workplace arrangements

The Commission has worked to better position itself to lead the APS in responding to emerging and potential future integrity matters. The APS Values and Code of Conduct underpin this activity, demonstrated by the Commission's release during the reporting year of an updated version of *Handling Misconduct*. The year also saw the release of the Commission's guidance on employee obligations in using social media.

Among examples of this work was developing proposals to:

- reform the policy relating to prospective employees' requirement to disclose historical APS Code of Conduct determinations
- streamline Code of Conduct investigations to provide the option of an expedited, less-expensive process where appropriate
- update agency guidance on disclosing Code of Conduct investigation outcomes to complainants.

Foundational

[Source of criteria: APSC Corporate Plan 2017–18, page 15.]

Activity: Ensure data informs and shapes the structure and management of the APS workforce

Key performance indicator: Workforce data is accessible, timely and accurate

Measure: Timely and accurate workforce data collection and reporting

2017–18 results:

- In 2017–18 the APSC collected a variety of workforce data from agencies and APS employees.
- The data is released publicly and to agencies through a range of reports and the provision of online datasets.
- Demographic data on the APS workforce is updated twice a year. Remuneration data, employee opinion data and data on unscheduled absences are released annually with accompanying analysis.
- To ensure accuracy, all data collections received directly from agencies undergo a checking, cleansing and validation process. Data collected by a third-party on behalf of the APSC are subject to contractual requirements for checking and validation.

Key performance indicator: Workforce data is used to inform the management of the APS workforce

Measure: Feedback from agencies indicates an acceptable use of data to facilitate workforce planning

2017–18 results:

Feedback received through the 2018 Agency Survey showed that 94 per cent of APS agencies used APSC information products to support workforce planning. The most frequently used products were:

- the *State of the Service Report* and website (84 per cent of agencies)
- the APS Workforce Planning Guide (73 per cent of agencies)
- the *APS Remuneration Report* (71 per cent of agencies).

Through the Workforce Planning Community of Practice, a number of case studies about data use were shared:

- One agency provided an example of using job family data to explore the agency's capability gaps. The agency used job families as an input to its capability assessment framework, allowing it to assess the capability requirements of various job roles at different classifications.
- Many agencies used APS Employee Census results to improve the work environment for employees and their own management practices.
- Many agencies also used data from the APS Employment Database to benchmark a range of workforce statistics against other APS agencies—for example, representation of various diversity groups, length of service and turnover rates.

Performance analysis: foundational

ENSURE DATA INFORMS AND SHAPES THE STRUCTURE AND MANAGEMENT OF THE APS WORKFORCE

The Commission invests significant effort in ensuring that APS workforce data is accessible, timely, accurate and used. During the reporting year we worked with agencies across the APS to ensure the APSC data collections are useful in informing and shaping the structure and management of the APS workforce. We also produced the following:

- two data releases covering APS workforce data as at 30 June 2017 and 31 December 2017
- an annual report on remuneration data and trends across the APS, as well as individual reports for each agency as at 31 December 2017
- over 20,000 reports to agencies covering results of the 2017 APS Employee Census
- data on unscheduled absence rates for each APS agency
- the 2016–17 *State of the Service Report*, tabled in late November 2017 and supported by a number of online posts and presentations to APS staff around the country.

Additionally, data was released in response to 181 requests, and 24 research reports were produced. Data collected by the APSC supported work conducted by the Select Committee on Regional Development and Decentralisation and contributed to the Australian National Audit Office's report *Australian Government Procurement Contract Reporting*. It has also supported senior departmental committees and networks such as the Secretaries Board, the Secretaries Equality and

Diversity Council, the Secretaries APS Reform Committee, the Deputy Secretaries Reform Group, the Deputy Secretaries Data Group, and the Senior Executive Service Indigenous Network.

The Commission continues to evaluate and improve its data and analysis products.

During 2017–18 the APSC also improved access to APS workforce data through updating APSEDii (the APS Employment Database interactive interface), available on the APSC website. Protection of individual privacy was an important consideration when improving access.

The Commission held extensive consultations with agencies on the content and structure of the 2018 Employee Census. The census was improved through:

- refinement of engagement measures
- strengthening measurement of performance management, risk management, innovation and discrimination
- introducing measures to assess the cultural and linguistic diversity of the APS.

The response rate for the 2018 Employee Census was 74 per cent, up from 71 per cent in 2017. Over 100,000 employees participate in the census.

Portfolio Budget Statements

KEY PERFORMANCE INDICATORS, 2017–18

The foregoing sections describe the performance activities the Commission engaged in during 2017–18 under the priorities set out in the Corporate Plan. Following here are the results for the three performance criteria in the 2017–18 Portfolio Budget Statements.

Program 1.1

Measure: Modernise the APS employment framework.

Result: Partially achieved.

Measure: Work with Commonwealth employers to improve workplace relations outcomes.

Result: Achieved.

Measure: Build APS capability.

Result: Achieved.

Program 1.2

Measure: Meet all requirements for the budgeting and reporting of parliamentarians' and judicial office holders' remuneration and entitlements.

Result: Achieved.



3

Management and accountability



Corporate governance framework

The Commission's predicted outcomes and anticipated use of resources are set out in its Portfolio Budget Statements for 2017–18. Actions designed to deliver the outcomes are detailed in the Corporate Plan 2017–18 and group business plans.

The Commission's Executive Committee provides strategic oversight and support for the Commissioner. It considers and determines the business, operational and policy strategies of the Commission, approves the Corporate Plan and is responsible for financial management of the Commission.

Ernst & Young was responsible for the internal audit function in 2017–18. Four audit reviews were completed—procurement, cyber-security, prevention of data loss, and rehabilitation management systems.

Compliance and accountability

The Commission conducts an annual review of its compliance with the financial management and accountability framework. The results of the 2017–18 review confirmed that our internal control environment is operating effectively. No significant non-compliance was detected.

The Commission also has an ongoing process of reviewing its human resource policies to ensure that they are consistent with best practice and contemporary human resource management principles.

Ethical standards

The Commission supports a culture of strong commitment to the APS Values and Code of Conduct and ensures that this is reflected in its day-to-day work. People starting out at the Commission receive clear guidance about expectations in this regard.

External scrutiny

No Auditor-General's reports on the operations of the Commission were produced during the reporting year. Similarly, no reports about the Commission were produced by parliamentary committees, the Commonwealth Ombudsman or the Australian Information Commissioner.

The Commission's Audit and Risk Management Committee considers reports of general application.

No judicial decisions or decisions of administrative tribunals in 2017–18 had a significant impact on the Commission's operations.

People management

Staff profile

The size of the Commission's workforce decreased by 3.9 per cent in 2017–18, to 199 employees; this excludes employees engaged on an irregular or intermittent basis. Ninety-four per cent of the Commission's workforce is based in Canberra. Of the entire Commission workforce, 69 per cent are women, 84 per cent work full time, and 95 per cent are ongoing employees. Women make up 91 per cent of the part-time workforce. Appendix B provides detailed information about the Commission's workforce.

Succession planning

In 2017–18 the Commission considered future staffing and capability requirements and engaged in strategic planning in relation to workforce matters. Of the 30 per cent of current ongoing employees who might elect to retire now or in the coming five years, the majority are at the Executive Level. Recruitment activity in 2017–18 continued to focus on filling positions that directly contribute to the Commission's ability to achieve its strategic goals. The Commission continues to use streamlined recruitment processes designed to identify the best applicants in a fair, transparent and efficient manner.

In 2017–18 the Commission again implemented a Graduate Recruitment Program to find, develop and retain graduates with skills and qualifications aligned with the Commission's strategic priorities.

Leave management

Average use of personal leave with pay—including sick, carers and emergency leave—was 10.8 days per employee in 2017–18; this compares with 9.8 days in 2016–17.

Workforce diversity

In 2017–18 the Commission maintained its strong record in workforce diversity. It has Aboriginal and Torres Strait Islander, Disability and Carers, Gender and LGBTI+ strategies or action plans in operation. The Commission also has active employee diversity networks, including Disability and Carers, LGBTI+, Culturally and Linguistically Diverse, and Gender employee networks.

The Reconciliation Action Plan

The Commission conducted a range of activities in the reporting year in support of its commitment to reconciliation. These activities were facilitated by the Reconciliation Action Plan Working Group, which has representation from each group in the Commission.

In conjunction with the Corporate Group, the Working Group continued to encourage Commission staff to take the Core e-learning course, which encourages respect for and understanding of Aboriginal and Torres Strait Islander peoples and cultures.

A broad range of activities were arranged to celebrate National Reconciliation Week and NAIDOC Week, including the 16th annual APS NAIDOC Week Touch Football Carnival and fundraising events for charity.

Throughout 2017–18 updating the APSC Reconciliation Action Plan was an important project for the Working Group. The plan was submitted to Reconciliation Australia for endorsement in June 2018.

Remuneration

The Commission's remuneration framework and terms and conditions of employment consist of an enterprise agreement for non-SES staff and section 24(1) determinations under the *Public Service Act 1999* for SES staff.

The Australian Public Service Commission Enterprise Agreement 2015–18 came into effect on 29 July 2015. Throughout 2017–18 the Commission bargained for a new agreement. (Approved by employees in July 2018, the new agreement awaits Fair Work Commission approval).

Five non-SES Commission employees had individual flexibility arrangements approved during 2017–18, and 11 section 24(1) determinations applying to SES employees were made during the year.

Table 2 shows the salary ranges available for the Commission's classification levels.

No performance pay provisions were in operation for employees. The Commission provided non-salary benefits—including salary packaging, leased motor vehicles, laptops, mobile phones and airline lounge memberships—for a limited number of employees.

Table 2: Salary ranges, by classification, 2015–16 to 2017–18

Classification	2015–16 (\$'000)	2016–17 (\$'000)	2017–18 (\$'000)
APS 1–2	42–54	42–54	43–55
APS 3–4	56–66	57–67	58–69
APS 5	69–76	70–77	71–78
APS 6	79–85	80–87	81–88
EL 1	96–110	97–112	99–114
EL 2	120–135	122–137	125–140
SES 1	172–204	172–204	175–205
SES 2	222–232	222–240	225–245
SES 3	291–330	291–330	295–339

Note: Figures for 2017–18 are from 29 July 2017 to 30 June 2018.

Performance management

The Commission has continued to implement the ‘Taking Time to Talk’ approach to performance management, placing increased emphasis on employees and managers having regular, meaningful performance conversations. An online portal on the Commission’s intranet provides further support and information for employees and managers. Throughout the year the Commission continued to evaluate the approach and surveyed, as well as held feedback and discussion forums with, employees and managers in order to inform a review of the framework.

Australia Day awards

At the Commission’s 2018 Australia Day awards ceremony the Grad Access, Parliamentary Work Expenses and Relocation Project teams received awards for their outstanding work and dedicated service.

James O’Reilly and Jai Ingram received individual awards for their contribution to the Disability and Carers Network and the Indigenous Mentoring Program respectively.

Information and communications technology

During 2017–18 the Commission rolled out Windows 10—Office 2016—Desktop Anywhere devices to employees with the aim of improving business outcomes through the use of mobile technology. In keeping with broader government and general technology directions, we continued to look for more flexible solutions for our employees and increasingly adopted SaaS (software as a service) business systems instead of on-premise systems.

We continued to receive ICT infrastructure services through shared services provided by the Department of Jobs and Small Business.

Website enhancements

The Commission released an updated version of the APSC website, www.apsc.gov.au, during the reporting year. The refreshed website was moved to the govCMS whole-of-government cloud-based content management and website hosting service.

Document and records management

During 2017–18 the Commission upgraded its document and records management system, HPE Content Manager, and provided training and support for users.

Financial performance

This section summarises the Commission's financial performance during 2017–18. More detail is available in Part 4, which contains the independent auditor's report and the Commission's audited financial statements for the year ended 30 June 2018.

Departmental activities

The Commission's departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the Commission in its own right.

The Commission's total income for 2017–18 was \$43.7 million. Government appropriation accounted for 52 per cent of this; non-appropriation income accounted for the remainder. Table 3 shows the Commission's income since 2015–16; Table 4 details income sources since 2015–16.

Appropriation funding increased from \$20.3 million in 2016–17 to \$22.8 million in 2017–18. This increase was the result of temporary budget funding for building digital capability in partnership with the Digital Transformation Agency; the amount was \$2.8 million in 2017–18.

Table 3: Total income, by source, 2015–16 to 2017–18

Source	2015–16 (\$ million)	2016–17 (\$ million)	2017–18 (\$ million)
Appropriation	20.6	20.3	22.8
Non-appropriation	21.9	20.8	20.9
Total	42.5	41.1	43.7

Table 4: Proportion of total income, by source, 2015–16 to 2017–18

Source	2015–16 (per cent)	2016–17 (per cent)	2017–18 (per cent)
Appropriation	48.5	49.4	52.2
Non-appropriation	51.5	50.6	47.8

Table 5 shows the non-appropriation income the Commission received from sales of goods and the rendering of services in 2016–17 and 2017–18; Table 6 shows the proportion of non-appropriation income the Commission received from sales of goods and services in 2016–17 and 2017–18.

Table 5: Non-appropriation income received, by source, 2016–17 and 2017–18

Source	2016–17 actual (\$ million)	2017–18 estimate (\$ million)	2017–18 actual (\$ million)
Learning and development	12.9	11.0	12.4
Employment services	1.8	1.7	1.7
International assistance	2.3	2.9	2.3
Workplace relations	1.7	1.4	2.0
Better practice and evaluation	1.7	2.0	1.9
Capability reviews	0.1	0.0	0.2
Other	0.3	0.0	0.4
Total	20.8	19.0	20.9

Table 6: Proportion of non-appropriation income received, by source, 2016–17 and 2017–18

Source	2016–17 (per cent)	2017–18 (per cent)
Learning and development	62	60
Employment services	9	8
International assistance	11	11
Workplace relations	8	9
Better practice and evaluation	8	9
Capability reviews	0	1
Other	2	2

Income from learning and development programs amounted to \$12.4 million in 2017–18 and accounted for 28 per cent of the Commission's total income from all sources. This compares with \$12.9 million in 2016–17.

The majority of the Commission's income is earned in a competitive market, in which entities can choose service providers and determine the level of service they require. Demand can fluctuate, so the Commission has management strategies to ensure that resources devoted to this area are in keeping with the revenue earned.

