

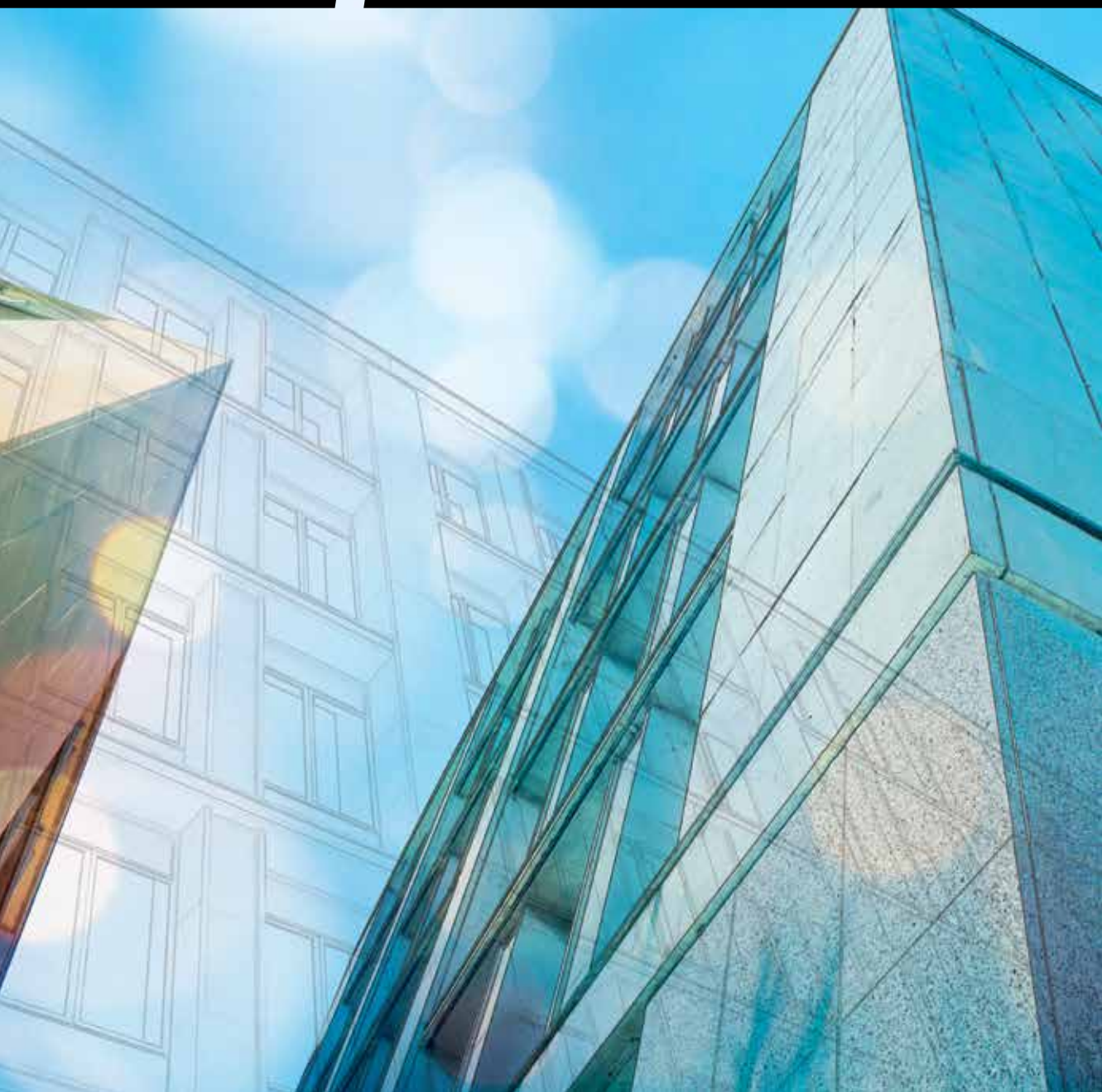


Australian Government

Australian Public Service
Commission

AUSTRALIAN PUBLIC SERVICE COMMISSIONER **ANNUAL REPORT 2016–17**

incorporating the annual report of the
Merit Protection Commissioner





Australian Government

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Commission

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Merit Protection Commissioner



Contact us

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This document must be attributed as the *Australian Public Service Commissioner annual report 2016–17, incorporating the annual report of the Merit Protection Commissioner*.



Australian Government

Australian Public Service Commission

AUSTRALIAN PUBLIC SERVICE COMMISSIONER
THE HON JOHN LLOYD PSM

4 October 2017

The Hon Malcolm Turnbull MP
Prime Minister
Parliament House
Canberra ACT 2600

Dear Prime Minister

In accordance with section 44 of the *Public Service Act 1999*, I am pleased to present my annual report for the year ended 30 June 2017. My report includes the annual report of the Merit Protection Commissioner, as required by section 51 of the Act.

This report was prepared in accordance with section 44(1) of the 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 includes 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 that the Commission has prepared fraud risk assessments and a fraud control plan; has in place 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 'J Lloyd', with a long, sweeping horizontal stroke extending to the right.

John Lloyd PSM
Australian Public Service Commissioner



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1

Overview



John Lloyd PSM
Australian Public Service Commissioner

Commissioner's review

The Australian Public Service employs about 152,000 people.

The Australian Public Service Commission employs 207 people to discharge its responsibilities.

The Commission staff, like most public servants, work assiduously and with flair. They embrace the challenges that working in government frequently entails.

Australian Public Service workplaces, like other workplaces, are dynamic. The times demand a capability to deal with challenges arising from digital transformation, big data, inclusiveness, social media engagement, tight funding, intensified security and high community expectations. The Government expects and receives high-quality advice and policy delivery in the midst of these challenges.

Australian Public Service employees are interested in their working conditions and environment.

The Commission's 2017 employee census achieved a remarkable 71 per cent response.

The 99,000 respondents told us they are very engaged with their work. They rate their leaders favourably and are generally satisfied with their pay and conditions. Most agencies achieved improved results compared to previous years.

At the same time we cannot be complacent. Responses on bullying and harassment and unethical conduct point to the need for attention and improvement.

The year saw enterprise bargaining drawing to a conclusion, notwithstanding a self-serving campaign by trade unions to delay agreements. An important outcome is that many agencies now have an enterprise agreement more attuned to operational requirements. Also, direct employer–employee relations are enhanced and flexible work arrangements embedded as the preferred operating model. The importance of flexible work conditions in attracting and retaining talented staff cannot be ignored.

Talent was a key focus for the Commission during the year. It will continue to be so in the future.

A Secretaries Talent Council was formed. It coordinated a pilot exercise that allowed 10 high-potential deputy secretaries to engage in an intensive process of assessment and future capacity building plans. Similar exercises were undertaken for other Senior Executive Service and Executive officer levels. The public service leaders of today have a responsibility to develop a highly competent leadership pipeline for the future.

The changes that will impact on work in the future are attracting considerable scrutiny. Some of the projections are sensational and alarmist.

The Australian Public Service has always been affected by change. In the future innovation through digital delivery and artificial intelligence will cause disruption and change. The public service must have flexible workplace arrangements to adapt and cope. This underlines the importance of good bargaining outcomes and sound employer-employee relations. Innovative workplaces will provide opportunities for employees to undertake more fulfilling work.

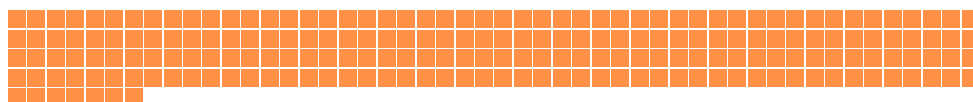
I can exert some direct influence on work practices through the Commissioner's Directions. I have moved to streamline the Directions so they support this crucial requirement of improved flexibility.

During the year new Directions relaxed restrictions on the engagement of non-ongoing employees. Recruitment processes were streamlined and broad affirmative measures were introduced for disability and Indigenous employment.

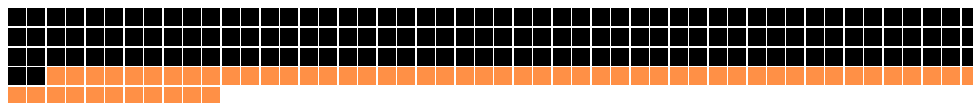
The Australian Public Service is equipped to provide the Government and the community with efficient, effective, professional and impartial support.

The Commission at a glance

207 employees



71% female



29% male

10% people with disability



4.8% Indigenous



59 trainees were employed through the **APS** Indigenous Pathways Program



34 graduates were employed through the **APS** Indigenous Pathways Program



505

leadership, learning and development programs delivered to

9,292

APS participants

2017
AUSTRALIAN PUBLIC
SERVICE EMPLOYEE CENSUS

71%
response rate

Strategic APS engagement events series

APSwide

Grads

APS200

agLN



339

inquiries received by the
Ethics Advisory Service



52

issues of the Public Service
Gazette published



2,818,712

visitors to the
Commission website

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 also 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

The Commission's minister during 2016–17 was Senator the Hon Michaelia Cash, Minister for Employment, Minister for Women and Minister Assisting the Prime Minister for the Public Service.

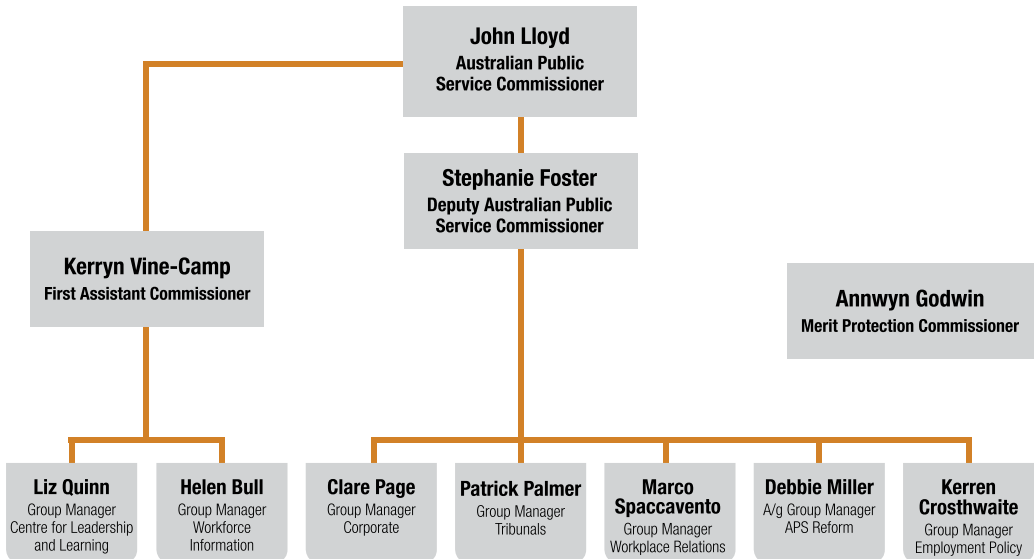
Staff and budget

At 30 June 2017 the Commission had 207 staff. The Commission received \$20.3 million in departmental appropriation funding in 2016–17 and \$20.8 million in fee-for-service revenue.

Organisational structure

Figure 1 shows the Commission's organisational structure at 30 June 2017.

Figure 1: Organisational structure, 30 June 2017



Purpose, outcome and program structure

The Commission's purpose, planned outcome and corporate goals are set out in its 2016–17 Portfolio Budget Statements (available at www.pmc.gov.au) and its 2016–17 Corporate Plan (available at www.apsc.gov.au).

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

The Commission's 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 outcome 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 three corporate goals that reflect the priorities of Program 1.1:

- streamlining process, reducing red tape, and driving productivity and performance
- building capability
- promoting integrity and accountability.

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 2016–17 Corporate Plan and the PBS.

Our annual performance statements (see pages 11 to 30) detail the Commission's 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 2016–17 the Commission received \$20.3 million in departmental appropriation funding and \$20.8 million in fee-for-service revenue.