The year 2017–18 was the second year of a three-year funding agreement to support leadership and learning services and the remuneration survey. The Commission received \$3.4 million from 48 government entities, accounting for 14 per cent of non-appropriation income. This compares with \$3.3 million from 49 government entities in 2016–17, accounting for 15 per cent of non-appropriation income for that year.

The Commission recorded an operating deficit of \$1.2 million in 2017–18. A surplus of \$0.5 million was recorded in 2016–17. Excluding the impact of unfunded depreciation expenses, the Commission's underlying operating surplus in 2017–18 was \$0.3 million.

The Commission incurred restructuring costs of \$0.7 million in 2017–18; this compares with \$0.6 million in 2016–17. The 2017–18 costs were incurred as part of our strategy to accommodate tightening budgetary requirements in future years.

The administered program

The Commission's administered program facilitates the payment of parliamentarians' and judicial office holders' remuneration, allowances and entitlements. We receive special appropriations for the program, and the Department of the Senate, the Department of the House of Representatives and the Attorney-General's Department make all payments.

Payments for 2017–18 amounted to \$33.3 million, compared with \$63.2 million in 2016–17. The decrease in payments was a result of the Program no longer funding the remuneration of parliamentarians, who from 1 January 2018 have been funded by the *Parliamentary Business Resources Act 2017*, reported on by the Department of Finance.

Payments made are reported in note 4.1c to the Commission's financial statements (see Part 4).

Asset management

The Commission manages non-financial assets with a gross value of \$13.2 million. This is an increase of \$4.6 million on 2016–17 because of office fit-out works and the purchase of furniture and fittings associated with the move of the Commission's head office. There was also investment in software, largely associated with the redevelopment of APSjobs. All assets the Commission owns, including IT assets, are subject to an annual stocktake to verify the accuracy of our records. Assets are depreciated at rates applicable to each asset class.

Environmental management

The Commission seeks to minimise the use of non-renewable resources. Appendix D provides details of our environmental performance.

Purchasing

Purchasing is done in accordance with the Commonwealth Procurement Rules. Guidance is provided to staff through the Commission's purchasing guide and accountable authority instructions. We have a framework for managing the risks inherent in procurement activity, as well as operational guidelines to support staff in assessing the risks associated with their projects. The Commission published its procurement plan for 2017–18 on the AusTender website, at www.tenders.gov.au.

Consultants

The Commission engages consultants when the expertise sought is not available internally or when independent advice is required. Decisions to engage consultants are made in accordance with the *Public Governance, Performance and Accountability Act 2013* and related Regulations, including the Commonwealth Procurement Rules, and other internal policies.

During 2017–18 the Commission entered into 31 new consultancy contracts involving total expenditure of \$0.3 million; this compares with 28 contracts totalling \$0.7 million in 2016–17. Thirteen ongoing consultancy contracts were active during this reporting year, involving total actual expenditure of \$0.5 million; this compares with seven contracts totalling \$0.2 million in 2016–17.

Information on the value of contracts and consultancies for 2017–18 is available through the AusTender website. The Commission's standard-form contracts for services and consultancies are accessible to the Auditor-General.

Table 7 details the Commission's expenditure on consultancy contracts in 2016–17 and 2017–18.

Table 7: Expenditure on consultancy contracts, 2016–17 and 2017–18

Year	Number of new contracts let	Number of ongoing contracts that were active	Total actual expenditure on new contracts (\$'000)	Total actual expenditure on ongoing contracts that were active (\$'000)	Total actual expenditure on contracts (\$'000)
2016–17	28	7	663	228	891
2017–18	31	13	349	453	802

Small business procurement

The Commission supports small businesses' participation in the Australian government procurement market. Participation statistics for small and medium enterprises and small enterprises for 2017–18 are available on the Department of Finance website, at www.finance.gov.au.

We have adopted two specific practices to support procurement from small and medium enterprises:

- use of the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000
- use of payment cards for purchases up to \$10,000, to facilitate on-time payment.

Exempt contracts

The Commissioner may direct that contract not be reported on the AusTender website if they are subject to an exemption under the *Freedom of Information Act 1982* or the Commissioner considers the information is genuinely sensitive and harm is likely to be caused by its disclosure. No exemptions were issued during 2017–18.

Outlook for 2018–19

The Commission has introduced refreshed strategic priorities for 2018–19. While building on the current set of priorities, it has taken into account emerging trends affecting the APS in the context of a rapidly changing external environment.

The 2018–19 Corporate Plan sets out the Commission’s strategic priorities and deliverables, as well as its primary activities and measures, for the period 2018–19 to 2021–22. The plan states that the Commission’s purpose is ‘To position the APS workforce for the future’.

Budget outlook

The Commission’s departmental appropriation revenue will decrease from \$22.8 million in 2017–18 to \$21.3 million in 2018–19. This is the result of a reduction in the temporary budget funding for building digital capability in partnership with the Digital Transformation Agency: the reduction is from \$2.8 million in 2017–18 to \$1.4 million in 2018–19.

Underlying funding is to reduce by \$0.1 million because of the efficiency dividend. The Commission is managing its funding to ensure that it delivers a balanced financial result and is financially sustainable in future years.

Administered payments for the Judicial Office Holders’ Remuneration and Entitlements Program are expected to decrease to \$4.2 million in 2018–19 because the program no longer funds the remuneration of parliamentarians; as noted, from 1 January 2018 the program has been funded by the *Parliamentary Business Resources Act 2017*, reported on by the Department of Finance. Excluding the remuneration of parliamentarians, which is included in the 2017–18 actual results, payment levels for the program are expected to remain stable.



4

Financial statements



Australian Public Service Commission 2017–18 financial statements

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INDEPENDENT AUDITOR'S REPORT

**To the Prime Minister
To the Minister for Finance and the Public Service**

Opinion

In my opinion, the financial statements of the Australian Public Service Commission for the year ended 30 June 2018:

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

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

- Statement by the Australian Public Service Commissioner 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 Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to the financial statements.

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 the Australian Public Service Commission in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Australian Public Service Commission, the Australian Public Service Commissioner (the Commissioner) 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 Commissioner is also responsible for such internal control as the Commissioner 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 Commissioner is responsible for assessing the Australian Public Service Commission'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 Commissioner is also responsible for disclosing, as applicable, matters related to going concern 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.

Australian National Audit Office



Rebecca Reilly
Executive Director

Delegate of the Auditor-General

Canberra
26 September 2018

**Australian Public Service Commission
Statement by the Australian Public Service Commissioner and
Chief Financial Officer**

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

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



Peter Woolcott AO
Australian Public Service Commissioner

26 September 2018



Warren Rushby FCPA
Chief Financial Officer

26 September 2018

Australian Public Service Commission
Statement of Comprehensive Income
for the period ended 30 June 2018

		2018	2017	2018
	Notes	\$'000	\$'000	Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1a	26,013	26,119	25,572
Suppliers	1.1b	17,150	13,007	16,143
Depreciation and amortisation	3.2a	1,690	1,229	1,260
Finance costs		4	5	4
Write-down and impairment of assets	1.1c	-	254	-
Losses from asset sales		31	-	-
Total expenses		44,888	40,614	42,979
Own-source Income				
Own-source revenue				
Sale of goods and rendering of services	1.2a	20,877	20,765	19,002
Resources received free of charge	1.2b	40	43	44
Total own-source revenue		20,917	20,808	19,046
Gains				
Sale of assets		-	4	-
Reversals of previous asset write-downs and impairments		1	-	-
Total gains		1	4	-
Total own-source income		20,918	20,812	19,046
Net cost of services		(23,970)	(19,802)	(23,933)
Revenue from Government	1.2c	22,811	20,334	22,811
Surplus/(Deficit)		(1,159)	532	(1,122)

Australian Public Service Commission
Statement of Comprehensive Income
for the period ended 30 June 2018

		2018	2017	2018
	Notes	\$'000	\$'000	Budget \$'000
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserve	3.2a, 3.4a	-	(1,136)	-
Total other comprehensive income		-	(1,136)	-
Total comprehensive income/(loss)		(1,159)	(604)	(1,122)

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

Budget variances commentary

The following table provides high level commentary of major variances for the APSC between budget information as published in the 2017-18 Portfolio Budget Statements to the 2017-18 final outcome as presented in accordance with Australian Accounting Standards.

Explanation of major variances	Affected line items
Sale of goods and services and Suppliers expense are higher than budget as the demand for learning and development activities is higher than the level planned when the budget was prepared.	Sale of goods and rendering of services \$1,875,000 higher than budget and Suppliers \$1,007,000 higher than budget
Depreciation and amortisation is higher than budget due to the depreciation of major fit-out works that were approved after the budget was tabled.	Depreciation and amortisation \$430,000 higher than budget.

Australian Public Service Commission
Statement of Financial Position
as at 30 June 2018

		2018	2017	2018
	Notes	\$'000	\$'000	Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents		571	894	750
Trade and other receivables	3.1a	17,460	21,975	23,361
Total financial assets		18,031	22,869	24,111
Non-financial assets				
Building leasehold Improvements	3.2a	5,758	823	1,292
Plant and equipment	3.2a	1,526	465	631
Intangibles	3.2a	1,696	1,218	1,996
Inventories		-	46	48
Prepayments paid	3.2b	561	560	565
Total non-financial assets		9,541	3,112	4,532
Total assets		27,572	25,981	28,643
LIABILITIES				
Payables				
Suppliers	3.3a	3,376	2,631	6,089
Prepayments received	3.3b	5,795	4,586	4,924
Other payables	3.3c	787	396	339
Total payables		9,958	7,613	11,352
Provisions				
Employee provisions	5.1a	7,164	7,095	7,380
Provision for restoration obligations	3.4a	245	285	149
Total provisions		7,409	7,380	7,529
Total liabilities		17,367	14,993	18,881
Net assets		10,205	10,988	9,762
EQUITY				
Contributed equity		2,151	1,775	2,189
Asset revaluation reserve		763	763	1,899
Retained surplus		7,291	8,450	5,674
Total equity		10,205	10,988	9,762

Australian Public Service Commission
Statement of Financial Position
as at 30 June 2018

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

Budget Variances Commentary

Explanations of major variances	Affected line items
The balance for Trade and other receivables are lower than budget due to funding major office fit-out works from retained appropriation reserves.	Trade and other receivables \$5,901,000 lower than budget
Building leasehold improvements and Plant and equipment are higher than budget due to major fit-out works that were approved after the budget was tabled.	Building leasehold improvements \$4,466,000 higher than budget and Plant and equipment \$895,000 higher than budget
Suppliers payable are lower than budget due to a reduction in operating lease rental payable arising from transferring a lease for office accommodation to the Department of Social Services and earlier invoicing than planned from some suppliers.	Suppliers payable \$2,713,000 lower than budget
The balance of prepayments received varies in line with the timing of when invoices are issued to customers and when services are performed.	Prepayments received \$871,000 higher than budget

Australian Public Service Commission
Statement of Changes in Equity
for the period ended 30 June 2018

	2018 \$'000	2017 \$'000	2018 Budget \$'000
CONTRIBUTED EQUITY			
Opening balance	1,775	1,208	1,775
Transactions with owners			
Distributions to owners			
Reduction to appropriation	(38)	-	-
Contributions by owners			
Departmental capital budget	414	567	414
Closing balance	2,151	1,775	2,189
RETAINED SURPLUS			
Opening balance	8,450	7,918	6,796
Comprehensive income			
Surplus/(deficit) for the period	(1,159)	532	(1,122)
Closing balance	7,291	8,450	5,674
ASSET REVALUATION RESERVE			
Opening balance	763	1,899	1,899
Comprehensive income			
Other comprehensive income	-	(1,136)	-
Closing balance	763	763	1,899
TOTAL EQUITY			
Opening balance	10,988	11,025	10,470
Comprehensive income			
Surplus/(deficit) for the period	(1,159)	532	(1,122)
Other comprehensive income	-	(1,136)	-
Total Comprehensive income	(1,159)	(604)	(1,122)
Transactions with owners			
Distributions to owners			
Reduction to appropriation	(38)	-	-
Contributions by owners			
Departmental capital budget	414	567	414
Total transactions with owners	376	567	414
Closing balance	10,205	10,988	9,762

Accounting policy

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

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

Australian Public Service Commission
Cash Flow Statement
for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	2018 Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		28,786	22,942	22,811
Sale of goods and rendering of services		22,011	20,880	19,002
GST received		1,976	1,235	1,713
Other cash received		1,025	869	627
Total cash received		53,798	45,926	44,153
Cash used				
Employees		26,518	27,481	25,572
Suppliers		18,439	18,139	17,967
Section 74 receipts transferred to OPA		1,000	-	-
Other cash used		320	119	-
Total cash used		46,277	45,739	43,539
Net cash from operating activities		7,521	187	614
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of property, plant and equipment		-	5	-
Total cash received		-	5	-
Cash used				
Purchase of property, plant and equipment		7,409	260	372
Purchase of intangibles		849	680	517
Other cash used		-	-	139
Total cash used		8,258	940	1,028
Net cash used by investing activities		(8,258)	(935)	(1,028)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		414	567	414
Total cash received		414	567	414
Net cash from financing activities		414	567	414

Australian Public Service Commission
Cash Flow Statement
for the period ended 30 June 2018

	2018	2017	2018
Notes	\$'000	\$'000	Budget \$'000
Net increase/(decrease) in cash held	(323)	(181)	-
Cash and cash equivalents at the beginning of the reporting period	<u>894</u>	<u>1,075</u>	<u>750</u>
Cash and cash equivalents at the end of the reporting period	<u>571</u>	<u>894</u>	<u>750</u>

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

Budget Variances Commentary

Explanation of major variances	Affected line items
Appropriation receipts are higher than budget due to a higher level of supplier payments during the year, mainly due to office fit-out works.	Appropriations \$5,975,000 higher than budget
Sale of goods and rendering of services is higher than budget as the level of learning and development activities is higher than budget, combined with higher customer prepayments.	Sale of goods and rendering of services \$3,009,000 higher than budget
Purchase of property, plant and equipment is higher than budget due to major fit-out works which were approved after the publishing of the 2018 budget.	Purchase of property, plant and equipment \$7,037,000 higher than budget

Australian Public Service Commission
Administered Schedule of Comprehensive Income
for the period ended 30 June 2018

		2018	2017	2018
	Notes	\$'000	\$'000	Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	2.1a	33,342	63,215	65,369
Total expenses		33,342	63,215	65,369
Net cost of services		(33,342)	(63,215)	(65,369)
Total comprehensive loss		(33,342)	(63,215)	(65,369)

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

Budget Variances Commentary

Explanation of major variances	Affected line items (and statement)
Expenses are below budget due to Parliamentarians' remuneration being funded from 1 January 2018 by the <i>Parliamentary Business Resources Act 2017</i> , which is reported by the Department of Finance.	Employee benefits \$32,027,000 lower than budget

**Australian Public Service Commission
Administered Reconciliation Schedule**

	Notes	2018 \$'000	2017 \$'000
Opening assets less liabilities as at 1 July		-	-
Net cost of services			
Expenses			
Payments to entities other than corporate Commonwealth entities		(33,342)	(63,215)
Transfers from the Australian Government			
Appropriation transfers from Official Public Account			
Special appropriations (unlimited)			
Payments to entities other than corporate Commonwealth entities	4.1c	33,342	63,215
Closing assets less liabilities as at 30 June		-	-

Accounting policy

Administered cash transfers to and from the Official Public Account

Revenue collected by the APSC for use by the Government rather than the APSC is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the APSC on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

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

Australian Public Service Commission
Administered Cash Flow Statement
for the period ended 30 June 2018

	2018	2017	2018
	\$'000	\$'000	Budget \$'000
OPERATING ACTIVITIES			
Cash used			
Employees	33,342	63,215	65,369
Total cash used	<u>33,342</u>	<u>63,215</u>	<u>65,369</u>
Net cash used by operating activities	<u>(33,342)</u>	<u>(63,215)</u>	<u>(65,369)</u>
Net decrease in cash held	(33,342)	(63,215)	(65,369)
Cash and cash equivalents at the beginning of the reporting period	-	-	-
Cash from Official Public Account			
Appropriations	33,342	63,215	65,369
Total cash from Official Public Account	<u>33,342</u>	<u>63,215</u>	<u>65,369</u>
Cash and cash equivalents at the end of the reporting period	<u>-</u>	<u>-</u>	<u>-</u>

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

Budget Variances Commentary

Explanation of major variances	Affected line items
Payments are below budget due to Parliamentarians' remuneration being funded from 1 January 2018 by the <i>Parliamentary Business Resources Act 2017</i> , which is reported by the Department of Finance.	Employees \$32,027,000 lower than budget

Australian Public Service Commission Notes to the financial statements

Overview

The basis of preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The Financial Statements have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the operating result or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

New accounting standards

All new and revised standards, interpretations and amending standards that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a material effect, on the APSC's financial statements.

Accounting Judgements and Estimates

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next reporting period.

Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- cash on hand and
- cash held by outsiders

Inventories

Inventories held for distribution are valued at cost, adjusted for any loss in service potential.

Taxation

The APSC is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Australian Public Service Commission Notes to the financial statements

Revenues, expenses, assets and liabilities are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

Reporting of administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Events After the Reporting Period

There were no subsequent events that had the potential to affect the ongoing structure and financial activities of the APSC for either departmental or administered activities.

**Australian Public Service Commission
Notes to the financial statements**

NOTE 1: DEPARTMENTAL FINANCIAL PERFORMANCE

This section analyses the financial performance of APSC for the year ended 2018.

Note 1.1: Expenses

	2018	2017
	\$'000	\$'000
Note 1.1a: Employee benefits		
Wages and salaries	19,236	19,657
Superannuation		
Defined contribution plans	1,771	1,559
Defined benefit plans	1,939	2,085
Leave and other entitlements	2,359	2,220
Separation and redundancies	708	598
Total employee benefits	26,013	26,119

Accounting policy

The accounting policy for employee related expenses is contained in note 5.1 Employee provisions.

Note 1.1b: Suppliers

Goods and services supplied or rendered

Consultants	729	810
Contractors	8,233	6,337
Travel	748	815
Venue hire and catering	901	803
Training	300	621
Information and communications technology	2,759	2,145
Facilities expense	191	139
Other goods and services	828	312
Total goods and services supplied or rendered	14,689	11,982

Other suppliers

Operating lease rentals	2,023	612
Workers compensation expenses	438	413
Total other suppliers	2,461	1,025
Total suppliers	17,150	13,007

Australian Public Service Commission

Notes to the financial statements

Leasing commitments

The APSC in its capacity as lessee has three leases for office accommodation and one vehicle lease. Each office accommodation lease has annual fixed percentage increases in the lease payments. For all three accommodation leases, the initial period of office accommodation is still current and these leases do not have purchase options. The lease for the head office has the option to renew for two five year periods, whilst the other two accommodation leases do not have renewal options.

The APSC moved its head office in August 2017. The former lease commitment for office accommodation of \$9.7 million over 5 years was transferred to the Department of Social Services. For the new office accommodation, a commitment of approximately \$11.3 million over 9 years and 8 months was entered, with lease payments commencing in July 2017.

	2018 \$'000	2017 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	1,501	2,293
Between 1 to 5 years	5,840	8,608
More than 5 years	4,595	-
Total operating lease commitments	11,936	10,901

Commitments are disclosed net of GST.

Accounting policy

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Note 1.1c: Write-down and impairment of assets

Impairment on goods and services receivable	-	1
Impairment of property, plant and equipment	-	253
Total write-down and impairment of assets	-	254

**Australian Public Service Commission
Notes to the financial statements**

Note 1.2: Own-source revenue

	2018	2017
	\$'000	\$'000
<u>Own-source revenue</u>		
Note 1.2a: Sale of goods and rendering of services		
Sale of goods	3	5
Rendering of services	20,874	20,760
Total sale of goods and rendering of services	<u>20,877</u>	<u>20,765</u>

Accounting policy

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer
- the APSC retains no managerial involvement nor effective control over the goods

The stage of completion of contracts at the reporting date is determined by reference to services performed to date as a percentage of total services to be performed.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when the collectability of the debt is no longer probable.

Note 1.2b: Resources received free of charge

Audit services	40	43
	<u>40</u>	<u>43</u>

Accounting policy

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Australian Public Service Commission Notes to the financial statements

Revenue from Government

	2018	2017
	\$'000	\$'000
Note 1.2c: Revenue from Government		
Appropriations		
Departmental appropriations	22,811	20,334
Total revenue from Government	22,811	20,334

Accounting policy

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the APSC gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

NOTE 2: EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT

This section analyses the activities that the APSC does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

Note 2.1: Administered - expenses

Note 2.1a: Employee Benefits

	2018	2017
	\$'000	\$'000
Employee benefits		
Wages and salaries	33,342	63,215
Total employee benefits	33,342	63,215

Australian Public Service Commission Notes to the financial statements

NOTE 3: DEPARTMENTAL FINANCIAL POSITION

This section analyses the APSC's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section, Note 5.

Note 3.1: Financial assets

Note 3.1a: Trade and other receivables

	2018	2017
	\$'000	\$'000
Trade and other receivables		
Goods and services	1,576	1,149
Appropriation receivable	15,359	20,372
GST receivable from the Australian Taxation Office	525	455
Total trade and other receivables (gross)	<u>17,460</u>	<u>21,976</u>
Less impairment allowance - Goods and services	<u>-</u>	<u>(1)</u>
Total trade and other receivables (net)	<u>17,460</u>	<u>21,975</u>

Credit terms for goods and services are within 30 days (2017: 30 days).

Accounting policy

Trade receivables are classified as 'loans and receivables'. Loans and receivables are measured at face value less impairment.

Reconciliation of impairment allowance

Opening balance	(1)	(1)
Amounts written off	-	1
Amounts recovered and reversed	1	-
(Increase)/decrease recognised in net cost of services	<u>-</u>	<u>(1)</u>
Closing balance	<u>-</u>	<u>(1)</u>

Accounting policy

Trade receivables are assessed for impairment at the end of each reporting period.

Australian Public Service Commission Notes to the financial statements

Note 3.2: Non-financial assets

Note 3.2a: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2018

	Buildings - Leasehold improvements	Plant and equipment	Computer software	Other Intangibles - Intellectual property	Total
2018	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2017					
Gross book value	2,442	1,622	3,850	707	8,621
Accumulated depreciation, amortisation and impairment	(1,619)	(1,157)	(2,632)	(707)	(6,115)
Total as at 1 July 2017	823	465	1,218	-	2,506
Additions – by purchase	5,747	1,414	1,034	-	8,195
Depreciation and amortisation	(812)	(334)	(544)	-	(1,690)
Disposals	-	(19)	(12)	-	(31)
Total as at 30 June 2018	5,758	1,526	1,696	-	8,980
Total as at 30 June 2018 represented by					
Gross book value	6,340	2,063	4,678	97	13,178
Accumulated depreciation, amortisation and impairment	(582)	(537)	(2,982)	(97)	(4,198)
Total as at 30 June 2018	5,758	1,526	1,696	-	8,980

Property, plant and equipment and intangibles were assessed for impairment as at 30 June 2018. No indicators of impairment were identified (2017: a loss of \$1,390,000). No property, plant and equipment and intangibles are expected to be disposed of within the next 12 months (2017: \$274,000).

Australian Public Service Commission Notes to the financial statements

Revaluation of non-financial assets

Revaluations are conducted in accordance with the revaluation policy contained in this note. No revaluation was performed during 2018 (2017: nil). There was no revaluation increment (2017: nil). All increments and decrements, to the extent that they reverse a previous increment, are transferred to the asset revaluation reserve by asset class and included in the equity section of the statement of financial position. No decrements due to revaluation were expensed in 2018 (2017: nil).

Contractual commitments for the acquisition of property, plant, equipment and intangible assets

There are no significant contractual commitments for the acquisition of property, plant and equipment (2017: two commitments with a value of \$5,002,000).

Accounting policy

Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases of property plant and equipment costing less than \$2,000, or leasehold improvements costing less than \$60,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to the provision for restoration obligations in property leases taken up by the APSC where there exists an obligation to restore the property to its original condition. These costs are included in the value of the APSC's leasehold improvements with a corresponding provision for restoration obligations recognised.

Revaluations

Following initial recognition at cost, property plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not materially differ from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus or deficit. Revaluation decrements for a class of assets are recognised directly in the surplus or deficit except to the extent that they reverse a previous revaluation increment for that class.

Australian Public Service Commission

Notes to the financial statements

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

Depreciation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the APSC using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

<u>Asset class</u>	<u>2018</u>	<u>2017</u>
Leasehold improvements	Expected lease term	Expected lease term
Property, plant and equipment	1 to 13 years	1 to 13 years

Impairment

All assets were assessed for impairment at 30 June 2018. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles

The APSC's intangibles comprise intellectual property, purchased software and internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses where the value of the asset exceeds \$2,000 for purchased software and \$60,000 for internally developed software and intellectual property.

Intangibles are amortised on a straight-line basis over their anticipated useful life. The useful lives of the APSC's intangibles are between 2 to 10 years (2017: 2 to 10 years).

All intangible assets were assessed for impairment as at 30 June 2018.

Note 3.2b: Prepayments paid

	2018	2017
	\$'000	\$'000
Prepayments paid		
Suppliers	561	560
Total prepayments paid	561	560

No indicators of impairment were found for prepayments paid.

Australian Public Service Commission

Notes to the financial statements

Note 3.3: Payables

	2018	2017
	\$'000	\$'000
Note 3.3a: Suppliers		
Trade creditors and accruals	3,101	2,441
Operating lease rentals	275	190
Total suppliers	3,376	2,631
Note 3.3b: Prepayments received		
Rendering of services	5,795	4,586
Total prepayments received	5,795	4,586
Note 3.3c: Other payables		
Wages and salaries	152	153
Superannuation	26	26
Separations and redundancies	536	109
Operating lease incentives	-	28
Other	73	80
Total other payables	787	396

Accounting policy

Suppliers and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Supplier and other payables are recognised and derecognised upon trade date.

Operating lease rentals are expensed on a straight-line basis, which is representative of the pattern of benefits derived from the leased assets.

Prepayments received are recognised for payments received for services that are not yet fully performed. This is measured in accordance with the accounting policy in note 1.2a for own-source revenue.

The wages and salaries payable and superannuation payable represent outstanding contributions for a portion of the final fortnight of the financial year.

The APSC recognises a payable for separation and redundancy benefit payments when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Operating lease incentives taking the form of lessor contributions and rent holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability.

Australian Public Service Commission

Notes to the financial statements

Note 3.4: Other provisions

Note 3.4a: Provision for restoration obligations

	2018	2017
	\$'000	\$'000
As at 1 July	285	280
Additional provisions made	95	-
Amounts used	(139)	-
Unwinding of discount or change in discount rate	4	5
Total as at 30 June	245	285

The APSC currently has two (2017: two) leasing agreements which have provisions requiring the APSC to restore the premises to their original condition at the conclusion of the lease. The APSC has made provisions to reflect the present value of these obligations.

There was no revaluation of the restoration obligations (2017: no revaluation).

Australian Public Service Commission Notes to the financial statements

NOTE 4: FUNDING

The section identifies the APSC's funding structure.

Note 4.1: Appropriations

Note 4.1a: Annual Appropriations ('Recoverable GST exclusive')

	2018	2017
	\$'000	\$'000
Departmental		
Annual Appropriation		
Ordinary annual services ¹	22,811	20,341
Capital Budget ²	414	567
Total Annual Appropriation	23,225	20,908
Adjustments to appropriation		
PGPA Act section 74 receipts	23,004	21,717
Total adjustments to appropriation	23,004	21,717
Total Appropriation	46,229	42,625
Appropriation applied (current and prior years)	(51,473)	(45,381)
Variance ³	(5,244)	(2,756)

1. In 2017, by agreement with the Department of Finance, the APSC relinquished control of surplus departmental appropriation funding of \$7,131. This unused appropriation was permanently withheld by direction of a delegate for the Minister for Finance under section 51 of the PGPA Act during June 2017.

2. Departmental Capital Budgets are appropriated through Appropriation Acts (No. 1, 3, 5) and Supply Act No.1. They form part of ordinary annual services and are not separately identified in the Appropriation Acts.

3. The variance in 2018 occurred due to payments for major fit-out works (note 3.2a), which resulted in higher cash outflows for the year.

The variance in 2017 occurred due to the level of purchase of assets and a decrease in both suppliers payables (note 3.3a) and prepayments received (note 3.3b). These factors resulted in higher cash outflows for the year.