The Commission's operating result for 2016–17 was a surplus of \$0.5 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 operating surplus of \$1.5 million as a result of accounting adjustments for lease expenses and prudent management of its financial resources.

Payments of \$63.2 million were made from the special appropriation for the Parliamentarians' and Judicial Office Holders' Remuneration and Entitlements administered program.

Departmental expenses were \$0.7 million lower than the budget estimate as a result of adjustments for lease expenses. Administered expenses were \$1.2 million lower than the budget estimate because levels of remuneration and entitlements for members were lower than projected.

Table 1 summarises the Commission’s financial performance for 2016–17. It should be read in conjunction with Table A2 (see Appendix A).

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

	Budget estimate (\$ million)	Actual result (\$ million)
Departmental		
Program 1.1: Australian Public Service Commission	41.3	40.6
Total departmental	41.3	40.6
Administered		
Program 1.2: Parliamentarians' and Judicial Office Holders' Remuneration, Allowances and Entitlements	64.4	63.2
Total administered	64.4	63.2
Total for Outcome 1	105.7	103.8

2

Annual performance statements

Statement of preparation

I, as the accountable authority of the Australian Public Service Commission, present the 2016–17 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 are based on properly maintained records, accurately reflect the performance of the Commission, and comply with section 39(2) of the PGPA Act.

A handwritten signature in black ink, appearing to read 'J Lloyd', with a long, sweeping horizontal stroke extending to the right.

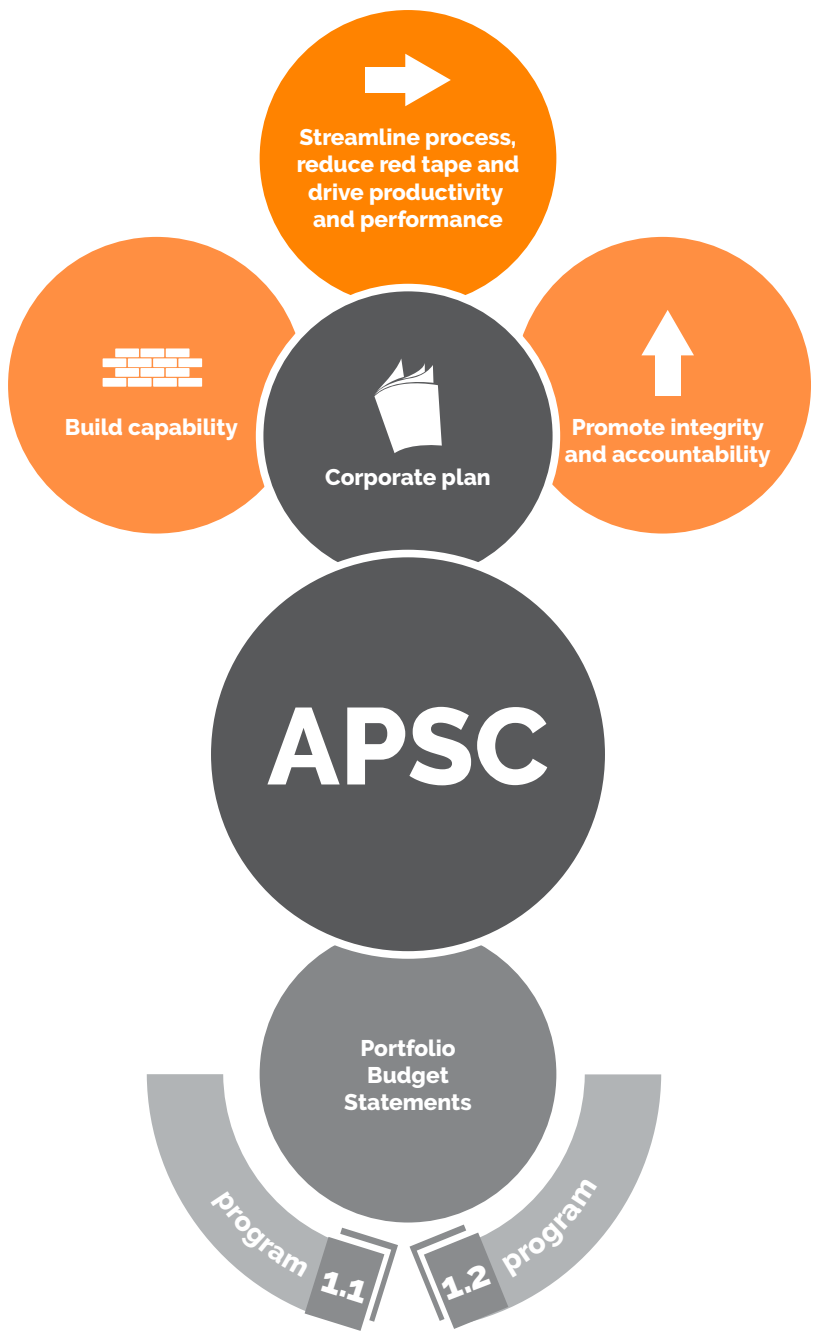
John Lloyd PSM
Australian Public Service Commissioner

Reporting approach

Responding to the introduction of the Public Governance, Performance and Accountability Act, this section presents a detailed review of the Commission's performance in 2016–17 in delivering the corporate goals, activities and measures described in the *APSC Corporate Plan 2016–17* and the key performance indicators for Programs 1.1 and 1.2 in the Portfolio Budget Statements 2016–17.


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

Figure 2: PBS programs and corporate goals: an overview



THE CORPORATE PLAN: KEY GOALS

Streamline process, reduce red tape and drive productivity and performance



Driving APS employment reform through workforce management contestability

Modernising the APS employment framework

Driving high performance across the APS through better employee performance management

Driving a reduction in APS unscheduled absence


Providing high-quality analysis and reports on APS employment trends

Implementing the Commonwealth Aboriginal and Torres Strait Islander Employment Strategy

Working with Commonwealth employers to improve workplace relations outcomes

Providing professional and high-quality policy and secretariat support to the Remuneration Tribunal and the Defence Force Remuneration Tribunal

Build capability



Improving the capability of the APS through leadership and core skills development

Driving a more systematic approach to talent management to better position the APS for the future

Strengthening international cooperation and partnerships in the Asia-Pacific region

Promote integrity and accountability



Providing leadership to the APS on matters of integrity

PBS PROGRAM OBJECTIVES



APS people and organisational performance

Investing in APS development and capability

Australian Government employment workplace relations



Facilitate the payment of remuneration, allowances and entitlements to parliamentarians and judicial office holders

Corporate goal 1

Streamline process, reduce red tape and drive productivity and performance

Modernising the APS employment framework

[Source of criteria: APSC Corporate Plan 2016–17, page 10; PBS 2016–17, page 113.]

Measure: Continue to modernise the employment framework, in particular recruitment, mobility, performance management and separations.

Result: The new Australian Public Service Commissioner's Directions 2016 facilitated significant changes to the employment framework. The changes enabled more flexible use of non-ongoing staff, expanded affirmative measures for engaging Indigenous Australians and people with a disability and simplified performance management.

Measure: Work with agencies to identify the implications of emerging workforce trends for the APS by December 2016.

Result: The Commission continued to collaborate with external agencies to promote a culture of innovation within those agencies to better position them to manage future work challenges.

Measure: Complete by December 2016 the third phase of a review of the Australian Public Service Commissioner's Directions.

Result: As noted, the review was completed on schedule, with the new directions being made available in September 2016 and taking effect from 1 December 2016.

Measure: Renew the APSjobs website by June 2017.

Result: A review was completed in January 2017. A replacement website is being developed.

Measure: Work with agencies to trial options for moving employees more freely around the APS in response to critical needs by June 2017.

Result: In June 2017 the Commission partnered with six other agencies to launch Operation Free Range, a 12-month inter-agency research initiative on employee mobility in the APS.

Building a culture of innovation in the APS

[Source of criterion: APSC Corporate Plan 2016–17, page 10.]

Measure: Work with the Department of Industry, Innovation and Science and the Public Sector Innovation Network to embed a culture of innovation in the APS.

Result: As a network participant, the Commission continued to meet with agency representatives once a month, seeking innovative solutions to complex problems. It continues to work with agencies to test solutions—for example, through the Ripple performance management trial and the Free Range mobility trial.

Driving high performance across the APS

[Source of criteria: APSC Corporate Plan 2016–17, page 11.]

Measure: We will trial the performance management Ripple smartphone application by December 2016 and evaluate the trial by June 2017.

Result: The Ripple app was trialled from August to December 2016, and an evaluation report is due to be finalised by December 2017.

Measure: We will work with agencies to implement contemporary approaches to performance management.

Result: The Commission met with agencies to support implementation of the principles for Optimising employee performance in the APS and sharing knowledge gained across the APS.

Increasing employee engagement and driving a reduction in APS unscheduled absences

[Source of criteria: APSC Corporate Plan 2016–17, page 11.]

Measure: Draw on research to implement a new approach to attendance management that focuses on building employee engagement. This will be undertaken by March 2017.

Result: The Commission has established an absence management forum that shares strategies and data on absence and increasing employee engagement.

Measure: We will work with agencies to refresh and simplify guidance on attendance management by March 2017.

Result: We have developed an interactive guide to managing unscheduled absences; it is published on our website.

Improving the diversity of the APS

[Source of criteria: APSC Corporate Plan 2016–17, page 12.]

Measure: Support the Secretaries Board in progressing implementation of the Commonwealth Aboriginal and Torres Strait Islander Employment Strategy, the APS Gender Equality Strategy 2016–19, and the APS Disability Employment Strategy 2016–19.

Result: Tangible steps were taken to support the three strategies. These included establishing a 2016–19 memorandum of understanding between agencies and the Commission for Indigenous employment services, supporting the APS Disability Champions Network, and developing an APS Domestic and Family Violence Framework. We support agencies in the development and implementation of their own plans and strategies.

Measure: Facilitate sharing of effective practices between agencies to help the APS progress the goals of the three strategies.

Result: We partnered with beyondblue and Comcare to establish an APS Mental Health Community of Practice. We have also established an officer-level debrief to progress the strategic objectives of the Secretaries Equality and Diversity Council and the Equality and Diversity Working Group.

Measure: Continue to work with APS disability champions and APS Indigenous champions to ensure strong leadership throughout the APS.

Result: The Commission provided secretariat and strategic direction for the APS Disability Champions Network. We have an active Indigenous champion and have worked to re-establish an Indigenous SES Network. This is a specialist strategic advisory group on Indigenous affairs. It provides advice to government on a wide range of Indigenous employment and policy matters.

Measure: Continue to update implementation guides for the three strategies, for the use of agencies.

Result: We have developed and published guidance for affirmative measures for disability and Indigenous employment.

Providing analysis and reports on APS employment trends

[Source of criteria: APSC Corporate Plan 2016–17, page 12.]

Measure: Help agencies meet workplace goals through providing comprehensive analysis of workforce trends in the annual State of the Service report, other research and evaluation reports.

Result: We continued to produce high-quality data, reporting and analysis, such as the State of the Service report. This included a number of online posts and presentations to APS staff around the country.

Measure: Use our employee databases to help the APS plan for the future workforce.

Result: We collect and make available biannual workforce data that capture the size of the APS, including engagements and separations. APS agencies use this information in their workforce planning.

Working with Commonwealth employers to improve workplace relations outcomes

[Source of criteria: APSC Corporate Plan 2016–17, page 13; PBS 2016–17, page 113.]

Measure: Partner with agencies to conclude the enterprise agreement round.

Result: We worked closely with agencies to develop new workplace agreements, providing support and advice on the application of the Australian Government's Workplace Bargaining Policy. As at 30 June 2017 a total of 109 enterprise agreements had been voted up in 103 agencies.

Measure: Introduce a program during late 2016 to improve the bargaining and workplace relations capability of agency staff.

Result: Scoping and design work on the capability program commenced, with implementation of key activities starting in 2017. Capacity-building work with individual agencies continued throughout the year.

Measure: Review our engagement strategies to provide to agencies practical guidance on policy and contemporary matters in a timely manner.

Result: We completed a review of the engagement strategies and are implementing improved arrangements as a result.

Measure: Develop a policy framework to support the next round of enterprise bargaining.

Result: We provided to government recommendations for the new policy framework. Emerging issues and lessons learnt in the bargaining round were taken into account in formulating the recommendations.

Providing professional and high-quality policy and secretariat support to the Remuneration Tribunal and the Defence Force Remuneration Tribunal in order for them to meet their statutory obligations

[Source of criterion: APSC Corporate Plan 2016–17, page 13; PBS 2016–17, page 113.]

Measure: Provide professional and high-quality policy and secretariat services.

Result: The presidents of both tribunals expressed a high degree of satisfaction with the support the Commission's Tribunals Group provided. The Remuneration Tribunal's president noted, 'The Tribunal Secretariat comprises a small number of dedicated, capable people, whose work equips the tribunal with excellent briefing, including research and recommendations across a broad spectrum of public sector remuneration, including judicial and parliamentary remuneration'.

Performance analysis—corporate goal 1

The Commission is committed to encouraging employment reform, reducing regulation and building a high-performance culture in the APS. Our first corporate goal is to enable attitude and behaviour changes service-wide, focusing on both organisational and individual performance.

Modernising the APS employment framework

The Commissioner released the new Australian Public Service Commissioner's Directions 2016 in September of the reporting year, replacing the 2013 directions. The new directions came into effect on 1 December 2016. This was the third and most substantial phase of a major review, following two earlier phases in 2015 and 2016.

The new directions modernise and streamline the APS employment framework. Agency heads greater have flexibility in managing their workforces. The changes include:

- enabling agencies to share merit lists and more easily participate in multiple-agency selection processes;
- removing unnecessary and duplicative content outlining merit requirements;
- reducing the number of employment decisions required to be notified in the *Public Service Gazette*;
- providing greater flexibility when non-ongoing employment is the most appropriate form of engagement;
- introducing a broad affirmative measure for disability employment; and extending the affirmative measure for Indigenous employment to enable short-term non-ongoing engagements.

Among initiatives was the release of an updated *Implementing Machinery of Government Changes* guide in September 2016 by the Commission in conjunction with the Department of Finance. The requirement for agencies to report on their Senior Executive Service cap numbers was changed to quarterly rather than monthly. Also work proceeded on updating and clarifying online information available to agencies.

The Commission will continue to assess the legislative framework—in particular, examining the operation and effectiveness of the 2016 directions. This will take into account the experience of agencies, including any suggestions for improvement.

In June 2016, the Commission launched Operation Free Range, a cross-government research initiative designed in collaboration with six other agencies to improve the understanding of employee mobility in the APS context. The project will focus on temporary transfers and secondments over 12 months to test the benefits, identify and understand the barriers, and make recommendations for getting more out of mobility. The aim is to better position the APS for future challenges, which will require a more responsive workforce that can temporarily move to meet project needs, peak and cyclical workforce demands and short-notice capability gaps.

In response to recommendations arising from the Unlocking Potential review, the Commission established the HR Boost project in order to learn more about how we can develop better, more strategically focused HR functions throughout the APS. One of the findings of the review was that HR management in the APS was too focused on administrative process and lacked strategic capacity. The review recommended that the APS do the following:

- ensure that HR has a seat at every agency's executive table
- assess agency HR delivery models to better align them with the needs of the business
- conduct an audit of HR skills in order to get the right capability mix.

These recommendations form the basis of the HR Boost project. A working group of eight agencies was established in late 2016. The group broadly assessed the current business models that agencies are using to deliver HR and whether there has been a change from traditional HR models. There are a number of common themes emerging around the needs of HR for effectiveness. These needs include an improved understanding of business needs, ability to predict future needs and the ability to exert influence and achieve results.

Building a culture of innovation in the APS

We continue to work with all APS agencies to foster and develop a culture of innovation, encouraging staff at all levels to understand that innovation is not necessarily an action; rather, it is a way of working. The Commission will continue to be involved in the Public Sector Innovation Network, led by the Department of Industry, Innovation and Science. We continue to showcase initiatives across the APS. We are also probing the future of work and how senior executives can best focus their agencies to respond to emerging pressures as they influence the public sector.

Driving high performance across the APS

The Commission showcased work being done by agencies to transform their employee performance frameworks. It was important to share agency knowledge and various approaches and experiences. This supported agencies in implementing the principles for optimising employee performance that the Commission released in June 2016.

In August 2016 we embarked on an experimental project to test a new smartphone app, Ripple, designed to improve employee performance. The three-month trial involved 2,000 randomly selected EL 1 employees from 30 agencies. The trial proved successful. Ripple represents an innovative, cost-effective approach to improving performance, and work is under way to evaluate the trial and to determine the next steps.

Increasing employee engagement and driving a reduction in APS unscheduled absences

An absence management forum is being used to facilitate agencies' sharing of their analytic tools and methodologies to improve the way they analyse and use their own absence data. An interactive guide developed by the APSC aims to build capacity in relation to absence management. It provides practical guidance to boost engagement and create a high-performance culture. The Commission continues to research and work with agencies to develop new material to add to the guide.

Improving the diversity of the APS

The Commission continues to work towards improving the diversity of the APS by supporting implementation of the Commonwealth Aboriginal and Torres Strait Islander Strategy; Balancing the Future: the APS Gender Equality Strategy 2016–19; and As One: Making it Happen—the APS Disability Employment Strategy 2016–19. We provide support to agencies in meeting their own diversity goals.

Implementation guides for agencies for all three strategies have been updated. This included development and publication of an APS Domestic and Family Violence Framework. We have also developed guidance relating to the Australian Public Service Commissioner's Directions 2016, introduced on 1 December 2016, which expanded the affirmative measures. In the case of Indigenous recruitment, this allowed selection of individuals for short-term non-ongoing engagements without a requirement to notify the vacancy in the Public Service *Gazette*. For disability recruitment, it created the option for agencies to identify a vacancy as open only to individuals with disability or a particular type of disability. The guidance assists agencies in implementing the expanded affirmative measures.

A new three-year memorandum of understanding between agencies and the Commission for Indigenous employment services came into effect on 1 July 2016. The MOU supports 37 participating agencies in the recruitment and retention of Indigenous Australians, as well as development of the cultural capability of employing organisations. A number of important initiatives have been introduced under the MOU to build connectedness and increase agencies' HR capability, recruit new and former Indigenous employees, and retain and advance existing Indigenous employees. The initiatives include:

- an advisory service that draws on expertise across the APS to provide independent advice to agencies on their Indigenous employment strategies and initiatives
- a streamlined whole-of-government APS Indigenous Graduate Recruitment Program, with significant enhancements made to online processes
- an Indigenous Mentoring Program, which attracted APS employees at all levels and delivered face-to-face mentor training in locations across the country.

We enabled sharing of effective strategies between agencies to promote best practice and progress our diversity goals. We partnered with Comcare and *beyondblue* to produce a 'community of practice' to help APS agencies work towards providing mentally healthy workplaces and support implementation of the Heads Up initiative. Our close involvement with the Secretaries Equality and Diversity Council also allows us to facilitate sharing between agencies. We have introduced officer-level debriefs to inform agencies' diversity officers of the outcomes of the council's meetings and facilitate communication between diversity areas throughout the APS.

We continued to provide strategic direction and secretariat support for the APS Disability Champions Network meetings, hosting four successful meetings in 2016–17.

Providing analysis and reports on APS employment trends

The Commission continued its focus on high-quality data, reporting and analysis. Through a broad range of outputs and services we provided to agencies tools to enable effective workforce planning and management, strategy development, benchmarking and evaluation.

We produced and tabled the *State of the Service* report. It is important that the state of the APS is well publicised and understood. Accordingly, the tabled report was supported by a number of online posts and presentations to APS staff around the country. We continued to produce biannual workforce data on the size of the APS, including engagements and separations. APS agencies use the data in their workforce planning. The remuneration reporting of SES and non-SES APS employees allowed for a breakdown of remuneration across the different classification levels and showed changes from year to year.

We continue to review the products we deliver to ensure the Commission is providing the information agencies need in order to analyse and report on APS employment trends.

We introduced streamlined processes to minimise the burden our data collection imposes on APS agencies. We reduced the frequency of unscheduled absence data collection from monthly to quarterly. We commenced sharing with the Department of Finance information on the size of each agency's workforce, collected as part of unscheduled absence data. This minimises duplication of effort for agencies.

An important activity for the Commission each year is the APS employee census. After extensive consultation with agencies, a number of enhancements were made to the census. The changes included asking additional questions on leadership, flexible working arrangements, diversity, corruption, bullying, wellbeing and innovation. An improved understanding of APS employees' perceptions helps ensure the APS is better placed to serve the community and respond to government demands.

The Commission worked with the project team involved in the Australia and New Zealand School of Government's Master of Public Administration program to identify the practices that support

more effective workforce planning in the APS. We have also been working with the Deputy Secretaries Working Group on Managing Workers' Compensation to determine the lead indicators of workers' compensation. The findings from this project will be used in the development of practices aimed at reducing workers' compensation premiums.

Working with Commonwealth employers to improve workplace relations outcomes

At 30 June 2017 a total of 109 workplace agreements had been voted up in 103 agencies. The Commission continued to provide detailed advice to many Commonwealth employers on legislation, policy, drafting and better practice. The aim is to ensure that workplace arrangements are consistent with government policy and lead to better workplace relations outcomes.

A Workplace Relations Capability project began in 2016. The Commission collaborated with agencies to develop a program and series of events to enhance workplace relations capability across the public service.

Significant progress was made towards completing bargaining during 2016–17. The Commission supported concurrent bargaining processes across Australian government agencies. Every agency has a unique bargaining context. This and the Commission's advice is tailored to the needs of individual agencies. Most agencies—and the majority of employees—are now covered by new enterprise agreements that are flexible and streamlined, provide sustainable wage increases, and maintain valued terms and conditions.

Providing professional and high-quality policy and secretariat support to the Remuneration Tribunal and the Defence Force Remuneration Tribunal

The Commission's Tribunals Group continued to support the work programs of both the Remuneration Tribunal and the Defence Force Remuneration Tribunal. A focus for the Remuneration Tribunal during the reporting period was its response to a number of recommendations contained in the review report *An Independent Parliamentary Entitlements System*. The Tribunals Group is working collaboratively with staff in the Department of Finance to develop supporting legislation with a view to establishing a new framework for the determination and administration of work expenses for parliamentarians.

Corporate goal 2

Build capability

Improving the leadership capability of the APS

[Source of criteria: APSC Corporate Plan 2016–17, page 14; PBS 2016–17, page 113.]

Measure: Design a strategy for building the leadership capability the APS needs to position itself for the future.

Result: The Commission engaged in broad research and consultation to understand the leadership capability that the APS needs to position itself for the future. A leadership strategy toward 2030 is due for release in 2017.

Measure: Develop leadership in the APS by providing access to best-practice leadership programs.

Result: The Commission redeveloped the SES orientation program and the SES Band 2 leadership program to ensure they continued to be best-practice leadership programs. A Women in Leadership program was piloted, offering executive-level women an opportunity to strengthen their leadership identity, presence and practice. APS employees continued to have access to the existing Executive Level 2, SES Band 1 and SES Band 3 leadership programs.

Strengthening the system by improving core and management skills

[Source of criteria: APSC Corporate Plan 2016–17, page 14; PBS 2016–17, page 113.]

Measure: Refresh the priorities for core skills development across the APS, for endorsement by March 2017.

Result: The Commission thoroughly researched and consulted in order to understand the priorities for core skills development across the APS. A core skills strategy toward 2030 is due for release in 2017.

Measure: Work with APS agencies to design a core APS induction module. This will be piloted by April 2017.

Result: The APS induction portal is due for release in the second half of 2017.

Measure: By June 2017 introduce a range of career development and learning initiatives to improve professional public service skills, with a focus on policy and regulation.