Australian Public Service Commission Notes to the financial statements

Note 4.1b: Unspent Departmental Annual Appropriations ('Recoverable GST exclusive')

	2018	2017
	\$'000	\$'000
Departmental		
<i>Appropriation Act (No. 1) 2013-14</i> ¹	-	38
<i>Appropriation Act (No. 1) 2014-15</i> ²	-	13
<i>Appropriation Act (No. 1) 2015-16</i> ³	9	9
<i>Supply Act (No. 1) 2016-17</i>	-	8,475
<i>Appropriation Act (No. 1) 2016-17</i> ⁴	7	13,068
<i>Appropriation Act (No. 1) 2017-18</i>	16,320	-
Total departmental	16,336	21,603

1. In 2014, as announced in the 2013-14 Mid-year and Fiscal Economic Outlook, the Department of Finance temporarily quarantined \$38,000 of the APSC's surplus departmental appropriation funding. The appropriation was repealed by *Appropriation Act (No.4) 2017-2018* with effect from March 2018.

2. In 2015, as announced in the 2014-15 Mid-year and Fiscal Economic Outlook, by agreement with the Department of Finance, the APSC relinquished control of surplus departmental appropriation funding of \$13,000. This unused appropriation was permanently withheld by direction of a delegate for the Minister for Finance under section 51 of the PGPA Act during June 2015. This appropriation lapsed on 1 July 2017.

3. In 2016, as announced in the 2015-16 Mid-year and Fiscal Economic Outlook, by agreement with the Department of Finance, the APSC relinquished control of surplus departmental appropriation funding of \$9,000. This unused appropriation was permanently withheld by direction of a delegate for the Minister for Finance under section 51 of the PGPA Act during June 2016. This appropriation lapsed on 1 July 2018.

4. In 2017, by agreement with the Department of Finance, the APSC relinquished control of surplus departmental appropriation funding of \$7,131. This unused appropriation was permanently withheld by direction of a delegate for the Minister for Finance under section 51 of the PGPA Act during June 2017. This appropriation lapses on 1 July 2019.

Australian Public Service Commission

Notes to the financial statements

Note 4.1c: Special Appropriations Applied ('Recoverable GST exclusive')

Authority	Appropriation applied	
	2018 \$'000	2017 \$'000
Administered		
<i>Remuneration Tribunal Act 1973 – section 7(13)</i> ¹	33,342	63,215
<i>Remuneration and Allowances Act 1990 – section 8</i> ²	-	-
<i>Judicial and Statutory Officers (Remuneration and Allowances) Act 1984 – section 7(2)</i> ³	-	-
Total special appropriations applied	33,342	63,215

1. The Department of the House of Representatives, the Department of the Senate and the Attorney-General's Department drew from the *Remuneration Tribunal Act 1973* - section 7(13) for the purpose of making payments of Parliamentarians' and Judicial Office Holders' remuneration and entitlements.

From 1 January 2018, the payment of Parliamentarians' remuneration and entitlements by the Department of the House of Representatives and the Department of the Senate is funded by the *Parliamentary Business Resources Act 2017*, which is reported by the Department of Finance.

2. Due to amendments made in 2011 to the *Remuneration Tribunal Act 1973*, from 15 March 2012 payments are no longer made under this special appropriation.

3. No payment has been made under this special appropriation since it was transferred to the APSC in September 2010.

Note 4.2: Net cash appropriation arrangements

	2018 \$'000	2017 \$'000
Total comprehensive income less depreciation and amortisation expenses previously funded through revenue appropriations	298	311
Plus: depreciation and amortisation expenses previously funded through revenue appropriations	(1,457)	(915)
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	(1,159)	(604)

Australian Public Service Commission

Notes to the financial statements

NOTE 5: PEOPLE AND RELATIONSHIPS

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

Note 5.1: Employee provisions

Note 5.1a: Employee provisions

	2018	2017
	\$'000	\$'000
Employee provisions		
Leave	7,164	7,095
Total employee provisions	7,164	7,095

Accounting policy

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits expected within twelve months of the end of the reporting period are measured at their nominal amounts.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the APSC is estimated to be less than the annual entitlement for sick leave.

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

The liability for long service leave has been determined by using the Australian Government shorthand method for all employees as at 30 June 2018. The estimate of the present value of the liability takes into account attrition rates and pay rises through promotion and inflation.

Superannuation

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

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

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

Australian Public Service Commission Notes to the financial statements

Note 5.2: Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the APSC, directly or indirectly. The APSC has determined the key management personnel to be the Minister Assisting the Prime Minister for the Public Service and personnel within the APSC holding the following positions:

- Australian Public Service Commissioner
- Deputy Australian Public Service Commissioner
- Merit Protection Commissioner
- First Assistant Public Service Commissioner

Remuneration of key management personnel within the APSC is reported in the table below:

	2018	2017
	\$'000	\$'000
Short-term employee benefits	1,469	1,486
Post-employment benefits	169	156
Other long-term benefits	195	198
Termination benefits	-	-
Total key management personnel remuneration expenses ¹	1,833	1,840

The total number of key management personnel that are included in the above table are six (2017: four). The higher figure in 2018 is due to the change in staffing for two positions during the year.

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Minister Assisting the Prime Minister for the Public Service. The Minister's remuneration and other benefits are set by the Remuneration Tribunal and is paid through administered special appropriations of the APSC (until 31 December 2017) and the Department of Finance.

Note 5.3: Related party disclosures

Related party relationships

The APSC is an Australian Government controlled entity. Related parties to this entity are Key Management Personnel including the Minister Assisting the Prime Minister for the Public Service and Executive, and other Australian Government entities.

Transactions with related parties

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

Other than the remuneration disclosed in note 5.2, there were no significant transactions with Key Management Personnel (2017: nil).

Australian Public Service Commission

Notes to the financial statements

The APSC undertakes a number of functions on behalf of the Australian Government. In performing these functions, the APSC transacts with other Australian Government controlled entities for normal day-to-day business operations provided either under normal terms and conditions or on a cost recovery basis.

The following significant transactions with related parties occurred during the financial year:

- About 99% of the APSC's goods and services revenue was earned from other Australian Government controlled entities (2017: 99%).
- The APSC entered an office lease commitment with the Department of Finance of approximately \$11.3 million over 9 years and 8 months, with lease payments commencing in July 2017 (2017: nil).
- Information and communications technology services were provided by the Department of Jobs and Small Business (2017: the former Department of Employment provided information and communications technology services).

NOTE 6: MANAGING UNCERTAINTIES

This section analyses how the APSC manages financial risks within its operating environment.

Note 6.1: Financial instruments

Note 6.1a: Categories of financial instruments

	Notes	2018 \$'000	2017 \$'000
Financial Assets			
Loans and receivables			
Cash and cash equivalents		571	894
Goods and services receivables (net)	3.1a	1,576	1,148
Total loans and receivables		2,147	2,042
Total financial assets		2,147	2,042
Financial Liabilities			
Financial liabilities measured at amortised cost			
Trade creditors and accruals	3.3a	3,101	2,441
Other payables	3.3c	73	80
Total financial liabilities measured at amortised cost		3,174	2,521
Total financial liabilities		3,174	2,521

Accounting Policy

The accounting policy for financial assets is contained in note 3.1 Financial assets and for financial liabilities in note 3.3 Payables.

**Australian Public Service Commission
Notes to the financial statements**

Note 6.2: Fair value measurement

Note 6.2a: Fair value measurement

	Fair value	
	2018	2017
	\$'000	\$'000
Non-financial assets		
Leasehold improvements	5,758	823
Plant and equipment	1,526	465

Accounting Policy

All property, plant and equipment is measured at fair value, in accordance with the accounting policy.

The APSC's assets are held for operational purposes and not held for the purposes of deriving a profit.

Fair value is estimated using replacement cost, which is depreciated based upon the expended and remaining useful life of each asset.

Australian Public Service Commission Notes to the financial statements

Note 6.3: Contingent assets and liabilities

Departmental

	Restoration obligations	
	2018 \$'000	2017 \$'000
Contingent liabilities		
Balance from previous period	-	-
New contingent liabilities recognised	561	-
Total contingent liabilities	561	-

The above table contains \$561,000 of contingent liabilities in respect of obligations to restore office premises to their original condition at the conclusion of the lease (2017: nil). The amount represents an estimate of the APSC's liability based on the estimated per square metre restoration cost for the office. In accordance with the terms of the lease agreement, the restoration obligation only arises if requested by the landlord.

The APSC had no quantifiable or unquantifiable contingent assets as at 30 June 2018 (2017: nil).

The APSC had no unquantifiable contingent liabilities as at 30 June 2018 (2017: nil).

Administered

The APSC had no quantifiable or unquantifiable administered contingent assets or liabilities as at 30 June 2018 (2017: nil).

Accounting Policy

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 an asset or liability 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 disclosed when settlement is greater than remote.



Appendixes



Appendix A: Entity resource and outcome resource statements

Table A1 summarises the total resources, by funding source, that were available to the Commission in 2017–18 and the total payments made from these resources. The actual available appropriation includes balances carried forward from the preceding financial year. Table A2 shows the total expenses for the Commission's outcome, classified by appropriation source for each program.

Table A1 is presented on a cash basis; Table A2 and the financial statements in Part 4 are presented on an accrual basis.

Table A1: Entity resource statement, 2017–18

Item	Actual available appropriation for 2017–18 (\$'000)	Payments made 2017–18 (\$'000)	Balance remaining (\$'000)
Ordinary annual services*			
Departmental appropriation†	67,793	51,473	16,320
Total ordinary annual services	67,793	51,473	16,320
Total available annual appropriations and payments	67,793	51,473	16,320
Special appropriations			
Special appropriations limited by criteria/entitlement			
<i>Remuneration Tribunal Act 1973</i>		33,342	
Total special appropriations		33,342	
Total net resourcing and payments for the Australian Public Service Commission	67,793	84,815	

*Appropriation Act No. 1 2017–18 and Appropriation Act No. 3 2017–18. This may also include prior-year departmental appropriations and section 74 retained revenue receipts.

†Includes an amount of \$0.4 million for the departmental capital budget. For accounting purposes, this amount is designated 'contributions by owners'.

Table A2: Expenses and resources for Outcome 1, 2017–18

Outcome 1: Increased awareness and adoption of best-practice public administration by the Public Service through leadership, promotion, advice and professional development, drawing on research and evaluation	Budget* 2017–18 (\$'000)	Actual expenses 2017–18 (\$'000)	Variation \$'000
Program 1.1: Australian Public Service Commission:			
Departmental expenses			
Departmental appropriation	41,813	43,391	(1,578)
Expenses not requiring appropriation in the budget year	1,166	1,497	(331)
Total for Program 1.1	42,979	44,888	(1,909)
Program 1.2: Parliamentarians' and judicial office holders' remuneration and entitlements:			
Administered expenses			
Special appropriations	65,369	33,342	32,027
Total for Program 1.2	65,369	33,342	32,027
Total expenses for Outcome 1	108,348	78,230	30,118
Staffing			
	2016–17	2017–18	
Average staffing level (number)	197	195	

*Full-year budget, including any subsequent adjustment made to the 2017–18 Budget at Additional Estimates.

†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*.

Appendix B: Staffing profile

Table A3 provides a breakdown of Commission staff at 30 June 2017 and 30 June 2018 by employment type and gender. Apart from the Australian Public Service Commissioner and the Merit Protection Commissioner, all staff are employed under the *Public Service Act 1999*.

Tables A4 and A5 show ongoing and non-ongoing staff by location and classification at 30 June 2018. Tables A6 and A7 show staff by classification, location and gender at 30 June 2017 and 30 June 2018 respectively. Table A8 shows the number of staff who identified as Indigenous at 30 June 2017 and at 30 June 2018.

Table A3: Ongoing and non-ongoing staff, by gender, 30 June 2017 and 30 June 2018

Employment type	30 June 2017			30 June 2018		
	Female	Male	Total	Female	Male	Total
Ongoing full time	107	50	157	104	56	160
Ongoing part time	33	4	37	26	3	29
Non-ongoing full time	4	4	8	4	3	7
Non-ongoing part time	4	1	5	3	0	3
Total	148	59	207	137	62	199

Note: Figures do not include irregular/intermittent employees but do include staff on long-term leave. The Australian Public Service Commissioner and the Merit Protection Commissioner are statutory office holders and are counted as ongoing full-time.

Table A4: Ongoing and non-ongoing staff, by location, 30 June 2018

Employment type	ACT	NSW	Total
Ongoing	179	10	189
Non-ongoing	9	1	10
Total	188	11	199

Table A5: Ongoing and non-ongoing staff, by classification, 30 June 2018

Classification	Ongoing	Non-ongoing	Total
APS1–2	3	1	4
APS 3–4	21	2	23
APS 5–6	47	3	50
EL 1	72	1	73
EL 2	34	2	36
SES and statutory office holders	12	1	13
Total	189	10	199

Table A6: Staff, by classification, location and gender, 30 June 2017

Classification	ACT		NSW		Total
	F	M	F	M	
APS 1	1	1	0	0	2
APS 2	1	3	0	0	4
APS 3	3	3	0	0	6
APS 4	10	2	1	1	17
APS 5	11	3	0	0	14
APS 6	31	10	1	0	42
EL 1	48	21	3	2	74
EL 2	25	9	1	1	36
SES 1	6	2	0	0	8
SES 2	1	0	0	0	1
SES 3	1	0	0	0	1
Statutory office holders	1	1	0	0	2
Total	137	55	7	3	207

Note: Figures do not include irregular/intermittent employees but do include staff on long-term leave. The Australian Public Service Commissioner and the Merit Protection Commissioner are statutory office holders and count as ongoing full-time.

Table A7: Staff, by classification, location and gender, 30 June 2018

Classification	ACT		NSW		Total
	F	M	F	M	
APS 1	1	1	0	0	2
APS 2	0	2	0	0	2
APS 3	3	5	0	0	8
APS 4	10	4	1	0	15
APS 5	12	6	0	0	18
APS 6	25	6	1	0	32
EL 1	44	23	4	2	73
EL 2	27	8	0	1	36
SES 1	6	2	0	0	8
SES 2	1	0	0	0	1
SES 3	1	0	0	0	1
Statutory office holders	0	1	1	1	3
Total	130	58	7	4	199

Note: Figures do not include irregular/intermittent employees but do include staff on long-term leave. The Australian Public Service Commissioner and the Merit Protection Commissioner are statutory office holders and count as ongoing full-time.