Result: The practitioner-level program APS Regulatory Practitioners and Managers was released in January 2017. Initial research into the APS policy profession is complete. Consultation with policy professionals continues and a range of development tools are being considered.

Measure: Support the development of data literacy skills by introducing an APS data literacy program by October 2016.

Result: The Data Literacy Learning Guide was published in August 2016. Work is under way to develop a suite of learning programs that align with the framework outlined in the guide.

Driving a more systematic approach to talent management

[Source of criteria: APSC Corporate Plan 2016–17, page 15.]

Measure: Support cross-APS talent councils, providing coordination and advisory services.

Result: The Commission supported the Secretaries Talent Council and the Deputy Secretaries Talent Council. Assistance and advice were provided to the cross-APS Indigenous Talent Council.

Measure: Expand the range of options available to support talent development—including immersive learning experiences and academic study.

Result: An expanded range of options is available to support talent development—including secondments and academic study.

Measure: Introduce an APS guide and toolkit for managing secondments by November 2016.

Result: The Commission released an APS guide and toolkit for managing secondments in December 2016.

Measure: Support APS agencies in implementing best-practice talent management.

Result: The Commission continued to support a Talent Working Group, bringing together practitioners from across the APS to share experiences and best practice. In the first half of 2017 an Executive Level Identification Tool was piloted in five agencies; the tool supports effective talent management with meaningful data.

Measure: Evaluate talent management initiatives.

Result: The Commission evaluates cross-APS SES talent management initiatives at the end of the relevant assessment round. In the longer term, our evaluations will reveal details of retention and movement trends and the use of talent pools to fill key future roles.

Strengthening international cooperation and partnerships in the Asia–Pacific region on behalf of the Department of Foreign Affairs and Trade

[Source of criterion: APSC Corporate Plan 2016–17, page 15.]

Measure: Undertake activities to build the public administration capacity of public servants in the Asia–Pacific region in line with the Department of Foreign Affairs and Trade’s strategic priorities.

Result: During 2016–17 the Commission successfully delivered projects aimed at improving public administration and governance in the Asia–Pacific region under the auspices of the Australian government aid program.

Performance analysis—corporate goal 2

The Commission continued to build leadership capability, improve core and management skills and embed talent management in the APS.

Improving the leadership capability of the APS

APS leadership programs continue to be upgraded to ensure that they are building the desired capability. The SES orientation program was redeveloped in late 2016 and piloted in February 2017. The program now includes a one-day simulation activity focused on SES accountability and decision making and a future scenario planning exercise. The redeveloped program is showing strong results.

A pilot of the redeveloped SES Band 2 leadership program began in November 2016 and will finish in August 2017. This program focuses on strengthening skills in systems thinking and working across boundaries. It now includes a three-day immersive activity during which participants engage with leaders in a regional community, learning about the implications of government policies at the local level.

The Commission continued to expand its leadership development offerings. In May 2017 a pilot Women in Leadership program for executive-level employees began. The program is designed to strengthen participants' leadership identity, presence and practice.

In 2016–17 we held about 50 events focused on promoting greater engagement among employees across departments and agencies and positioning the APS workforce for the future. About 4,000 employees participated in the events, which included conferences and information sharing and training sessions. The events fell into one of three streams:

- *APS-wide.* This event stream is hosted in Canberra and gives APS staff from all levels an opportunity to hear from and engage with high-profile public and private sector executives. The aim is to give staff exposure to experiences and insights and create new networks that will help grow and support future leaders in the APS.
- *Graduates.* This stream hosts four events for APS graduates each calendar year. The events focus on building knowledge of current APS concerns, collaborating to identify solutions and establishing strong networks with colleagues from other departments and agencies. In 2017 we hosted our second successful GradHack. Graduates worked in small teams with people they did not know to 'hack out' a solution to a real APS challenge and pitch it to executives within a three-hour period.
- *The Australian Government Leadership Network.* The network focuses on engagement of APS staff located outside Canberra and provides opportunities for staff in regional offices to network through events and a conference series. The conference series is a day-long event in each state capital city. In 2017 the Commission also introduced a conference in Townsville. The purpose of the conferences is to provide a forum for leaders in the APS to exchange ideas, hear from prominent speakers, share knowledge and contribute to the development of public sector initiatives. Connections events are hosted in each state capital city and provide an opportunity for small groups of APS staff to hear from SES representatives about priorities and initiatives across the APS.

Strengthening the system by improving core and management skills

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.

During 2016–17 the Commission continued to provide a range of core and management skills programs, delivering 184 core skills programs to the APS. Evaluation data showed consistently high results for the value and relevance of the programs, with capability shifts ranging from 15 to 60 per cent across the range of programs.

To date 29 core skills learning programs have been developed for use by agencies. A biennial review program has been implemented, and 10 core skills programs were reviewed and updated for currency and continuous improvement in 2016–17.

Core skills program materials continue to be available to agencies on Govdex. The agencies have a range of options for delivering programs, including obtaining quality-assured providers from the Commission's Learning and Development Panel.

Driving a more systematic approach to talent management

The Commission is supporting talent management throughout the APS, including by providing support for the Secretaries Talent Council and the Deputy Secretaries Talent Council. This work is creating a diverse pipeline of future leaders for crucial roles in the APS. Those seen to have the greatest potential are supported in gaining access to development opportunities—including targeted mobility and job experiences designed to accelerate development.

At a system level, the Commission continued working to change thinking from talent development to talent management. In 2016–17 an Executive Level Identification Tool was piloted in six agencies. The tool supports effective talent management by providing meaningful data on which to base decisions. The Commission is working with agencies to determine the best approach for introducing use of the tool—including assessing organisational readiness for talent discussions and considering how the tool might complement other agency talent management initiatives.

Strengthening international cooperation and partnerships in the Asia-Pacific region on behalf of the Department of Foreign Affairs and Trade

On behalf of the Department of Foreign Affairs and Trade, during 2016–17 the Commission continued to work to strengthen public administration and governance in the Asia-Pacific region.

It supported the Indonesian Government with the implementation of its 2014 Civil Service Law and hosted a one-month visit to Australia by two Indonesian officials and two one-week visits by senior delegations. We also delivered merit selection workshops in Indonesia for more than 150 officials who sit on SES selection panels.

In November 2016 the APS Commissioner visited Jakarta, where he discussed public sector reform priorities in Australia and Indonesia with the Indonesian Vice-President and Minister for Bureaucratic Reform and delivered the keynote address at a dialogue on bureaucratic reform for 150 senior government officials at the vice-presidential palace.

In Papua New Guinea the Commission worked with the Department of Personnel Management to strengthen high-level engagement and information sharing between the two organisations and provided support for PNG's hosting of the annual Pacific Public Service Commissioners' Conference. We also partnered with CIT Solutions to design and deliver a Diploma of Government to 40 PNG public service leaders from national and provincial levels of government. Additionally, we delivered a Diploma of Training Design and Development to eight staff in the PNG Institute

of Public Administration to improve the organisation's internal design and develop appropriate, targeted training. Further technical support was provided to increase compliance within the institute and to assist in the development of a new suite of training products for the PNG Public Service.

In Samoa the Commission delivered a workshop to plan the implementation of machinery-of-government changes and contributed to a forum for public sector chief executive officers, helping to progress the Samoan Prime Minister's public service reform agenda.

We hosted 13 delegations from 11 different countries during the reporting year.

Reviewing capability

The Commission completed a 'health check' of the Department of Health at the start of 2016–17. Robyn Kruk was engaged to lead the health check and identify changes in the department's organisational capability since the original capability review was conducted in 2014. The health check was conducted over eight weeks, with a team jointly staffed by the Commission and the department. The final report on the check provided valuable information about the department's success in implementing change since the original review and the areas warranting continuing attention.

Corporate goal 3

Promote integrity and accountability

Providing leadership to the APS on integrity

[Source of criteria: APSC Corporate Plan 2016–17, page 16.]

Measure: Support the Integrity Agencies Group to ensure that integrity is embedded in the conduct and values of employees. This includes identifying gaps in existing arrangements for dealing with integrity risks.

Result: The Integrity Agencies Group met twice during 2016–17, with support provided by the APSC. Topics discussed included fraud against the Commonwealth, problems and irregularities in government procurement practices, and testing of employees using an insider threat tool.

Measure: Publish practical tools to help managers identify and deal with behaviours that could pose risks to integrity by March 2017.

Result: In November 2016 the Commission published *Managing Integrity Risks in the Workplace: a Toolkit*.

Measure: Establish a dedicated online presence on the APSC's website, providing easy access to relevant information and promoting the value of acting with integrity.

Result: The Integrity in the APS webpage is a separate area on the Commission's website. It provides links to relevant legislation and integrity standards such as the APS Values and Code of Conduct. It also offers a mechanism for APS employees and others to ask questions on the APS Values and Code of Conduct, with de-identified questions and answers posted on the webpage.

Performance analysis—corporate goal 3

The Commission published *Managing Integrity Risks in the Workplace: a Toolkit* in November 2016. The toolkit is designed to help APS managers identify and deal with workplace behaviours that could pose integrity risks. It does not focus on misconduct; rather, it takes a broad view of integrity and how this quality is fostered in a workplace. It recognises that risks to integrity often come from accidental or thoughtless actions or are the result of inexperience or inadequate policies. The toolkit is a web-based publication that provides tools and resources, information sheets and case studies. It was designed to complement current integrity publications by other agencies.

In November 2016 the Commission consulted with APS agencies and employees as part of a review of our guidance on use of social media and making public comments. Among other things, this review involved the publication of a discussion paper and creation of a dedicated webpage to support consultation with APS agencies and employees. Submissions were received from 15 agencies and 123 employees. In response to the review, revised guidance will be issued in 2017–18. This will include advice targeted directly at the responsibilities of employees and a policy template for agencies.

The Integrity webpage provides answers to employees' questions as well as links to useful information and guidance material. It is also used to publish short articles on matters relating to public service ethics—for example, conflict of interest, reporting misconduct, applying for jobs in the APS, disclosing information, and reasonable personal use of work IT.

The Ethics Advisory Service received 339 contacts during 2016–17. Numbers were slightly down on the previous year for all categories of query except those concerning management of information. Queries in this area increased from 18 in 2015–16 to 28 in 2016–17. This could be a result of some significant privacy breaches in previous years that raised awareness of data security and privacy in relation to Commonwealth record keeping.

Portfolio Budget Statements key performance indicators 2016–17

The foregoing sections describe the performance activities and measures the Commission engaged in during 2016–17 under the goals set out in the Corporate Plan.

The following are the results for three key performance indicators in the PBS 2016–17 that were not accommodated through the Corporate Plan.

Program 1.1

Measure: Degree of satisfaction of the Minister, heads of entities and other clients, as expressed through feedback about the quality and timeliness of services and advice provided by the Commission.

Result: Very good.

Measure: Number of reviews, excluding promotion reviews, finalised on behalf of the Merit Protection Commissioner. [Note that the Merit Protection Commissioner's annual report discusses the performance of the review function against timeliness targets and measures taken to respond to challenges in meeting targets.]

Result: One hundred and eighty-five.

Measure: Percentage of reviews conducted on behalf of the Merit Protection Commissioner completed within published timeframes. [Note that this too is discussed in the Merit Protection Commissioner's report.]

Result: Ninety-one per cent.

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 2016–17. Actions designed to deliver the outcomes are detailed in the Commission's Corporate Plan 2016–17, group business plans and individual performance agreements.

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 the financial management of the Commission.

Ernst & Young was responsible for the internal audit function in 2016–17. Four audit reviews were completed—payroll, the Commonwealth Indigenous Employment Strategy, business continuity management, and third party risk management.

Compliance and accountability

The Commission conducts an annual review of its compliance with the financial management and accountability framework. The results of the 2016–17 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 our day-to-day work. New starters at the Commission receive clear guidance about expectations in this regard.

External scrutiny

In 2016–17 the Auditor-General reported on operations of the Commission in relation to controls over credit card use.

In November 2016 the Senate Education and Employment References Committee tabled a report on the government's APS workplace bargaining policy. The committee made 17 recommendations arising from its inquiry into the impact of the Government's workplace bargaining policy and approach to Commonwealth public sector bargaining.

There were no reports by parliamentary committees, the Commonwealth Ombudsman or the Australian Information Commissioner involving the Commission in the reporting year.

Reports of general application are considered by the Commission's Audit and Risk Management Committee.

No judicial decisions or decisions of administrative tribunals in 2016–17 had a significant impact on the Commission's operations.

People management

Staff profile

The size of the Commission's workforce decreased by 1.4 per cent in 2016–17—to 207 employees, excluding employees engaged on an irregular or intermittent basis. Ninety-five per cent of the Commission's workforce is based in Canberra. Of the entire Commission workforce, 71 per cent are women, 79 per cent work full-time, and 94 per cent are ongoing employees. Women make up 88 per cent of the part-time workforce. Appendix B provides detailed information about the Commission's workforce.

Succession planning

The Commission continued to consider its future staffing 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 within the coming five years, the majority are at the executive level. Recruitment activity in 2016–17 continued to focus on filling key positions that directly contribute to the Commission's ability to achieve its strategic goals. One strategy the Commission adopted in order to achieve this was, for the first time in several years, to implement a Graduate Recruitment Program to find, develop and retain graduates with relevant skills and qualifications.

The Commission continues to use streamlined recruitment processes designed to identify the best applicants in a fair, transparent and efficient manner.

Leave management

The average use of personal leave with pay—including sick, carers and emergency leave—was 9.8 days per employee in 2016–17; this compares with 10.8 days in 2015–16.

Workforce diversity

In 2016–17 the Commission continued to maintain its strong record in workforce diversity. It implemented a new Gender Equality Action Plan that aligns with the APS Gender Equality Strategy. The plan focuses on increasing flexibility, capability, identity and working in partnership with other agencies. We continued to engage with the Disability and Carers Employee Network on the implementation of the Disability Action Plan and also launched an LGBTI network during 2016–17.

The Reconciliation Action Plan

The Commission conducted a range of activities in support of its commitment to reconciliation and its own cultural capability journey. The activities were facilitated by the Reconciliation Action Plan Working Group.

The Core Cultural Learning e-learning course, which encourages respect for and understanding of Aboriginal and Torres Strait Islander peoples and cultures, was made available to all staff. The working group also issued ‘acknowledgement of country’ cards to Commission staff in order to facilitate the widest possible adoption of this practice when meetings and other events are being opened.

A broad range of activities were arranged to celebrate National Reconciliation Week and NAIDOC Week, including the 15th annual APS NAIDOC Week Touch Football Carnival. A highlight for 2016–17 was the NAIDOC Week block party, which was held in conjunction with other APS agencies in the Woden area. The party was well attended and raised funds for the Indigenous Literacy Foundation.

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 operation on 29 July 2015. Three non-SES Commission employees had individual flexibility arrangements approved during 2016–17 and 11 section 24(1) determinations apply 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 place 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

Classification	2014–15 (\$'000)	2015–16 (\$'000)	29 July 2016 to 30 June 2017 (\$'000)
APS 1–2	41–53	42–54	42–54
APS 3–4	55–66	56–66	57–67
APS 5	68–74	69–76	70–77
APS 6	77–84	79–85	80–87
EL 1	94–108	96–110	97–112
EL 2	118–132	120–135	122–137
SES 1	169–200	172–204	172–204
SES 2	218–227	222–232	222–240
SES 3	285–324	291–330	291–330

Performance management

The Commission implemented a new approach to performance management. Called Taking Time to Talk, it places greater emphasis on employees and managers having regular, meaningful performance conversations. This approach is supported by an online portal on the Commission's intranet that provides support and further information for employees.

Australia Day awards

At the Commission's 2017 Australia Day awards ceremony Naomi Buckley, Caroline Davidson, Donna Tait and the Ripple team from the APS Reform Group received awards for their outstanding work and dedicated service to the Commission during the year.

Information and communications technology

In the reporting year the Commission continued to deliver on its 2016–2019 ICT Strategy. This included using the Digital Service Standard for new developments—including for the APSjobs replacement project. In keeping with broader government and general technology directions, we also provided more mobile technology to our staff and increasingly adopted software as a service (SaaS) business systems instead of on-premise systems.

We continued to receive ICT infrastructure services through the Employment and Education shared services centre.

Website enhancements

During the reporting year the Commission launched an updated version of the Merit Protection Commission website, meritprotectioncommission.gov.au. The updated website offers a clearer layout and is easier to navigate.

Document and records management

In 2016–17 the Commission maintained its document and records management system and provided training and support for users. We are participating in the development of the whole-of-government digital records platform aimed at improving the efficiency and effectiveness of digital records management in the APS.

Financial performance

This section summarises the Commission's financial performance during 2016–17. More detail is available in Part 4, which includes the independent auditor's report and the Commission's audited financial statements for the year ended 30 June 2017.

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 2016–17 was \$41.1 million. Government appropriation accounted for 49.4 per cent of this; non-appropriation income accounted for the remainder. Table 3 shows the Commission's income since 2014–15. Table 4 details income sources since 2014–15.

As is evident, appropriation funding decreased from \$20.6 million in 2015–16 to \$20.3 million in 2016–17; this was a result of the impact of the efficiency dividend.

Table 3: Total income, by source, 2014–15 to 2016–17

Source	2014–15 (\$ million)	2015–16 (\$ million)	2016–17 (\$ million)
Appropriation	21.6	20.6	20.3
Non-appropriation	22.8	21.9	20.8
Total	44.4	42.5	41.1

Table 4: Proportion of total income by source, 2014–15 to 2016–17

Source	2014–15 (per cent)	2015–16 (per cent)	2016–17 (per cent)
Appropriation	48.7	48.5	49.4
Non-appropriation	51.3	51.5	50.6

Table 5 shows the non-appropriation income the Commission received from sales of goods and the rendering of services in 2015–16 and 2016–17. Table 6 shows the proportion of non-appropriation income the Commission received from sales of goods and services in 2015–16 and 2016–17.

Table 5: Non-appropriation income received, by source, 2015–16 and 2016–17

Source	2015–16 actual (\$ million)	2016–17 estimate (\$ million)	2016–17 actual (\$ million)
Learning and development	14.0	12.0	12.9
Employment services	1.8	1.8	1.8
International assistance	3.3	2.9	2.3
Workplace relations	1.4	1.2	1.7
Better practice and evaluation	0.9	1.8	1.7
Capability reviews	0.3	0.1	0.1
Other	0.2	0.1	0.3
Total	21.9	19.9	20.8

Table 6: Proportion of non-appropriation income received, by source, 2015–16 and 2016–17

Source	2015–16 (per cent)	2016–17 (per cent)
Learning and development	64	62
Employment services	8	9
International assistance	15	11
Workplace relations	7	8
Better practice and evaluation	4	8
Capability reviews	1	0
Other	1	2

Income from learning and development programs amounted to \$12.9 million in 2016–17 and accounted for 31 per cent of the Commission's total income from all sources. This compares with \$14.0 million in 2015–16.

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 2016–17 was the first year of a three-year funding agreement to support leadership and learning services and the remuneration survey. The Commission received \$3.4 million from 49 government entities, accounting for 16 per cent of non-appropriation income. This compares with \$3.3 million from 50 government entities in 2015–16, accounting for 15 per cent of non-appropriation income for that year.

The Commission recorded an operating surplus of \$0.5 million in 2016–17. A deficit of \$0.9 million was recorded in 2015–16. Excluding the impact of depreciation expenses, the Commission's underlying operating surplus in 2016–17 was \$1.5 million.

The Commission incurred restructuring costs of \$0.6 million in 2016–17 compared with \$1.0 million in 2015–16. The 2016–17 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 2016–17 amounted to \$63.2 million compared with \$60.2 million in 2015–16. The increase in payments was a result of the impact of the 2016 federal election.

Payments made are reported in note 4.1c to the Commission's financial statements.

Asset management

The Commission manages non-financial assets with a gross value of \$8.6 million. This is an increase of \$1.0 million on 2015–16 because of investment in software and the beginning of office fit-out works. All assets the Commission owns, including IT assets, are subject to an annual stocktake to verify the accuracy of asset 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 undertaken 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 activities, as well as operational guidelines to support staff in assessing the risks associated with their projects. The Commission published its procurement plan for 2016–17 on the AusTender website —www.tenders.gov.au.

Consultants

The Commission engages consultancy services when particular expertise 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 2016–17 the Commission entered into 28 new consultancy contracts involving total expenditure of \$0.7 million compared with 22 contracts totalling \$0.3 million in 2015–16. Seven ongoing consultancy contracts were active during 2016–17, involving total actual expenditure of \$0.2 million compared with four contracts totalling \$0.3 million in 2015–16.

Information on the value of contracts and consultancies for 2016–17 is available through the AusTender website. The Commission's standard-form contracts for services and consultancies allow for access by the Auditor-General.

Table 7 details our expenditure on consultancy contracts from 2013–14 to 2016–17.

Table 7: Expenditure on consultancy contracts, 2013–14 to 2016–17

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)
2013–14	34	17	521	389	910
2014–15	38	10	460	524	984
2015–16	22	4	315	305	620
2016–17	28	7	663	228	891

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 2016–17 are available on the Department of Finance website—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 of up to \$10,000, to facilitate on-time payment.

Exempt contracts

The Commissioner may direct that contract details 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 2016–17.

Outlook for 2017–18

The Commission has introduced refreshed strategic priorities for 2017–18. 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 2017–18 Corporate Plan sets out the Commission's strategic priorities and deliverables, as well as its key activities and measures, for the period 2017–18 to 2020–21. 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 increase from \$20.3 million in 2016–17 to \$22.8 million in 2017–18. This is a consequence of temporary budget funding of \$2.8 million for building digital capability in partnership with the Digital Transformation Agency.

Underlying funding is to reduce by \$0.3 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 Parliamentarians' and Judicial Office Holders' Remuneration and Entitlements program are expected to increase to \$65.4 million in 2017–18 as a result of the regular annual review of remuneration.

4

Financial statements

Australian Public Service Commission 2016–17 financial statements

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INDEPENDENT AUDITOR'S REPORT

To the Minister Assisting the Prime Minister for the Public Service

Opinion

In my opinion, the financial statements of the Australian Public Service Commission for the year-ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Australian Public Service Commission as at 30 June 2017 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 2017 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 and forming part of the financial statements, comprising significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Australian Public Service Commission in accordance with the relevant ethical requirements for financial statements 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* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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 matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

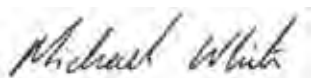
My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that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

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

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

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

Australian National Audit Office



Michael White
Executive Director

Delegate of the Auditor-General

Canberra
21 September 2017

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 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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



John Lloyd PSM
Australian Public Service Commissioner

20 September 2017



Warren Rushby FCPA
Chief Financial Officer

20 September 2017

Australian Public Service Commission
Statement of Comprehensive Income
for the period ended 30 June 2017

		2017	2016	2017
	Notes	\$'000	\$'000	Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1a	26,119	27,334	26,189
Suppliers	1.1b	13,007	14,993	13,876
Depreciation and amortisation	3.2a	1,229	1,060	1,260
Finance costs		5	10	11
Write-down and impairment of assets	1.1c	254	-	-
Losses from asset sales		-	7	-
Total expenses		40,614	43,404	41,336
Own-source Income				
Own-source revenue				
Sale of goods and rendering of services	1.2a	20,765	21,850	19,830
Resources received free of charge	1.2b	43	42	43
Total own-source revenue		20,808	21,892	19,873
Gains				
Sale of assets		4	-	-
Reversals of previous asset write-downs and impairments		-	5	-
Total gains		4	5	-
Total own-source income		20,812	21,897	19,873
Net cost of services		(19,802)	(21,507)	(21,463)
Revenue from Government	1.2c	20,334	20,638	20,341
Surplus/(Deficit)		532	(869)	(1,122)