Table A8: Number of staff identifying as Indigenous, by employment type, 30 June 2017 and 30 June 2018

Employment type	30 June 2017	30 June 2018
Ongoing	10	10
Non-ongoing	–	1
Total	10	11

Appendix C: Work health and safety

Executive commitment

The Commission seeks to safeguard the health and safety of its employees, workers and visitors by providing and maintaining a safe working environment. It aims to eliminate all preventable work-related injuries and illness and is committed to supporting employee wellbeing.

Rehabilitation management system

The Commission monitored and reviewed the rehabilitation management system in 2017–18 as a part of its commitment to continuous improvement in this regard.

Health and wellbeing

Initiatives under the health and wellbeing program are developed in consultation with employees and the Workplace Relations/Health and Safety Committee. In 2017–18 this included the following initiatives:

- the employee assistance program for employees and their families
- mental health awareness sessions
- influenza vaccinations
- reimbursement for employees requiring assistance to quit smoking or requiring glasses for visually demanding tasks
- training of first aid officers to ensure that immediate assistance is available if required.

Additionally, Commission staff also have access to a wide range of employee-initiated activities, including a walking group, a boot camp, a choir and a book club.

Notifiable incidents, notices and investigations

In 2017–18 one notifiable incident occurred at the Commission under Part 3 or Part 5 of the *Work Health and Safety Act 2011*.

Appendix D: Ecologically sustainable development and environmental performance

Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* requires that Australian government organisations include in their annual reports information on their contribution to ecologically sustainable development. The Commission's environmental policy aims to minimise the use of non-renewable resources, and its environmental activities are directed towards improving energy management and environmental practices. This includes maximising the benefits of energy-saving devices and making purchases with energy efficiency in mind.

The Commission does not administer any legislation or have any appropriation directly related to sustainable development and environmental performance.

Our printing facilities use 'follow-me' printing, which minimises waste and uncollected print-outs.

In 2017–18 we continued to make energy savings through various technological improvements, the use of recycled paper, and the blending of recycling and paper waste recycling. Any whitegoods or office equipment purchased had water- and energy-efficient features, including sleep modes.

Appendix E: Advertising

The Commission did not engage in advertising campaigns during 2017–18.

Appendix F: Disability reporting mechanisms

Disability reporting is included in the Commission's annual *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available at www.apsc.gov.au.

The National Disability Strategy 2010–2020 sets out a 10-year national policy framework for improving the lives of people with disability, promoting participation and creating a more inclusive society. A 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. Copies of these reports are available on the Department of Social Services website, at www.dss.gov.au.

Appendix G: Information Publication Scheme

The Commission's Information Publication Scheme statement pursuant to Part II of the *Freedom of Information Act 1982* is available at www.apsc.gov.au/about-the-apsc/Freedom-of-information/ips.

Appendix H: List of requirements

PGPA Rule reference	Description	Requirement	Page no.
17AD(g)—Letter of transmittal			
17AI	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory	iii
17AD(h)—Aids to access			
17AJ(a)	Table of contents.	Mandatory	iv
17AJ(b)	Alphabetical index.	Mandatory	125–30
17AJ(c)	Glossary of abbreviations and acronyms.	Mandatory	124
17AJ(d)	List of requirements.	Mandatory	84–9
17AJ(e)	Details of contact officer.	Mandatory	ii
17AJ(f)	Entity's website address.	Mandatory	ii
17AJ(g)	Electronic address of report.	Mandatory	ii
17AD(a)—Review by accountable authority			
17AD(a)	A review by the accountable authority of the entity.	Mandatory	2–3
17AD(b)—Overview of the entity			
17AE(1)(a)(i)	A description of the role and functions of the entity.	Mandatory	6
17AE(1)(a)(ii)	A description of the organisational structure of the entity.	Mandatory	7
17AE(1)(a)(iii)	A description of the outcomes and programs administered by the entity.	Mandatory	7
17AE(1)(a)(iv)	A description of the purposes of the entity as included in corporate plan.	Mandatory	8
17AE(1)(b)	An outline of the structure of the portfolio of the entity.	Portfolio departments, mandatory	N/A
17AE(2)	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, mandatory	N/A

PGPA Rule reference	Description	Requirement	Page no.
17AD(c)—Report on the performance of the entity			
Annual performance statements			
17AD(c)(i); 16F	Annual performance statement in accordance with section 39(1)(b) of the Act and section 16F of the Rule.	Mandatory	11–30
17AD(c)(ii)—Report on financial performance			
17AF(1)(a)	A discussion and analysis of the entity's financial performance.	Mandatory	8–9, 39–42
17AF(1)(b)	A table summarising the total resources and total payments of the entity.	Mandatory	82
17AF(2)	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, mandatory	N/A
17AD(d)—Management and accountability			
Corporate governance			
17AG(2)(a)	Information on compliance with section 10 (fraud systems).	Mandatory	iii, 35
17AG(2)(b)(i)	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	iii
17AG(2)(b)(ii)	A certification by accountable authority that 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.	Mandatory	iii
17AG(2)(b)(iii)	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	iii
17AG(2)(c)	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	35

PGPA Rule reference	Description	Requirement	Page no.
17AG(2)(d) – (e)	A statement of significant issues reported to Minister under section 19(1)(e) of the Act that relates to non-compliance with finance law and action taken to remedy non-compliance.	If applicable, mandatory	N/A

External scrutiny

17AG(3)	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	35
17AG(3)(a)	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, mandatory	35
17AG(3)(b)	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a parliamentary committee, or the Commonwealth Ombudsman.	If applicable, mandatory	35
17AG(3)(c)	Information on any capability reviews on the entity that were released during the period.	If applicable, mandatory	N/A

Management of human resources

17AG(4)(a)	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	36–8
17AG(4)(b)	Statistics on the entity's APS employees on an ongoing and non-ongoing basis, including the following: <ul style="list-style-type: none"> • statistics on staffing classification level • statistics on full-time employees • statistics on part-time employees • statistics on gender • statistics on staff location • statistics on employees who identify as Indigenous. 	Mandatory	83–6
17AG(4)(c)	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under section 24(1) of the <i>Public Service Act 1999</i> .	Mandatory	37
17AG(4)(c)(i)	Information on the number of SES and non-SES employees covered by agreements etc identified in section 17AG(4)(c).	Mandatory	37

PGPA Rule reference	Description	Requirement	Page no.
17AG(4)(c)(ii)	The salary ranges available for APS employees by classification level.	Mandatory	37
17AG(4)(c)(iii)	A description of non-salary benefits provided to employees.	Mandatory	37
17AG(4)(d)(i)	Information on the number of employees at each classification level who received performance pay.	If applicable, mandatory	N/A
17AG(4)(d)(ii)	Information on aggregate amounts of performance pay at each classification level.	If applicable, mandatory	N/A
17AG(4)(d)(iii)	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, mandatory	N/A
17AG(4)(d)(iv)	Information on aggregate amount of performance payments.	If applicable, mandatory	N/A
<i>Assets management</i>			
17AG(5)	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory	41
<i>Purchasing</i>			
17AG(6)	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory	41
<i>Consultants</i>			
17AG(7)(a)	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the 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 year on the ongoing consultancy contracts (inclusive of GST).	Mandatory	42
17AG(7)(b)	A statement that 'During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million].'	Mandatory	42
17AG(7)(c)	A 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	42

PGPA Rule reference	Description	Requirement	Page no.
17AG(7)(d)	A statement that 'Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website.'	Mandatory	42

Australian National Audit Office access clauses

17AG(8)	If an entity 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 report must include the name of the contractor, the purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, mandatory	N/A
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Exempt contracts

17AG(9)	If an entity 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 Freedom of Information Act, the annual report must include 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	N/A
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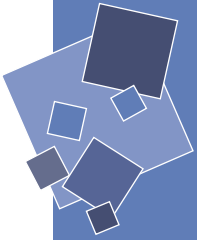
Small business

17AG(10)(a)	A statement that '[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and medium enterprise and small enterprise participation statistics are available on the Department of Finance's website.'	Mandatory	42
17AG(10)(b)	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	42
17AG(10)(c)	If the entity is considered by the department administered by the Finance Minister as material in nature—a statement that '[Name of entity] 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's website.'	If applicable, mandatory	N/A

PGPA Rule reference	Description	Requirement	Page no.
Financial statements			
17AD(e)	Inclusion of the annual financial statements in accordance with section 43(4) of the Act.	Mandatory	45–80
17AD(f)—Other mandatory information			
17AH(1)(a)(i)	If the entity conducted advertising campaigns, a statement that ‘During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity’s website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance’s website.’	If applicable, mandatory	87
17AH(1)(a)(ii)	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, mandatory	N/A
17AH(1)(b)	A statement that ‘Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity’s website].’	If applicable, mandatory	N/A
17AH(1)(c)	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	87
17AH(1)(d)	Website reference to where the entity’s Information Publication Scheme statement pursuant to Part II of the Freedom of Information Act can be found.	Mandatory	87
17AH(1)(e)	Correction of material errors in previous annual report.	If applicable, mandatory	N/A
17AH(2)	Information required by other legislation.	Mandatory	87

Shortened forms

APS	Australian Public Service
APSC	Australian Public Service Commission
APSED	APS Employment Data
APSEDii	APS Employment Data internet interface
EL	Executive Level
HR	human resources
ICT	information and communications technology
NESB	non–English speaking
PBS	Portfolio Budget Statements
PGPA	<i>Public Governance, Performance and Accountability Act 2013</i>
PSM	Public Service Medal
SaaS	software as a service
SES	Senior Executive Service
WR	workplace relations



Annual report of the Merit Protection Commissioner





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

Dear Minister

I am pleased to present the Merit Protection Commissioner's report for 1 July 2017 to 30 June 2018. As required by section 51 of the *Public Service Act 1999*, my report deals with the activities of the Office of the Merit Protection Commissioner; it is required to be included in the Australian Public Service Commissioner's annual report.

This report is prepared in accordance with Resource Management Guide No. 135: Annual Reports for Non-corporate Commonwealth Entities, approved on behalf of the parliament by the Joint Committee of Public Accounts and Audit in May 2018.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Linda Waugh'.

Linda Waugh
Merit Protection Commissioner
26 September 2018

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Commissioner's review

As the recently appointed Merit Protection Commissioner, I am pleased to introduce this annual report. The work done by the staff of the Merit Protection Commissioner is an integral element of the broader accountability and integrity framework for the Australian Public Service.

An important focus of our work involves providing the statutory scheme for review of employment-related actions; this scheme entitles APS employees to seek independent review of such actions if they are affected by them. We also administer the framework for the review of promotion decisions, and I am able to conduct inquiries as specified in the *Public Service Act 1999* (including into alleged breaches of the APS Code of Conduct). The Public Service Act also provides for related fee-for-service work to be performed.

The year 2017–18 was unusual and challenging: the former Merit Protection Commissioner left the role on 31 December 2017 and a staff member became acting Merit Protection Commissioner for the ensuing six months, and there were staff movements and positions left vacant during the year. Despite this, the MPC staff managed the caseload effectively and continued to engage in proactive and value-adding activities such as outreach to APS agencies and making contributions in policy areas. These activities and achievements are outlined in this report.

In terms of accomplishments and the performance of my Office during 2017–18, it is important to acknowledge the two individuals who shared the position of Merit Protection Commissioner for most of the year, Ms Annwyn Godwin and Mr Mark Davidson. They both deserve credit for their achievements. It is also important, however, to recognise the work of both those individuals for different reasons.

Ms Annwyn Godwin served as Merit Protection Commissioner for a decade, during which time there were major changes to the APS operating environment. This required Ms Godwin to lead the office in adapting to the changes while continuing to promote and uphold the principle of merit and good public administration. Ms Godwin provided long and distinguished service in this position, and she should be commended—as should the staff who worked with her—for the contributions made to the accountability and integrity framework.

After Ms Godwin departed, Mr Mark Davidson was appointed Acting Merit Protection Commissioner from 1 January 2018 until my appointment on 25 June 2018. It is fair to say that it can be challenging to lead during a period of uncertainty and challenges, but Mr Davidson did this successfully. He performed the role with integrity, diligence and professionalism and brought credit to the Office during a difficult period.

Finally, I thank and acknowledge the staff of the Australian Public Service Commission for the service they provided throughout the year; this includes staff who worked directly on the functions of the Merit Protection Commissioner and those who provide support services to my Office, particularly in the corporate and legal areas.

Linda Waugh
Merit Protection Commissioner

The year in review

The Merit Protection Commissioner is an independent statutory office holder with functions aimed at ensuring accountability and integrity in APS employment decision making. In particular, the Merit Protection Commissioner is responsible for the following:

- conducting independent reviews of employment actions
- providing recruitment services and Code of Conduct inquiry services to APS agencies
- supporting public sector agencies more broadly with employment-related services on a fee-for-service basis
- conducting special inquiries.

Ms Linda Waugh took up office as Merit Protection Commissioner on 25 June 2018 following the resignation of Ms Annwyn Godwin, which took effect on 31 December 2017. Mr Mark Davidson acted as Merit Protection Commissioner until Ms Waugh's appointment.

During 2017–18 the Office received 166 applications for review of employment actions, along with applications for review of 97 agency decisions to promote one or more employees. Five Code of Conduct inquiries were concluded and 19 Independent Selection Advisory Committees were finalised.

We have a performance target of completing 75% of reviews of employment actions within 14 weeks from the date of receipt. In 2017–18 this target was met: 77.3% of review of action cases were finalised within the target period. This is a good result in view of the number of large, complex cases and staff movements within the Office.

The Corporate Statement and Priorities for the Office of the Merit Protection Commissioner for 2017–18 is published on the Merit Protection Commissioner's website. The focus for the reporting year was to:

- deliver high-quality review, inquiry and employment services in a timely manner
- work with agencies to improve employment decision making through feedback on review decisions and presentations to staff and networks
- advise the Australian Public Service Commissioner of gaps in the legislative and policy framework for review
- improve the productivity of the Office of the Merit Protection Commissioner
- ensure compliance with the Notifiable Data Breaches Scheme and the Privacy Code.