Australian Public Service Commission
Statement of Comprehensive Income
for the period ended 30 June 2017

		2017	2016	2017
	Notes	\$'000	\$'000	Budget \$'000
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus	3.2a, 3.4a	(1,136)	695	-
Total other comprehensive income		(1,136)	695	-
Total comprehensive income/(loss)		(604)	(174)	(1,122)

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

Budget variances commentary

Explanation of major variances	Affected line items
Supplier expenses are lower than budget due to a revision to the timing and amount of operating lease expenses.	Suppliers \$869,000 lower than budget
Sale of goods and rendering of services is higher than budget as the budget planned for a larger reduction in revenue for learning and development activities than what actually occurred.	Sale of goods and rendering of services \$935,000 higher than budget

Australian Public Service Commission
Statement of Financial Position
as at 30 June 2017

		2017	2016	2017
	Notes	\$'000	\$'000	Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents		894	1,075	450
Trade and other receivables	3.1a	21,975	24,831	26,772
Total financial assets		22,869	25,906	27,222
Non-financial assets				
Building leasehold Improvements	3.2a	823	1,949	1,506
Plant and equipment	3.2a	465	934	751
Intangibles	3.2a	1,218	1,069	1,316
Inventories		46	48	39
Prepayments paid	3.2b	560	565	463
Total non-financial assets		3,112	4,565	4,075
Total assets		25,981	30,471	31,297
LIABILITIES				
Payables				
Suppliers	3.3a	2,631	5,504	6,673
Prepayments received	3.3b	4,586	4,924	7,377
Lease incentives	3.3c	28	600	437
Other payables	3.3d	368	758	-
Total payables		7,613	11,786	14,487
Provisions				
Employee provisions	5.1a	7,095	7,380	6,876
Provision for restoration obligations	3.4a	285	280	412
Total provisions		7,380	7,660	7,288
Total liabilities		14,993	19,446	21,775
Net assets		10,988	11,025	9,522

Australian Public Service Commission
Statement of Financial Position
as at 30 June 2017

		2017	2016	2017
	Notes	\$'000	\$'000	Budget
				\$'000
EQUITY				
Contributed equity		1,775	1,208	1,775
Asset revaluation surplus		763	1,899	1,204
Retained surplus		8,450	7,918	6,543
Total equity		10,988	11,025	9,522

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 holding a lower level of appropriation receivable arising from earlier than planned payment of suppliers and lower levels of revenue received in advance from customers.	Trade and other receivables \$4,797,000 lower than budget
Suppliers payable are lower than budget due to a reduction in operating lease rental payable and earlier invoicing than planned from some suppliers.	Suppliers payable \$4,042,000 lower than budget
Prepayments received are lower than budget due to less revenue received in advance from other government entities.	Prepayment received \$2,791,000 lower than budget

Australian Public Service Commission
Statement of Changes in Equity
for the period ended 30 June 2017

	2017 \$'000	2016 \$'000	2017 Budget \$'000
CONTRIBUTED EQUITY / CAPITAL			
Opening balance	1,208	791	1,208
Contributions by owners			
Departmental capital budget	567	417	567
Closing balance	1,775	1,208	1,775
RETAINED SURPLUSES			
Opening balance	7,918	8,787	7,665
Comprehensive income			
Surplus/(deficit) for the period	532	(869)	(1,122)
Closing balance	8,450	7,918	6,543
ASSET REVALUATION SURPLUS			
Opening balance	1,899	1,204	1,204
Comprehensive income			
Other comprehensive income	(1,136)	695	-
Closing balance	763	1,899	1,204
TOTAL EQUITY			
Opening balance	11,025	10,782	10,077
Comprehensive income			
Surplus/(deficit) for the period	532	(869)	(1,122)
Other comprehensive income	(1,136)	695	-
Total Comprehensive income	(604)	(174)	(1,122)
Contributions by owners			
Departmental capital budget	567	417	567
Closing balance	10,988	11,025	9,522

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 2017

		2017	2016	2017
	Notes	\$'000	\$'000	Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		22,942	23,683	20,341
Sale of goods and rendering of services		20,880	20,347	19,830
Net GST received		1,235	1,261	1,509
Other cash received		869	1,067	754
Total cash received		45,926	46,358	42,434
Cash used				
Employees		27,481	27,915	26,189
Suppliers		18,139	17,022	15,605
Section 74 receipts transferred to OPA		-	1,000	-
Other cash used		119	482	-
Total cash used		45,739	46,419	41,794
Net cash from / (used by) operating activities		187	(61)	640
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		260	249	257
Purchase of intangibles		680	414	950
Total cash used		940	663	1,207
Net cash used by investing activities		(935)	(663)	(1,207)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		567	417	567
Total cash received		567	417	567
Net cash from financing activities		567	417	567

Australian Public Service Commission
Cash Flow Statement
for the period ended 30 June 2017

		2017	2016	2017
	Notes	\$'000	\$'000	Budget \$'000
Net increase/(decrease) in cash held		(181)	(307)	-
Cash and cash equivalents at the beginning of the reporting period		1,075	1,382	450
Cash and cash equivalents at the end of the reporting period		894	1,075	450

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.	Appropriations \$2,601,000 higher than budget
Payments to suppliers are higher than budget due to higher levels of income generating activity than planned and earlier invoicing from suppliers.	Suppliers \$2,534,000 higher than budget

Australian Public Service Commission
Administered Schedule of Comprehensive Income
for the period ended 30 June 2017

		2017	2016	2017
	Notes	\$'000	\$'000	Budget
				\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	2.1a	63,215	60,190	64,404
Total expenses		63,215	60,190	64,404
Net cost of services		(63,215)	(60,190)	(64,404)
Total comprehensive loss		(63,215)	(60,190)	(64,404)

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 within 2 per cent of budget.	Employee benefits \$1,189,000 lower than budget

Australian Public Service Commission Administered Reconciliation Schedule

	Notes	2017 \$'000	2016 \$'000
Opening assets less liabilities as at 1 July		-	-
Net cost of services			
Expenses			
Payments to entities other than corporate Commonwealth entities		(63,215)	(60,190)
Transfers from the Australian Government			
Appropriation transfers from Official Public Account			
Special appropriations (unlimited)			
Payments to entities other than corporate Commonwealth entities	4.1c	63,215	60,190
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 2017

	2017	2016	2017
	\$'000	\$'000	Budget
			\$'000
OPERATING ACTIVITIES			
Cash used			
Employees	63,215	60,190	64,404
Total cash used	63,215	60,190	64,404
Net cash used by operating activities	(63,215)	(60,190)	(64,404)
Net decrease in cash held	(63,215)	(60,190)	(64,404)
Cash and cash equivalents at the beginning of the reporting period	-	-	-
Cash from Official Public Account			
Appropriations	63,215	60,190	64,404
Total cash from Official Public Account	63,215	60,190	64,404
Cash and cash equivalents at the end of the reporting period	-	-	-

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

Budget Variances Commentary

Explanation of major variances	Affected line items
Payments are within 2 per cent of budget.	Employees \$1,189,000 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.

Contingent assets and liabilities

The APSC had no quantifiable or unquantifiable contingent assets or liabilities as at 30 June 2017 (2016: nil).

Australian Public Service Commission

Notes to the financial statements

Taxation

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

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.

Contingent assets and liabilities

The APSC had no quantifiable or unquantifiable administered contingent assets or liabilities as at 30 June 2017 (2016: nil).

Breach of section 83 of the Constitution

The possibility of breaches of section 83 of the Constitution for the APSC's administered payments was investigated and confirmed in prior years. In order to reduce the risks of non-compliance to an acceptable low level, changes were made to the *Remuneration Tribunal Act 1973* which were enacted on 28 May 2013.

Reviews conducted by drawing entities identified that no payments (2016: No payments) were made without legal authority in contravention of section 83 of the Constitution for payments reported under the *Remuneration Tribunal Act 1973*.

Events After the Reporting Period

After 30 June 2017, a lease for office accommodation for \$9.7 million over 5 years was transferred to the Department of Social Services. This transfer took effect from 21 August 2017. There were no other 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 2017.

Note 1.1: Expenses

	2017	2016
	\$'000	\$'000
Note 1.1a: Employee benefits		
Wages and salaries	19,657	19,952
Superannuation		
Defined contribution plans	1,559	1,415
Defined benefit plans	2,085	2,317
Leave and other entitlements	2,220	2,665
Separation and redundancies	598	984
Total employee benefits	26,119	27,334

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	810	665
Contractors	6,337	6,435
Travel	815	962
Venue hire and catering	803	846
Training	621	514
Information and communications technology	2,145	2,019
Facilities expense	139	110
Other goods and services	312	520
Total goods and services supplied or rendered	11,982	12,071

Other suppliers

Operating lease rentals	612	2,609
Worker compensation expenses	413	301
Total other suppliers	1,025	2,922
Total suppliers	13,007	14,993

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. One office accommodation lease agreement has payments that are subject to a rent review. For all three accommodation leases, the initial period of office accommodation are still current and these leases do not have renewal or purchase options.

The APSC moved its head office in August 2017. An existing lease commitment for office accommodation for \$9.7 million over 5 years was transferred, with effect from 21 August 2017, to the Department of Social Services. For the new office accommodation, a commitment of approximately \$11.5 million over 10 years will be entered. Lease details were still under negotiation with the landlord as at the time of signing the financial statements.

	2017 \$'000	2016 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	2,293	2,542
Between 1 to 5 years	8,608	9,360
More than 5 years	-	1,512
Total operating lease commitments	10,901	13,414

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 income

	2017	2016
	\$'000	\$'000
<u>Own-source revenue</u>		
Note 1.2a: Sale of goods and rendering of services		
Sale of goods	5	5
Rendering of services	20,760	21,845
Total sale of goods and rendering of services	20,765	21,850

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	43	42
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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

Note 1.2c: Revenue from Government

Appropriations

Departmental appropriations	20,334	20,638
Total revenue from Government	20,334	20,638

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

	2017	2016
	\$'000	\$'000
Employee benefits		
Wages and salaries	63,215	60,190
Total employee benefits	63,215	60,190

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

	2017	2016
	\$'000	\$'000
Trade and other receivables		
Goods and services	1,149	1,447
Appropriation receivable	20,372	22,980
GST receivable from the Australian Taxation Office	455	405
Total trade and other receivables (gross)	21,976	24,832
Less impairment allowance - Goods and services	(1)	(1)
Total trade and other receivables (net)	21,975	24,831

Credit terms for goods and services are within 30 days (2016: 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)	(6)
Amounts written off	1	-
Amounts recovered and reversed	-	6
(Increase)/decrease recognised in net cost of services	(1)	(1)
Closing balance	(1)	(1)

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, equipment and intangibles

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2017

	Buildings - Leasehold improvements	Plant and equipment	Intangibles - Computer software	Intangibles - Intellectual property	Total
2017	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2016					
Gross book value	1,949	1,584	3,239	801	7,573
Accumulated depreciation and impairment	-	(650)	(2,170)	(801)	(3,621)
Total as at 1 July 2016	1,949	934	1,069	-	3,952
Additions – by purchase	494	69	611	-	1,174
Revaluations and impairments recognised in other comprehensive income	(936)	(201)	-	-	(1,137)
Revaluations and impairments recognised in net cost of services	(253)	-	-	-	(253)
Depreciation	(431)	(336)	(462)	-	(1,229)
Disposals	-	(1)	-	-	(1)
Total as at 30 June 2017	823	465	1,218	-	2,506
Total as at 30 June 2017 represented by					
Gross book value	2,442	1,622	3,850	707	8,621
Accumulated depreciation and impairment	(1,619)	(1,157)	(2,632)	(707)	(6,115)
Total as at 30 June 2017	823	465	1,218	-	2,506

Property, plant, equipment and intangibles were assessed for impairment as at 30 June 2017. An impairment loss of \$1,390,000 was identified (2016: nil). \$1,136,000 of this impairment was charged as a decrease to reserves, as it reverses a previous revaluation increment, with the remainder recognised as an impairment expense. \$274,000 of property, plant, equipment and intangibles are expected to be disposed of within the next 12 months (2016: nil).