We continued the Office's outreach to APS agencies, human resources practitioners and employees on the lessons learnt from the review caseload:

- The acting Merit Protection Commissioner arranged a meeting with Senior Executives with responsibility for integrity and staff conduct from the four largest APS agencies to discuss culture and practice in relation to employee behaviour and misconduct.
- The Merit Protection Commissioner established a Sydney-based Review of Action and Code of Conduct Community of Practice for APS practitioners. The group held two meetings in 2017–18.
- The Merit Protection Commissioner made a presentation entitled ‘The Right Way to Investigate Wrongdoing’ to the APS Small Agencies Forum.
- In April 2018 a staff member gave a presentation to the Canberra-based APS Code of Conduct Practitioners’ Network on the subject of evidence, making findings of fact and conflicts of interest.
- The Merit Protection Commissioner made presentations on the APS Values, Employment Principles and Ethics to orientation sessions for officers newly promoted to the Senior Executive Service.
- In November 2017 Mr Davidson represented the Merit Protection Commissioner and made a presentation to the National Human Resources Development Institute 2017 Leaders Forum in Seoul. The forum’s theme was Public Sector HR Challenges in the Era of Globalisation.

The Merit Protection Commissioner contributes to the ethics and integrity framework as a member of the Integrity Agencies Group. The group enables information sharing and collaboration between statutory office holders and agencies with responsibility for integrity matters. The Acting Merit Protection Commissioner attended the meeting held in April 2018.

During the reporting year we met with senior executives in agencies to discuss specific review outcomes, including outcomes that raised broader issues about agency policy and practice.

The Merit Protection Commissioner brought a number of policy and legislative matters arising from the review casework to the attention of the Australian Public Service Commissioner. These are discussed in Box M1.

We have improved our Office’s service by moving to electronic transactions with agencies and review applicants. Agencies are now able to lodge papers electronically, although agency firewalls have prevented this in some cases. There has been an investment in staff capability through training in administrative decision making, writing clear reasons for decisions and coaching. We continue to monitor client satisfaction by means of a survey of review applicants.

During the year we worked to ensure compliance with the Notifiable Data Breaches Scheme and the Privacy Code, using this as an opportunity to begin reviewing and updating policies. Staff received training in privacy and freedom of information.

The Merit Protection Commissioner also inquired into the conduct of the Australian Public Service Commissioner under section 50(1)(b) of the Public Service Act.

Box M1: Policy feedback provided by the Office of the Merit Protection Commissioner

During 2017–18 we provided feedback and input in relation to policy matters to the Australian Public Service Commissioner. The Merit Protection Commissioner's staff met quarterly with staff of the Integrity Team in the Australian Public Service Commission to provide feedback from the review casework and to discuss policy initiatives.

On 18 December 2017 the former Merit Protection Commissioner, Ms Annwyn Godwin, wrote to the Australian Public Service Commissioner putting forward suggestions for amendments to *Handling Misconduct: A Human Resource Practitioner's Guide*. These suggestions arose from the Merit Protection Commissioner's review casework and observations of agency practice. They concerned the following:

- an omission in the model procedures for investigating the suspected misconduct of a former employee when some or all of that misconduct occurred while the employee was working for a different APS agency
- a recommendation that greater consideration be given to procedural fairness considerations arising from concurrent misconduct and criminal investigations
- further guidance to agencies on calculating fines when fines are imposed on employees working part-time hours.

The Australian Public Service Commission drew agencies' attention to the second suggestion in the February 2018 edition of *APS News*.

The Merit Protection Commissioner also provided comments on the proposal for a 'short-form' procedure for investigating suspected misconduct and wrote to the director of the Integrity Team about areas where agency misconduct practice could be strengthened.

Focus for the coming year

We have ongoing priorities to do the following:

- improve the service we provide to agencies through online lodgment and a better service offering, as well as improved information on the MPC website, including case studies
- develop the newly implemented client relationship management system
- support agencies in complex case management, including through the Code of Conduct inquiry service.

The Merit Protection Commissioner plans for a review of strategy and the Office's operations to be completed by the end of 2018. This will focus on priority areas and ensuring that structure and strategy are aligned and designed for maximum efficiency and performance of the Merit Protection

Commissioner functions. The review will also be directed at identifying or enhancing initiatives for working collaboratively with other stakeholders.

Review of employment-related decisions

Reviews of action performance

The performance target for reviews of employment actions is that 75% of reviews will be completed within 14 calendar weeks of receipt of an application. The target for promotion reviews is that 75% will be completed within either eight or 12 weeks of the receipt of an application, depending on the size of the applicant field—that is, eight weeks for up to 10 parties and 12 weeks for 10 or more parties to a review.

We met our performance targets in the reporting year with 77.3% of review of employment action cases finalised within the target timeframe (77.4% in 2016–17). All promotion reviews were completed within the target timeframes.

We seek feedback through a survey of a sample of review of employment action applicants (once their application is finalised). In 2017–18 the response rate for the survey was 37% (32 respondents)¹—this compares with an 18% response rate in 2016–17. The feedback shows that 53% of respondents found out about their review rights from their agencies. The next most significant source of information was the MPC website. The majority of respondents who used the website said it was easy to find the application forms.

The majority of respondents found the review information sheet provided to them after making their application to be the right length, contained the information they needed, and was relevant and easy to follow and understand.

Just under half of respondents (44%) reported dissatisfaction with their contact with the Office. Of these, 71% would have liked more information about the scope of the review and 43% did not think they received appropriate information about the review process. This suggests that at the beginning and throughout the review process we need to provide to applicants better information about the scope of their review and what they can expect to achieve.

Sixty-six per cent of respondents indicated that they understood the final letter or report they received from the Office. The remainder said they did not understand the report or letter. Their reasons included that their statements and views were not sufficiently taken into account or that they found the written reasons for the decision difficult to understand.

¹ The survey period covered reviews finalised between February 2017 and early May 2018.

Thank you for completing, and sending, the secondary review findings. I appreciate your fairness, and attention to detail. The only comment I wish to make is that I appreciate your recommendation to the [agency] ... However, if your recommendation leads [the agency] to improve its processes, and that leads to better outcomes for [employees in the same situation], then it was well worth seeking a secondary review.

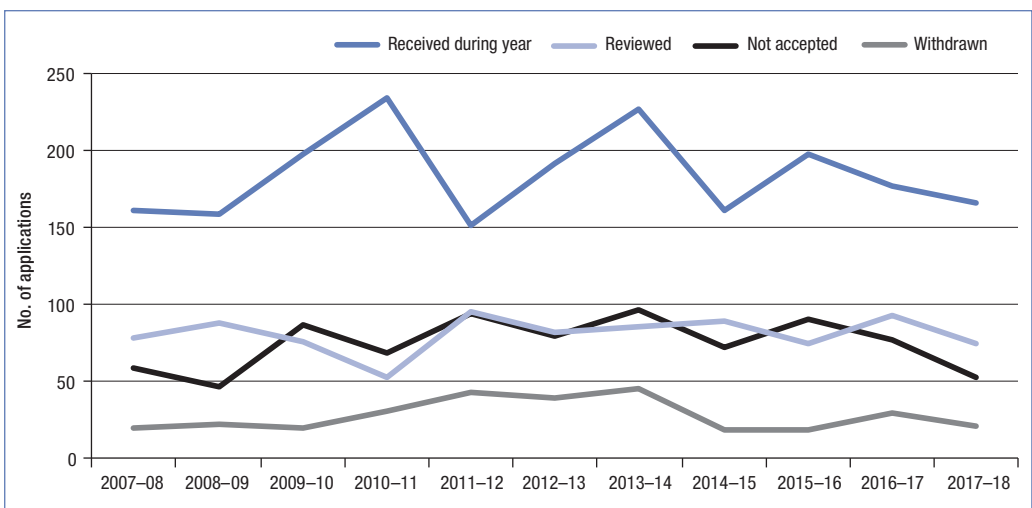
– review applicant, November 2017

Respondents told us they would like more updates on the progress of their review, and most felt the review took longer than they expected.

Some of the survey responses suggested the need for improvements in relation to a number of procedures and practices. These matters will be incorporated in the strategic review we plan for the second half of 2018.

Figure M1 shows the trends in review casework in the past 11 years.

Figure M1: Trends in review casework, 2007–08 to 2017–18



Review casework

Table M1 in the appendix provides information on the number of applications for review (other than promotion review) received and reviews completed in 2017–18 compared with 2016–17.

In 2017–18 we received 166 applications for review in comparison with 177 in 2016–17. A total of 149 cases were finalised, including 23 cases carried over from 2016–17. Of the finalised cases, 75 were subject to a full merits review. The remainder were ruled ineligible for reasons set out in the next section.

In 2016–17 the Office finalised 76% of its review caseload—that is, cases reviewed and cases determined to be ineligible for review. In comparison, in 2017–18 we finalised 68% of the review caseload. This represents a decline in work activity. The reasons for this included: a staff member acting in the role of Merit Protection Commissioner; staff leave and movement; reallocation of resources to support a statutory inquiry.

The average time taken to finalise a case was 11.48 weeks (excluding time ‘on hold’)—well within the 14-week target. The total average time to finalise cases including time ‘on hold’ was 18.2 weeks.

Review cases are put ‘on hold’ when the review is not able to progress. This is usually because we are waiting for information or because of the unavailability of parties to the review. Time ‘on hold’ is not counted in timeliness statistics.

In 2017–18 on average 37% of the time between the date an application was received and the date the review was finalised was spent ‘on hold’. The average time ‘on hold’ for a finalised review decreased from 7.2 weeks in 2016–17 to 6.7 weeks in 2017–18. The main reasons for placing a case on hold are waiting for:

- papers or information from the agency—51%
- additional information from the applicant—30.7%
- an agency to make a sanction decision—9.4%.

An application for review of a decision that an employee has breached the Code of Conduct may be placed on hold pending receipt of an application for review of the sanction arising from the same matter.²

Delays originating in the Office, including the 10-day Christmas closure, accounted for 7% of the time cases were on hold.

Thank you so much for sending me the decision and the recommendation. It is a tremendous relief that people understand my circumstances. My apologies for the rushed nature of the request. Unfortunately circumstances beyond my control meant [the review application needed to be finalised quickly] ... Thank you again to everyone involved for all of your hard work.

– review applicant, October 2017

² There are benefits in reviewing findings that an employee has breached the Code of Conduct and the sanction decision at the same time. It enables the review delegate to examine the case as a whole and results in administrative efficiencies. If, however, there is a significant delay in the agency sanction decision, the breach application will be progressed separately to ensure a timely review for the applicant.

Applications not accepted for review

In 2017–18, 28% of cases were not accepted for review compared to 35% in 2016–17. The reasons for not accepting applications varied according to the type of review.

The main reasons for not accepting applications for review of Code of Conduct decisions were:

- The application was made out of time.
- The application concerned decisions that were not determinations of misconduct or sanction decisions.

The main reasons for not accepting applications for review of employment action matters other than Code of Conduct decisions were:

- The application was about a matter that fell into one of the categories of non-reviewable actions set out in Regulation 5.23 or Schedule 1 to the Regulations—28%.
- The Merit Protection Commissioner exercised a discretion not to review a matter for various reasons, among them that nothing useful would be achieved by continuing to review the matter—25%.
- The application was out of time—19%.
- The applicant needed to first seek a review from their agency—17%.

Generally, decisions on applications for review that are not accepted are made quickly—over half in less than two weeks. Some decisions can take longer if the decision-maker needs to clarify matters of fact with the agency or the review applicant—17% took more than four weeks. The average time taken to decide to decline an application was just under three weeks.

Number of reviews by agency

Table M3 in the appendix details the number of reviews by agency. We completed reviews in 20 agencies. The Department of Human Services accounted for 52% of the completed reviews. The Departments of Home Affairs and Defence and the Australian Taxation Office together accounted for a further 23% of reviews.

Review outcomes

The Merit Protection Commissioner may recommend to an agency head that a decision be set aside, varied or upheld.

In 2017–18 we upheld 60% of agency decisions or actions in the 75 cases reviewed. This result is similar to that for 2016–17. In one-third of cases it was recommended that the decision under review be varied or set aside and a further 7% of cases resulted in a conciliated outcome.

Compared with other types of employment decisions, we are more likely to recommend that Code of Conduct decisions be varied or set aside. This year 38% of determinations of misconduct or sanctions reviewed by the Office (29) were set aside or varied compared to one-third of such cases in 2016–17. In comparison, we recommended that 24% of employment actions that had first been reviewed by the relevant agency (secondary reviews) be varied or set aside, compared with 18% in 2016–17.

I thank you for your professionalism, including courtesy (both features of which I'm unsurprised; the APS grapevine gives you high marks).

– review applicant, July 2017

Two reviews conducted under Part 7 of the Regulations related to findings that a former APS employee had breached the Code of Conduct. In one case, we recommended that the agency decision be set aside because of a procedural concern and, in the other, we recommended a variation to the elements of the Code the employee was found to have breached.

The following are the main reasons for recommending that agency misconduct decisions be set aside:

- Procedural problems in the decision-making process that result in substantive unfairness to the employee.
- The employee has not done what they were found to have done.
- The employee did what they were found to have done but it was not misconduct.

The main reasons for recommendation that agency misconduct decisions be varied are:

- The employee has done only some of what they were found to have done.
- The agency has misapplied elements of the Code of Conduct.
- The sanction is too harsh based on an objective assessment of the seriousness of the employee's behaviour or because insufficient regard was had to mitigating factors.

The following are the main reasons for recommending that other employment decisions be set aside or varied:

- The employee has been denied a fair hearing in circumstances where decisions have been made on the basis of adverse information or conclusions about the employee's behaviour (with reference to warning records placed on the employee's personnel file).
- Proper regard has not been had to the employee's personal circumstances in applications for flexible working arrangements.
- Conditions and entitlements have been unfairly withheld from the employee (with reference to payments and leave).

Four cases were conciliated during 2017–18. In these cases, the agency or review applicant agreed to act on the Merit Protection Commissioner’s preliminary view about an employee’s case without the Merit Protection Commissioner making a formal recommendation. By the end of 2017–18 agencies had accepted all review recommendations made by our Office. Three responses were outstanding at 30 June 2018.

Box M2 discusses cases involving directions and warnings issued by agencies to employees.

Box M2: Cases about the issuing of directions and warnings to employees

We reviewed six cases in which employees disputed directions or warnings issued to them by managers in their agency. In half these cases we recommended that the direction or warning be withdrawn.

- A warning was issued by HR to a manager who had made a formal complaint under the Public Interest Disclosure scheme about the behaviour of employees in his team. An assessment was made that the manager had not used the management options available to him to address the behaviour of his team. The warning reminded the employee of his obligations, including with respect to the Code of Conduct. In our opinion the warning was potentially damaging to the employee’s reputation, the employee was not given a fair hearing and the preliminary inquiry into his disclosure raised no concerns about his behaviour.
- A manager issued a direction to an employee in response to incidents in which the employee elected to work from home without the prior approval of his manager. We concluded the direction was poorly drafted and implied that the employee had been found to have breached the Code of Conduct. It admonished the employee for previous behaviour but failed to set out the manager’s expectations for future behaviour.
- A manager issued to an employee a warning setting out the agency’s expectations in relation to the way the employee serviced clients. The status of the document was unclear, including whether it was a direction or a set of expectations, and it was variously referred to as both. We considered that the letter was disproportionate to the end it was seeking to achieve—namely, to advise the employee what was expected of her—and was not reasonable.

In three other cases we upheld agency decisions to issue directions or warnings. These concerned a direction to return to work following an independent medical examination in a case where there were differences in medical opinions; a warning to an employee to improve her performance and behaviour in specified ways; and a direction from an agency head to an employee to cease agitating on a workplace issue.

The Merit Protection Commissioner noted that directions need to be tightly drafted and in the language of command, specifying what actions should and should not be taken. Where directions seek to remove flexibility available under an agency policy, they need to be unequivocal that their intention is to create a new legal obligation.

For example, a direction about attendance should:

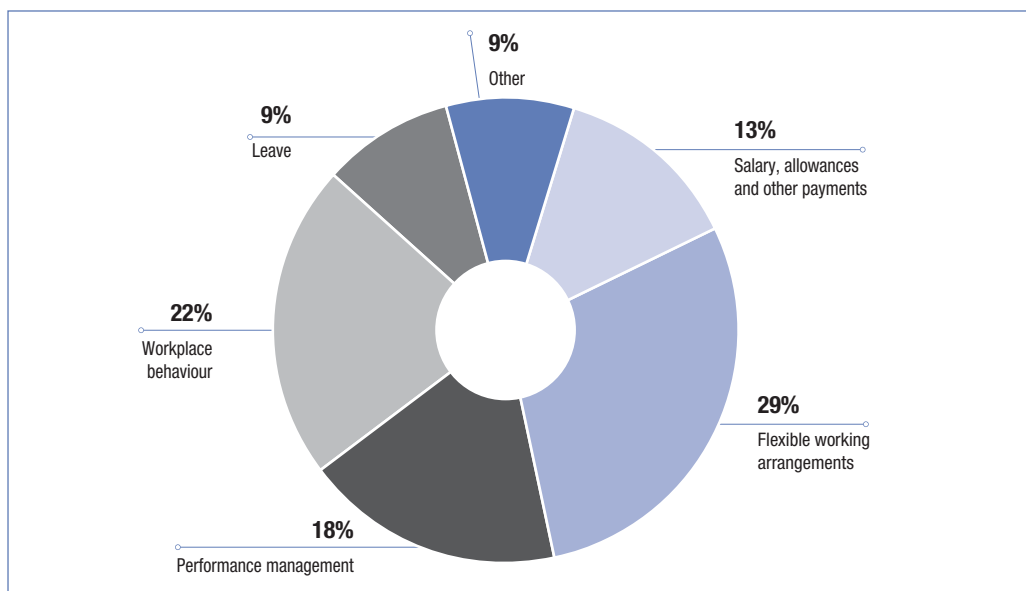
- set out the relevant provisions in the enterprise agreement and agency policies
- set out the employee's obligations under the agreement and policies
- direct the employee to comply with those obligations plus any specific requirements—for example, in relation to communication with managers
- specify that the written direction is a direction for the purpose of the *Public Service Act 1999*
- draw the employee's attention to the possible consequences of non-compliance with the direction.

Subject matter

In 2017–18 Code of Conduct cases accounted for 39% of all cases reviewed. Code of Conduct cases had been growing as a proportion of the total caseload in the preceding three financial years, but the trend was reversed in 2017–18.

Figure M2 (below) and Table M4 in the appendix provide a breakdown of cases reviewed by subject matter, excluding Code of Conduct reviews. The majority of reviews relate to three areas of concern—access to flexible working arrangements, workplace behaviour, and performance management.

Figure M2: Cases reviewed by subject (excluding Code of Conduct cases), 2017–18



Breaches of the Code of Conduct

APS employees who are found to have breached the Code of Conduct can apply to the Merit Protection Commissioner for a review of the breach finding and the sanction imposed for a breach.

Based on data in the APS Commissioner's annual State of the Service Report over the last three years, it is estimated that the Merit Protection Commissioner reviews between 4% and 10% of agency Code of Conduct decisions.³ Review by the Office offers an important avenue of review for affected APS employees and keeps under scrutiny an important area of employment decision making.

There were 55 applications for review of a decision that an employee had breached the Code of Conduct and/or the sanction and seven cases on hand at the start of 2017–18. Twenty-nine cases were reviewed during the year, involving 23 employees.⁴ Two applications from former employees were also reviewed.

Of the 25 cases reviewed (23 current employees and two former employees):

- Decisions in 11 cases were upheld in their entirety.
- In two cases the breach and sanction decisions were upheld but it was found that some of the factual findings could not be sustained.
- We recommended that the findings be varied in six cases—in two cases the findings of breach and in four cases the sanction.
- In six cases we recommended that the finding of misconduct be set aside in its entirety.

We recommended that the findings of misconduct be set aside in six cases for the following reasons:

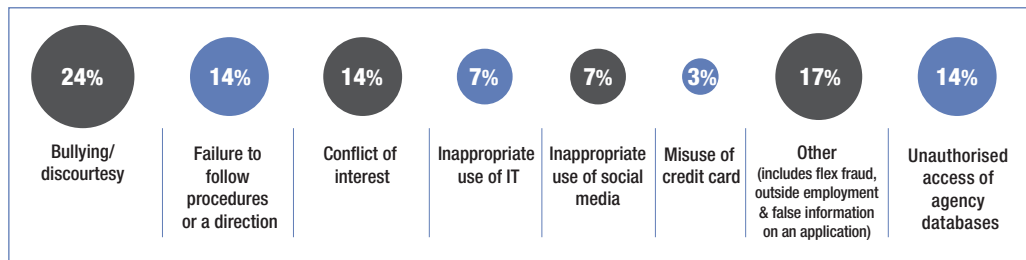
- In one case the former employee was not employed in the agency at the time of the misconduct and for this reason the agency's procedures did not apply to the employee.
- In two cases the way the investigation was conducted constituted poor practice, denying the employee a fair opportunity to respond to the allegations and resulting in a process that was both procedurally and substantively unfair.
- In one case the employee had done what the agency accused them of but they had not engaged in misconduct.
- In one case the employee was found to have engaged in misconduct on the basis of the wrong facts.
- In the remaining case we wrote to the agency about a procedural defect. The agency vacated their decision, so it became unnecessary for the Merit Protection Commissioner to make a recommendation.

³ The *State of the Service Report 2016–17* reported 530 employees were found to have breached the Code of Conduct in 2016–17. In 2016–17 we reviewed applications from 43 employees relating to breaches of the Code of Conduct and a further six were on hand. While the two sets of data do not include the same employees, a comparison over time provides an estimate that between 4 to 10% of agency decisions are reviewed.

⁴ Employees may apply separately for a review of a breach determination and the consequential sanction decision. Where this happens, it is counted as two cases. It is for this reason that there are more cases than there are employees.

Figure M3 (below) and Table M5 in the appendix provide a breakdown of the types of employment matters dealt with in Code of Conduct reviews.

Figure M3: Code of Conduct cases reviewed, by subject, 2017–18



The largest area of behaviour reviewed as misconduct concerned bullying and discourteous behaviours. In all cases the behaviour was directed at colleagues or managers. The conflict of interest matters concerned personal relationships with colleagues, advocacy for family members who were also clients of the agency, a conflict between an employee’s political views and their duties, and a conflict of interest in recruitment. The social media matters concerned private behaviour—in one case misconceived but well-intentioned but in both cases adversely affecting the reputation of the employee’s agency.

There were three cases in which employees argued that their mental health should have been taken into consideration before a finding of misconduct was made. In two of those cases it was concluded that the employee had nevertheless engaged in misconduct. In the third case we recommended a reduced sanction for a range of reasons, among them the impact of the employee’s health on their behaviour.

Box M3: What review applicants say about why they seek review of Code of Conduct decisions

Review applicants sought review of determinations that they had breached the Code of Conduct and sanctions for a variety of reasons:

- They denied they had done what was alleged.
- They accepted they had done what was alleged but argued it was appropriate and reasonable behaviour and not misconduct.
- They accepted they had done what was alleged, acknowledged it was inappropriate, but argued it should not have been dealt with as misconduct, including because their behaviour was as a result of mental health issues.

- They considered there were procedural problems in the decision-making process.
- They were concerned the sanction imposed on them was too harsh.
- They were concerned about the impact of a misconduct record on their future employment prospects.

Review applicants were astute in identifying procedural problems. In six cases the review applicant's main reason for seeking review was a procedural concern. In three cases the procedural concerns identified by the review applicant were sufficient for us to recommend that the decision be set aside. In the remaining three cases the review applicant's procedural concerns had substance but were not of sufficient seriousness to cause us to recommend that the decision be set aside.

The language and tone of agency decisions and the way the decision-making process is conducted may be a factor in driving employees to seek review. It influences an employee's sense of the fairness of the decision. In 40% of review applications review applicants identified this as a concern. Examples of the comments made by review applicants are:

'The process is bullying at a departmental level and this caused me considerable personal and professional distress'. The review applicant referred to the investigation report and the agency decision as 'repetitive', 'threatening' and 'punitive'. She stated she was forced to read and respond to several versions of 'a very lengthy document, with multiple legislative attachments' for what was a one-off incident. The employee advised that whatever she said in her defence 'was used against me'.

An employee was concerned that a sanction decision maker concluded she had failed to show remorse as a result of arguments she made in her defence. The employee advised that she had 'not attempted to direct blame to others' but was disagreeing with the conclusions the decision maker drew from the evidence.

An employee stated, 'I feel as though I haven't been taken seriously, or my legitimate concerns listened to at all in this process ... I am also struggling to understand how intentional misconduct was determined'.

An employee stated, 'I take a lot of pride in my work and have done so for 40 years. To be seen by this department as being "untrustworthy" and hav[ing] a "lack of integrity" has caused me large amounts of distress ... I am very embarrassed and have not shared this problem with any of my family, co-workers and only one close friend'.

An employee was concerned that when she disputed the conclusions the decision maker had drawn from the facts the decision maker concluded the employee had provided 'false and misleading information ... for expressing an opinion'.

In our view, agencies should critically assess the way they manage their misconduct investigation processes and the way they communicate their decisions. Agency decision makers need to treat the people who are subject to misconduct processes fairly and with appropriate respect and courtesy. In particular, agencies should avoid reasons for decisions that are unnecessarily lengthy and repetitive and that use exaggerated, emotive language when expressing opinions about the employee's behaviour.

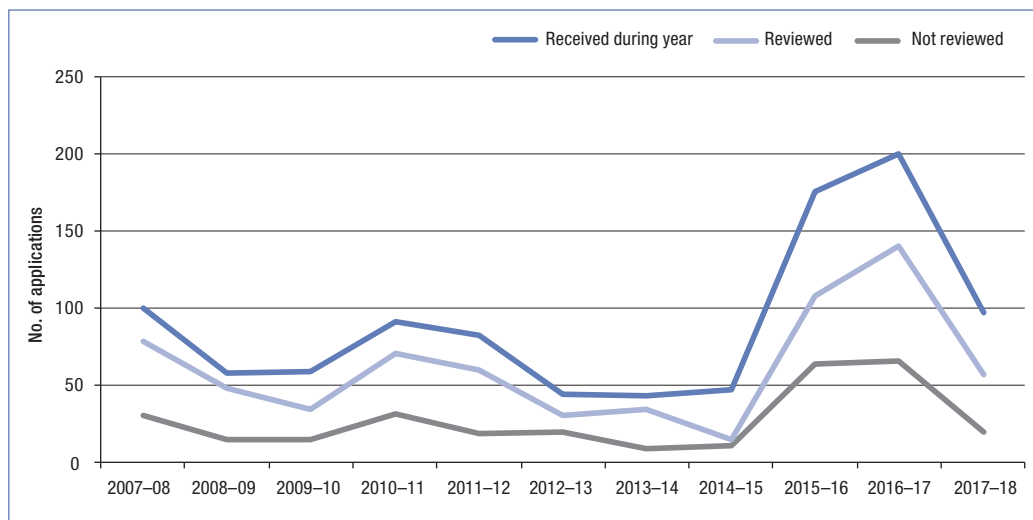
Promotion review performance

APS employees can seek a review of an agency’s decision to promote an employee to jobs at the APS 1 to 6 classifications by demonstrating that their claims to the job have more merit than those of the employees who were promoted.

In the past seven years the promotion review function has exceeded its internal performance target for timeliness (75% of reviews in time). All promotion reviews were completed within target timeframes during 2017–18.

Figure M4 shows how the promotion review casework has fluctuated between 2007–08 and 2017–18. Table M6 in the appendix sets out the promotion review caseload for 2017–18.

Figure M4: Trends in promotion review caseload, 2007–08 to 2017–18



In 2017–18 both the number of applications and the size of promotion review exercises decreased to stable levels from the peaks of the previous two financial years. The previous peaks were the result of a significant increase in recruitment activity in large agencies following a freeze on recruitment as part of the Australian government’s then commitment to reduce the size of the APS.

This year the promotion review application rate decreased by 45%—97 applications were received compared with 177 in 2016–17. The Office received applications for review of promotion decisions in eight agencies. Agencies with two or more applications for review are identified in Table M7 in the appendix. Recruitment exercises in the Australian Taxation Office, the Department of Home Affairs and the Department of Defence accounted for 82% of finalised promotion reviews.