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 the 2016-17 financial year (2016: Australian Valuation Solutions conducted a revaluation of leasehold improvements). There was no revaluation increment (2016: increment of \$570,000 leasehold improvements). All increments and decrements, to the extent that they reverse a previous increment, are transferred to the asset revaluation surplus by asset class and included in the equity section of the statement of financial position. No decrements due to revaluation were expensed in 2017 (2016: nil).

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

There are two significant contractual commitments for the acquisition of property, plant and equipment with a total future value \$5,002,000 (2016: no significant contractual commitments).

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.

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 surplus 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:

Asset class	2017	2016
Leasehold improvements	Expected lease term	Lease term
Property, plant and equipment	1 to 13 years	1 to 13 years

Impairment

All assets were assessed for impairment at 30 June 2017. 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 (2016: 2 to 10 years).

All intangible assets were assessed for impairment as at 30 June 2017.

Note 3.2b: Prepayments paid

	2017	2016
	\$'000	\$'000
Prepayments paid		
Suppliers	560	565
Total prepayments paid	560	565

No indicators of impairment were found for prepayments paid.

Australian Public Service Commission

Notes to the financial statements

Note 3.3: Payables

	2017	2016
	\$'000	\$'000
Note 3.3a: Suppliers		
Trade creditors and accruals	2,441	3,808
Operating lease rentals	190	1,696
Total suppliers	2,631	5,504
Note 3.3b: Prepayments received		
Rendering of services	4,586	4,924
Total prepayments received	4,586	4,924
Note 3.3c: Lease incentives		
Operating lease rentals	28	600
Total lease incentives	28	600
Note 3.3d: Other payables		
Wages and salaries	153	79
Superannuation	26	14
Separations and redundancies	109	575
Other	80	90
Total other payables	368	758

Accounting policy

Supplier 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 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.

The wages and salaries payable and superannuation payable represent outstanding contributions for 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.

Australian Public Service Commission

Notes to the financial statements

Note 3.4: Other provisions

Note 3.4a: Provision for restoration obligations

	2017	2016
	\$'000	\$'000
As at 1 July	280	401
Amounts reversed	-	(131)
Unwinding of discount or change in discount rate	5	10
Total as at 30 June	285	280

The APSC currently has two (2016: 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 (2015-16: restoration obligations were decreased by \$125,000, with this change taken to the asset revaluation reserve).

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')

	2017	2016
	\$'000	\$'000
Departmental		
Appropriation Act		
Ordinary annual services ¹	20,341	20,647
Capital Budget ²	567	417
Total Appropriation Act	20,908	21,064
PGPA Act		
Section 74 receipts	21,717	21,370
Total PGPA Act	21,717	21,370
Total Appropriation	42,625	42,434
Appropriation applied (current and prior years)	(45,381)	(44,857)
Variance ³	(2,756)	(2,422)

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.

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.

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

3. 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.

The variance in 2016 occurred due to the operating result excluding non-cash depreciation expense (see note 4.2) and a decrease in 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')

	2017	2016
	\$'000	\$'000
Departmental		
<i>Appropriation Act (No. 1) 2013-14</i> ¹	38	38
<i>Appropriation Act (No. 1) 2014-15</i> ²	13	13
<i>Appropriation Act (No. 1) 2015-16</i>	9	24,315
<i>Supply Act (No. 1) 2016-17</i>	8,475	-
<i>Appropriation Act (No. 1) 2016-17</i>	13,068	-
Total departmental	21,603	24,366

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 repeal date for this appropriation is yet to be determined.

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 lapses on 1 July 2017.

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

	Appropriation applied	
	2017	2016
Authority	\$'000	\$'000
Administered		
<i>Remuneration Tribunal Act 1973 – section 7(13)</i> ¹	63,215	60,190
<i>Remuneration and Allowances Act 1990 – section 8</i> ²	-	-
Total special appropriations applied	63,215	60,190

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.

2. Due to amendments made in 2011 to the *Remuneration Tribunal Act 1973*, from 15 March 2012 payments are no longer made under the *Remuneration and Allowances Act 1990*.

Australian Public Service Commission
Notes to the financial statements

Note 4.2: Net cash appropriation arrangements

	2017	2016
	\$'000	\$'000
Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations	311	570
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(915)	(744)
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	(604)	(174)

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

	2017 \$'000	2016 \$'000
Employee provisions		
Leave	7,095	7,380
Total employee provisions	7,095	7,380

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 2017. 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:

	2017	2016
	\$	\$
Short-term employee benefits	1,486,003	1,315,532
Post-employment benefits	156,139	140,452
Other long-term benefits	198,334	123,069
Total key executive remuneration expenses¹	1,840,476	1,579,053

The total number of key management personnel that are included in the above table are 4 (2016: 4).

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 and 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.

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

- Shared services for information communications technology was provided by the Shared Services Centre from 1 July to 30 November 2016 and the Department of Employment from 1 December 2016 to 30 June 2017 (total value \$1,484,000).

Other than the remuneration disclosed in note 5.2, there were no significant transactions with Key Management Personnel.

Australian Public Service Commission

Notes to the financial statements

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	2017 \$'000	2016 \$'000
Financial Assets			
Loans and receivables			
Cash and cash equivalents		894	1,075
Goods and services receivables (net)	3.1a	1,148	1,446
Total loans and receivables:		2,042	2,521
Total financial assets		2,042	2,521
Financial Liabilities			
Financial liabilities measured at amortised cost			
Trade creditors and accruals	3.3a	2,441	3,808
Other payables	3.3d	80	90
Total financial liabilities measured at amortised cost		2,521	3,898
Total financial liabilities		2,521	3,898

Note 6.2: Fair value measurement

Note 6.2a: Fair value measurement

	Fair value	
	2017 \$'000	2016 \$'000
Non-financial assets		
Leasehold improvements	823	1,949
Plant and equipment	465	934

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.

Appendixes

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Appendix A: Entity resource and outcome resource statements

Table A1 summarises the total resources, by funding source, that are available to the Commission and the total payments made from these resources. The actual available appropriation includes balances carried forward from the previous 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, while Table A2 and the financial statements in Part 4 are presented on an accrual basis.

Table A1: Entity resource statement, 2016–17

Item	Actual available appropriation for 2016–17 (\$'000)	Payments made 2016–17 (\$'000)	Balance remaining 2016–17 (\$'000)
Ordinary annual services*			
Departmental appropriation†	66,984	45,381	21,603
Total ordinary annual services	66,984	45,381	21,603
Total available annual appropriations and payments	66,984	45,381	21,603
Special appropriations			
Special appropriations limited by criteria/entitlement			
<i>Remuneration Tribunal Act 1973</i>		63,215	
Total special appropriations		63,215	
Total net resourcing and payments for the Australian Public Service Commission	66,984	108,596	

* Supply Act (No. 1) 2016–17, Appropriation Act (No. 1) 2016–17 and Appropriation Act (No. 3) 2016–17. This may also include prior-year departmental appropriations and section 74 retained revenue receipts.

† Includes an amount of \$0.6 million for the departmental capital budget. For accounting purposes, this amount is designated 'contributions by owners'.

Table A2: Expenses and resources for Outcome 1, 2016–17

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* 2016–17 (\$'000)	Actual expenses 2016–17 (\$'000)	Variation \$'000
Program 1.1: Australian Public Service Commission			
Departmental appropriation*	40,171	39,656	515
Expenses not requiring appropriation in the budget year	1,165	958	207
Total for Program 1.1	41,336	40,614	722
Program 1.2: Parliamentarians' and judicial office holders' remuneration and entitlements			
Special appropriations	64,404	63,215	1,189
Total for Program 1.2	64,404	63,215	1,189
Total expenses for Outcome 1	105,740	103,829	1,911
	2015–16	2016–17	
Average staffing level (number)	208	197	

* Full-year budget, including any subsequent adjustment made to the 2016–17 Budget at Additional Estimates.

* Departmental appropriation combines ordinary annual services (Supply Act No. 1 and Appropriation Act No. 1) and section 74 retained revenue receipts.

Appendix B: Staffing profile

Table A3 provides a breakdown of Commission staff at 30 June 2016 and 2017 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 2017. Tables A6 and A7 show staff by classification, location and gender at 30 June 2016 and 30 June 2017 respectively. Table A8 shows the number of staff who identified as Indigenous in 2015–16 and 2016–17.

Table A3: Ongoing and non-ongoing staff, by gender, 30 June 2016 and 2017

Employment type	30 June 2016			30 June 2017		
	Female	Male	Total	Female	Male	Total
Ongoing full time	120	50	170	107	50	157
Ongoing part time	30	2	32	33	4	37
Non-ongoing full time	30	2	32	4	4	8
Non-ongoing part time	3	1	4	4	1	5
Total	153	57	210	148	59	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 are counted as ongoing full-time.

Table A4: Ongoing and non-ongoing staff, by location, 30 June 2017

Employment type	ACT	NSW	Total
Ongoing	185	9	194
Non-ongoing	12	1	13
Total	197	10	207

Note: The Commission offices in Queensland, Victoria and Western Australia have been closed.

Table A5: Ongoing and non-ongoing staff, by classification, 30 June 2017

Classification	Ongoing	Non-ongoing	Total
APS1–2	5	1	6
APS 3–4	20	3	23
APS 5–6	53	3	56
EL 1	70	4	74
EL 2	34	2	36
SES and statutory office holders	12	0	12
Total	194	13	207

Table A6: Staff, by classification, location and gender, 30 June 2016

Classification	ACT		NSW		QLD		VIC		WA		Total
	F	M	F	M	F	M	F	M	F	M	
APS 1	1	1									2
APS 2	1	3									4
APS 3	3										3
APS 4	13	6	1	1	1			1			23
APS 5	13	1			1						15
APS 6	31	13	2		1		1				48
EL 1	51	16	4	1	1				1		74
EL 2	18	9	1	1		1					30
SES 1	6	2									8
SES 2											0
SES 3	1										1
Statutory office holders	1	1									2
Total	139	52	8	3	4	1	1	1	1	0	210

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 A7: 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	13	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	142	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. The Commission offices in Queensland, Victoria and Western Australia have been closed.

Table A8: Number of staff identifying as Indigenous, by employment type, 30 June 2016 and 2017

Employment type	30 June 2016	30 June 2017
Ongoing	10	10
Non-ongoing	–	0
Total	10	10

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 2016–17 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 2016–17 they included the following:

- 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.

Notifiable incidents, notices and investigations

In 2016–17 no notifiable incidents 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 2016–17 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 during 2016–17.

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 (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.
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
Aids to access			
17AJ(a)	Table of contents.	Mandatory	v
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
Review by accountable authority			
17AD(a)	A review by the accountable authority of the entity.	Mandatory	2–3
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.
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
Report on financial performance			
17AF(1)(a)	A discussion and analysis of the entity's financial performance.	Mandatory	8–9, 37–9
17AF(1)(b)	A table summarising the total resources and total payments of the entity.	Mandatory	78
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
Management and accountability			
Corporate governance			
17AG(2)(a)	Information on compliance with section 10 (fraud systems).	Mandatory	iii, 33
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	33

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	33
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	33
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	33
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	34–6
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 full-time employees • statistics on part-time employees • statistics on gender • statistics on staff location 	Mandatory	79–81
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	35
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	35
17AG(4)(c)(ii)	The salary ranges available for APS employees by classification level.	Mandatory	35

PGPA Rule reference	Description	Requirement	Page no.
17AG(4)(c)(iii)	A description of non-salary benefits provided to employees.	Mandatory	35
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
Assets management			
17AG(5)	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory	39
Purchasing			
17AG(6)	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory	39
Consultants			
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	40
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	40
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	40

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	40

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	40
17AG(10)(b)	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	40
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	43–76
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	82
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	83
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	83
17AH(1)(e)	Correction of material errors in previous annual report.	If applicable, mandatory	N/A
17AH(2)	Information required by other legislation.	Mandatory	82

The background of the cover is a light gray architectural line drawing of a building facade, showing multiple windows and structural lines. Overlaid on this are several orange geometric shapes: a large, tilted rectangle on the left side, and numerous smaller squares and diamonds scattered across the upper and lower portions of the page. A solid orange horizontal band spans the width of the page, containing the title text.