The largest number of applications for a single finalised promotion review exercise was 38 compared with 57 in 2016–17. Only six exercises had 10 or more applications, compared with 28 in 2016–17. This decrease was reflected in a fall in the average number of applications per exercise—4.4 for 2017–18 compared with 6.9 in 2016–17.

We worked with agencies to help them manage promotion review processes and to provide feedback on the effectiveness of their selection processes. The focus was agencies, such as the Department of Home Affairs, conducting bulk promotion exercises. We also discussed promotion review-related matters with the policy teams in the Australian Public Service Commission to ensure consistency of advice to agencies.

Promotion review committees provided feedback about the poor quality of review applicants' statements made in support of their applications for review. In response, we updated information on the MPC website, providing more guidance on preparing a statement. To improve handling and security, we moved to electronic delivery of papers to promotion review committee members via the secure Govdex service.

Other review-related functions

Under Part 7 of the Public Service Regulations the Merit Protection Commissioner may:

- investigate a complaint by a former APS employee that relates to the employee's final entitlements on separation from the APS
- review a determination that a former employee has breached the Code of Conduct
- review the actions of statutory officeholders who are not agency heads.

Table M1 in the appendix provides information on the number of applications made under Part 7 in 2017–18. Six complaints about final entitlements were received. Four applications were not accepted. One was withdrawn. In the other case we resolved the former employee's concerns through discussion with the agency.

Two review applications received from former employees for determinations of misconduct made after they had ceased APS employment were finalised in 2017–18. These cases are referred to in the discussion of Code of Conduct decision making. A third case remains under consideration.

There were no cases seeking review of the actions of a non-agency head statutory office holder.

There was one request for an inquiry under Regulation 7.1A into the outcome of an agency's investigation of a public interest disclosure. This remains under consideration.

The inquiry function

Under section 50(1)(b) of the Public Service Act the Merit Protection Commissioner may investigate complaints that the Australian Public Service Commissioner has breached the Code of

Conduct. The Merit Protection Commissioner must report on the results of the inquiry to the presiding officers of the Parliament, including, where relevant, making recommendations for sanctions.

The Acting Merit Protection Commissioner received one such complaint in January 2018 and another in June 2018. In both cases a consultant was engaged to recommend whether the complaint should proceed to an inquiry, and in both cases the Acting Merit Protection Commissioner determined that the complaints should proceed to inquiry. A consultant was engaged to conduct both inquiries. Both matters were concluded on 7 August 2018, when the Merit Protection Commissioner provided the final report to the presiding officers of the Parliament with no recommendation for sanction.

Services provided on a fee-for-service basis

The following section reports on performance of the fee-related services we provided in 2017–18.

Inquiries into breaches of the Code of Conduct

Under section 50A of the Public Service Act the Merit Protection Commissioner may inquire into and determine, on a fee-for-service basis, whether an APS employee or a former employee has breached the Code of Conduct when a request is made by the agency head. The inquiry must have the written agreement of the employee or former employee.

Table M8 in the appendix sets out the Code of Conduct caseload for 2017–18.

One case was on hand at 1 July 2017 and four more were received during the year. One case was withdrawn because the employee did not consent to the inquiry. In three of the four cases that were finalised it was determined that the employee had breached the Code of Conduct. The matters referred to the Merit Protection Commissioner involved complex workplace disputes. The behaviours investigated related to rudeness to managers, false allegations about colleagues, misuse of agency resources and failure to comply with professional standards in the performance of duties. There were no cases on hand at 30 June 2018.

Feedback from agencies on the timeliness and quality of the inquiry work and decision making was positive.

Independent Selection Advisory Committees

The Merit Protection Commissioner may establish, if requested, Independent Selection Advisory Committees (ISACs) to help with agencies' recruitment processes. ISACs are independent three-member committees that undertake a staff selection exercise on behalf of an agency and make recommendations about the relative suitability of candidates for jobs at the APS 1 to 6 classifications.

Agency demand for ISACs was maintained in 2017–18. The recruitment exercises were smaller, as indicated by the number of candidates being considered, which decreased by 72%. Three agencies used ISACs. The 16 ISACs finalised in 2017–18 considered 732 candidates and recommended 156 candidates for engagement, transfer or promotion—an average of 39 candidates and eight recommendations per ISAC compared with an average of 190 candidates and 17 recommendations in 2016–17. The largest recruitment exercise was 107 candidates for APS 3 positions in the Administrative Appeals Tribunal.

Table M9 in the appendix provides information on ISAC activity for 2017–18 relative to 2016–17.

Other fee-for-service work

In accordance with Regulation 7.4, the Merit Protection Commissioner is able to provide other fee-for-service activities, such as staff selection services and investigating grievances, to non APS-agencies. No work was carried out under Regulation 7.4 during 2017–18.

Governance, management and accountability

The Office of the Merit Protection Commissioner, established under section 49 of the Public Service Act, is an independent statutory officer located within the Australian Public Service Commission. Ms Linda Waugh began a five-year term on 25 June 2018. The previous Merit Protection Commissioner, Ms Annwyn Godwin, resigned on 31 December 2017, and Mr Mark Davidson acted in the role from 1 January to 24 June 2018. Ms Amanda MacDonald also acted in the role, from 17 July to 21 August 2017, as did Mr Bruce Barbour, from 28 June to 20 July 2018.

The Merit Protection Commissioner's functions are set out in sections 50 and 50A of the Public Service Act and Parts 2, 4, 5 and 7 of the Regulations.

The Merit Protection Commissioner provides an important role for the APS by ensuring consistent standards of decision-making and people management practices throughout the APS.

This report and further information about the Merit Protection Commissioner's role and services are available on the MPC website, at <http://www.meritprotectioncommission.gov.au>.

Corporate governance

The Australian Public Service Commissioner, as agency head of the Commission, is responsible for its corporate governance.

During 2017–18 the Merit Protection Commissioner had managerial responsibility for the work of the Commission employees made available to work in the Office of the Merit Protection Commissioner. The Merit Protection Commissioner was also an observer of the Commission's Executive, a senior management group chaired by the Commissioner.

Organisational structure

The staff who support the work of the Merit Protection Commissioner are made available by the Australian Public Service Commissioner in accordance with section 49 of the Public Service Act. The Merit Protection Commissioner and the Commissioner have a memorandum of understanding for the provision of staff. The current memorandum of understanding took effect in June 2015.

The Merit Protection Commissioner is based in the Commission's Sydney office and has staff in both the Sydney and the Canberra offices of the Commission. During 2017–18 the Merit Protection Commissioner was supported by 12 employees.

Information publication scheme

Information about the Merit Protection Commissioner is provided in the Australian Public Service Commission's plan, which is available at <http://www.apsc.gov.au/freedom-of-information/ips>.

Appendix: Review of performance by function

This appendix provides information about the performance of the Merit Protection Commissioner's statutory functions. Further information about the Merit Protection Commissioner's functions can be found on the website, at <http://www.meritprotectioncommission.gov.au>.

Review of employment actions

Under section 33 of the Public Service Act and Part 5 of the Regulations the Merit Protection Commissioner conduct three main categories of reviews:

- reviews of breaches of the APS Code of Conduct
- reviews of other employment actions
- reviews of promotion decisions.

Table M1 provides information on the number of applications for review (other than promotion review) received and reviews completed in 2017–18. Table M2 provides information on the timeliness with which this function was performed. Both tables provide results for 2016–17 for comparison.

The target timeframe for completion of primary and secondary reviews is 14 weeks from receipt of the application.

Table M1: Review of employment actions workload, by type of review, 2017–18 compared with 2016–17

Cases	Primary reviews—Code of Conduct	Primary reviews—other	Secondary reviews	Complaints/reviews by former employees	Total	
	2017–18				2017–18	2016–17
On hand at start of year	7	2	13	1	23	46
Received during the period	55	5	98	8	166	177
Total cases	62	7	111	9	189	223
Reviewed	29	2	41	3	75	93
Not accepted	4	1	44	4	53	77
Lapsed or withdrawn	11	1	8	1	21	30
Total finalised during period	44	4	93	8	149	200
On hand at end of year	18	3	18	1	40	23

Notes: *Primary reviews* are reviews conducted by the Merit Protection Commissioner (MPC) without first being reviewed by the agency head. *Secondary reviews* are conducted by the MPC following a review conducted by the agency head or after the agency head decides the matter is not reviewable but the MPC considers it is.

Part 7 of the Regulations covers complaints/reviews by former employees.

Table M2: Timeliness in handling reviews, 2017–18 compared with 2016–17

Review type	2016–17		2017–18	
	Average time to complete reviews (weeks)	Completed within target timeframes (%)	Average time to complete reviews (weeks)	Completed within target timeframes (%)
Primary reviews—Code of Conduct	13.72	78	11.96	79
Primary reviews—other	22.36	50	14.57	50
Secondary reviews	15.3	79	11.27	78
Regulation Part 7*	16.29	50	7.17	66.7
Total Reviews	14.62	77.4	11.48	77.3

*Complaints or reviews by former employees

Table M3 details the number of reviews completed, by the agency concerned.

Table M3: Reviews completed, by agency, 2017–18

Agency concerned	Primary reviews—Code of Conduct	Primary reviews—other	Secondary reviews	Reviews/complaints by former employees	Total
Department of Human Services	15	0	24	0	39
Department of Home Affairs & Department of Immigration and Border Protection	3	0	4	1	8
Department of Defence	3	0	2	0	5
Australian Taxation Office	1	0	3	0	4
Administrative Appeals Tribunal	0	0	2	0	2
Australian Criminal Intelligence Commission	2	0	0	0	2
Department of Agriculture and Water Resources	2	0	0	0	2
Department of the Prime Minister and Cabinet	1	0	1	0	2
Eleven other agencies (one review each)	2	2	5	2	11
Total	29	2	41	3	75

Table M4 shows the main subject matter and the secondary subject matters for all secondary cases reviewed in 2017–18. The data in Table M4 is not directly comparable with the data in tables M1 to M3 because a review can involve more than one subject matter.

Table M4: Subject matter of reviews completed, 2017–18

Subject matter	Number
Salary, allowances and other payments	
Overtime and allowances	4
Salary	1
Debt recovery	1
Subtotal	6
Flexible working arrangements	
Part-time work	7
Relocation or outposting	3
Compassionate leave	2
Home-based work	1
Subtotal	13
Performance management	
Unsatisfactory performance	2
Performance appraisal	6
Subtotal	8
Workplace behaviour	
Handling of bullying complaints	4
Workplace directions or warnings	6
Subtotal	10
Leave	
Leave	4
Subtotal	4
Other	
Relocation	1
Redeployment policy	1
Outside employment	1
Restriction on duties	1
Subtotal	4
Total	45

Note: Excludes Code of Conduct cases.

Table M5 shows the subject matter for all Code of Conduct cases reviewed in 2017–18. The data in Table M5 is not directly comparable with that in Tables M1 to M3 because a review may involve more than one main subject.

Table M5: Subject matter of Code of Conduct reviews completed, 2017–18

Subject matter identified	Number
Conflict of interest	4
Bullying and discourtesy	7
Unauthorised access of agency databases	4
Inappropriate use of IT resources	2
Inappropriate use of social media	2
Misuse of credit card	1
Failure to follow a direction or procedures	4
Other (including comments indicating fraud, outside employment and false information in a job application)	5
Total number of matters identified	29

Review of promotion decisions

The Merit Protection Commissioner establishes promotion review committees to conduct reviews of promotion decisions for jobs at the APS 1 to 6 classifications. Details of the promotion review caseload for 2017–18 are provided in Table M6.

Table M6: Promotion review caseload, 2017–18 compared with 2016–17

Promotion review cases	2016–17	2017–18
On hand at start of year	28	3
Received during the period	177	97
Total caseload	205	100
Reviewed	141	57
Not accepted	13	5
Lapsed or withdrawn	48	14
Total finalised during period	202	76
On hand at end of year	3	24
Target completion time (weeks)	8 or 12	8 or 12
Completed within target time (number)	130	57
Completed within target time (percentage)	92%	100%

Note: 'Case' means an application by one or more APS employees for review of a promotion decision or decisions arising from a discrete agency selection exercise.

Table M7 lists those agencies whose promotions attracted review applications and the number of promotions considered.

Table M7: Review of promotion decisions, by agency, 2017–18

Agency	Promotion reviews finalised	Total applications received	'Active' applications received	'Protective' applications received	Promotion decisions considered	Promotion decisions varied
Australian Taxation Office	33	129	53	76	110	1
Department of Home Affairs & Department of Immigration and Border Protection	8	82	9	73	111	0
Department of Defence	6	6	6	0	6	0
Department of Human Services	4	11	5	6	16	0
Fair Work Ombudsman	2	2	2	0	2	0
Australian Bureau of Statistics	2	17	2	15	20	0
Two agencies (with one review)	2	2	2	0	2	0
Total	57	249	79	170	267	1

Notes: An APS employee may make an application for review of one or more promotion decisions. Not all applications are considered by a promotion review committee. Some applications are withdrawn, are held to be invalid or, in the case of 'protective' applications, do not proceed to review.

Unsuccessful candidates for a promotion may lodge an 'active' application seeking review of a promotion decision. Employees who have been promoted and whose promotion might be subject to review may lodge a 'protective' application against the promotion of other successful candidates.

Fee-related services

Code of Conduct inquiries

Section 50A of the Public Service Act enables the Merit Protection Commissioner to inquire into and determine whether an APS employee or former employee has breached the Code of Conduct. Table M8 provides information on Code of Conduct inquiry activity for 2017–18 compared with 2016–17.

Table M8: Code of Conduct inquiries, 2017–18 compared with 2016–17

Status	2016–17	2017–18
On hand at start of year	2	1
Received during the period	8	4
Total workload	10	5
Completed	8	4
Lapsed/withdrawn	1	1
Total finalised during the period	9	5
On hand at end of year	1	0

Independent Selection Advisory Committees

Independent Selection Advisory Committees (ISACs) are established by the Merit Protection Commissioner at an agency head's request on a fee-for-service basis under Part 4 of the Regulations. Table M9 sets out information on ISAC activity for 2017–18 compared with that for 2016–17.

Table M9: Independent Selection Advisory Committees, 2017–18 compared with 2016–17

Status	2016–17	2017–18
On hand at start of year	6	5
Received during the period	10	14
Total workload	16	19
Completed	11	16
Lapsed/withdrawn	0	3
Total finalised during the period	11	17
On hand at end of year	5	0

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