Annual report of the Merit Protection Commissioner



MERIT PROTECTION COMMISSIONER

The Hon Malcolm Turnbull MP
Prime Minister
Parliament House
Canberra ACT 2600

Dear Prime Minister

I am pleased to present the Merit Protection Commissioner's report for the period 1 July 2016 to 30 June 2017. As required by section 51 of the *Public Service Act 1999*, my report is 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 2017.

In presenting this report, I also thank the staff of the Australian Public Service Commission for the service they have provided during the time I have held this office. I have appreciated their assistance in what has been another productive year.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Annwyn Godwin'.

Annwyn Godwin

Merit Protection Commissioner
22 September 2017

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Annwyn Godwin
Merit Protection
Commissioner

OVERVIEW

During my nine-and-a-half years as Merit Protection Commissioner I have seen big changes to the Australian Public Service (APS) and the environment in which we operate. My role and my Office (OMPC) have adapted to reflect these changes.

During times of change and uncertainty, there is a greater emphasis on trust and integrity. The APS is a stable institution on which the Australian public can rely, but the legitimacy entrusted to it by the government and the public should not be taken for granted. The APS is fortunate to have a number of mature public institutions—commonly known as the integrity agencies—to oversee its integrity, accountability and probity. In addition to my Office, these institutions include the Auditor-General, the Integrity Commissioner, the Australian Public Service Commissioner, the Privacy Commissioner, the Inspector-General of Intelligence and Security and the Commonwealth Ombudsman. In the past decade I have worked closely with all these agencies to share insights and perspectives.

Individually and collectively, integrity agencies and other statutory officers have unique insights into the workings of the APS that may not be obvious to line or central policy agencies. The APS should take note of our observations on trends, issues and learnings and value our contribution when formulating policy or developing better practice. Conversely, statutory office holders have a responsibility to use their roles wisely and to the long-term benefit of good public administration.

Integrity, including merit, is integral to how the APS operates. Promoting and upholding merit, in its widest sense, is where my Office and I provide value.

BALANCING EFFICIENCY AND INTEGRITY

Over the past 10 years, there has been an increased emphasis on improving the flexibility of APS operations and the deployment of staff. Major studies—such as the Committee of Audit report in 2014,¹ the Belcher report² and the McPhee report³ in 2015—have referred to unnecessary prescription in the employment framework. At the same time, the workplace relations framework has required APS agencies to negotiate enterprise agreements that enable them to operate more efficiently and flexibly. This includes the removal of restrictive clauses and onerous process requirements. APS agencies are continuing to focus on reviewing core operational priorities, but are increasingly contracting out non-core aspects of their work. The use of technology is also growing.

Increased flexibility and less red tape should lead to a more cost-effective, more streamlined APS. These are admirable aspirations, but there are risks that need to be acknowledged and mitigated.

When considering changes to the law, policy-makers need to consider the original purpose behind particular provisions. In modernising, the APS needs to:

- understand ‘why’ a particular regulation or piece of legislation was originally put in place
- assess if the ‘why’ remains relevant
- identify what tools and techniques are available to update and modernise the APS.

For example, the concept of merit was introduced to counter nepotism and cronyism (the ‘why’). Merit, and what it represents, is the key Employment Principle in the APS. We must operate without patronage, nepotism or favouritism to sustain public confidence and trust by employing and promoting the most capable people. The relevance of the ‘why’ is implicitly understood.

Recruitment and promotion decisions are one of the clearest ways to send organisational and cultural messages about what behaviours are valued and rewarded. I believe promotion reviews are an important and undervalued assurance mechanism. They make managers reflect on the behaviours they are rewarding by their promotion decisions.

Qualitative data confirms that our investment in working with agencies which receive large numbers of promotion reviews has reaped benefits. The overturn rate of 0.5% of promotion decisions is the lowest since the *Public Service Act 1999* (the Public Service Act) was introduced. However, the agencies that experienced promotion reviews this year were generally large, geographically dispersed, and involved in service delivery. We have limited line of sight on the application of merit in small to medium, policy or regulatory agencies since they are under-represented in the promotion review caseload.

¹ *Towards responsible government: the report of the National Commission of Audit*, National Commission of Audit, 2014.

² *Independent review of whole-of-government internal regulation*, B Belcher, August 2015.

³ *Unlocking potential—APS workforce management contestability review*, S McPhee, December 2015.

As promotion reviews are not evenly spread across agencies, I cannot confirm whether merit is consistently applied across the APS. Drawing on my observations and on overseas experience, I believe there is scope to move to an audit assurance model for reviewing recruitment and promotion decisions. In doing so we can extend the fundamental integrity protection against patronage, nepotism and favouritism provided by the existing review process while improving the cost and efficiency of process.

Managers have said to me that just knowing their decision could be subject to my oversight has influenced their decision-making processes.

(Annwyn Godwin, June 2017)

CONTINUOUS IMPROVEMENT

The APS must demonstrate:

- apolitical service to the government of the day
- high ethical standards with no tolerance for fraud and corruption
- fair and consistent delivery of high-quality public services, without discrimination or favouritism
- open and transparent accountability for expenditure of taxpayers' money
- clear and comprehensive explanations for actions and decisions to Parliament arising from community and media scrutiny.

My Office has responded to these principles through a combination of:

- making doing the right thing easy—reducing compliance costs and improving ease of access and understanding
- bringing stakeholders with us—addressing the immediate issue and providing sustainable solutions
- providing integrity of message and delivery—we are exemplars of what we say.

The Government's reforms of the Public Service Act and Regulations in 2013 streamlined reviews of employment actions. My Office has applied the legislation flexibly to ensure that concerns are dealt with quickly and fairly and to promote consistency of agency decision-making.

Too often the process of continuous improvement concentrates on policies, practices and technology. It overlooks the continuing need to improve professional understanding, flexibility and judgment. Without these skills and capabilities the best technical systems fail to realise their full potential. It takes time and persistence to build credibility, trust and integrity. In a 'throw-away' society, the value of varied life and work experience and the nuances of complex judgement are considered expendable—but not in the OMPC. My Office is an example of what can happen when technical and professional improvements occur at the same time.

In 2008 I recognised that technical improvements were needed. Some policies, procedures and delegations were out of date, our technology needed updating, our decision-making was inconsistent because the function was spread across offices, and standards (time and quality) were not being met. These issues were addressed.

Now in 2017 the OMPC demonstrates flexible work practices that enhance our performance and professionalism. Of our core 12 staff, four job-share, and wherever possible we supplement our work through panels of staff trained and mentored by my Office. Data-based project management of casework and working remotely have quietly revolutionised the Office. Our internal timeframes have continually been met since 2013–14.

We have removed unnecessary administrative steps and have concentrated on sound reasoning and plain English writing. We have revised the website and our correspondence so they are easier to understand. In response to recent feedback we will focus on better managing review expectations and being clearer about review processes. In response to the needs of our clients I now use the internet and social media. *We are* exemplars of what we say.

Our reputation for quality, credibility and expertise has attracted interest elsewhere. In recent years I have been asked to assist other jurisdictions, including the Norfolk Island Government, and to address many international delegations. I have represented the Australian Public Service Commissioner at the South Pacific Public Service Commissioner Conference and helped the OECD on an integrity review of the Mexican public service. In June 2017 I was invited to attend the China Australia Dialogue on Public Administration Workshop in Hong Kong and to present a paper entitled '*Public accountability and performance for non-core agencies: lessons learned from Australia*'.



The Merit Protection Commissioner meeting a member of a delegation from Thailand

WORKING WITH AGENCIES TO ADD VALUE

I work with agencies to encourage productive and harmonious working environments. Our reviews help employees understand management decisions and manage expectations about what can reasonably be expected of their managers and their agency. Our intervention can prevent employment disputes from becoming entrenched and help disgruntled employees become engaged and contributing members of the workforce. As I noted in my annual report last year, I want employees and managers to learn from mistakes and to create the type of workplace envisaged by the APS Values.

The way I work with agencies has also changed. In the past few years, I have promoted the review process as a way to support an engaged and productive workplace, and have encouraged agencies to use complaint management to identify systemic deficiencies in policy or practice. At the same time, rather than mainly focusing on the outcome of individual cases, I have placed a greater focus on improving people management practice across the APS. I am a trusted adviser to senior echelons of the APS.

My focus means highlighting issues with policies, and interpretation of agency enterprise agreements that become evident in casework. We work flexibly with agencies, targeting different management levels. For example, in response to agency requests we are examining how we can better use de-identified case summaries to guide agencies and better manage employees' expectations of the review process.

We are also a source of reliable advice. The staff turnover in corporate areas within agencies means that policies and practices often need explaining—for example, merit in recruitment, effective employee case-management and integrity risks. Managers have acknowledged that our consistency of decision-making and the case studies on our website have given them confidence to take action and better understand their responsibilities and good practice. Employees and agencies have identified the impartiality and expertise of the Merit Protection Commissioner as being important factors in allowing my Office to undertake investigations into breaches of the Code of Conduct where the individual must relinquish their Public Service Act review rights.

I am giving greater focus to presenting at forums and engaging in workshops when working with agencies. Smaller agencies, in particular, struggle to maintain capability and wherever possible, these agencies are a priority. For example, smaller agencies are increasingly requesting assistance with both operational (Code of Conduct inquiries) and strategic (alignment of policies on performance management, bullying and harassment and Code of Conduct) issues. My observations and input, and those of my delegates, are regularly sought on integrity and risks within review and employment frameworks through presentations to agencies, the Australian Government Leadership Network, small agency forums and training programs.

Box M1: Observations on the policy framework

The Merit Protection Commissioner encourages agencies to make principles-based employment decisions in the context of the broader APS policy framework.

Two policies received focus in casework during the reporting period. The first is the As One—APS Disability Employment Strategy, which produced the guide *Working together: promoting mental health and wellbeing at work*.⁴ The strategy aims to build an inclusive workplace culture for people with mental illness. Mental illness can feature in both performance management and Code of Conduct matters. There is a single standard of behaviour for APS employees. The usual approach during a Code of Conduct investigation is to consider mental illness as a possible mitigating factor when making a decision on sanction.

However, in keeping with the strategy, agencies are encouraged to consider whether a Code of Conduct investigation is the most effective and appropriate response to inappropriate behaviour resulting from mental illness. In some cases, working with the employee and their treating doctors to assist the employee in managing the impact of their illness on the workplace may be a more effective and appropriate response. These cases might include those where no harm has been done to the agency by the conduct, the behaviour is uncharacteristic and the employee had not, at the time of the behaviour, had a diagnosis of mental illness.

The second policy is the Gender Equality Strategy;⁵ we need to consider whether longstanding practices may require reconsideration in its light.

Agencies have discretion, in exceptional circumstances, to grant paid maternity leave when an employee is on leave without pay. Agencies generally exercise this discretion only in limited circumstances—for example, where the leave without pay is in the interests of the Commonwealth or the agency was in some way the cause of the employee's loss of entitlement.

This cautious approach to the exercise of the discretion appears in part to reflect past experience and practice, including concerns about employees structuring their leave arrangements so that they obtain an entitlement to paid leave.

The APS Gender Equality Strategy focuses on supportive cultures and flexible working arrangements. It provides a framework for delegates to look more flexibly at the circumstances of individual employees. Paid maternity leave is available only to women who are working. However, in order to balance work and family commitments, APS employees may both be on leave without pay but be working under other contractual arrangements for the Commonwealth. The changing nature of the workplace raises the question of whether delegates should give greater consideration to the beneficial application of the discretion where women are still engaged in employment for the Commonwealth while they are on leave without pay to meet family commitments.

⁴ www.apsc.gov.au/publications-and-media/current-publications/mental-health.

⁵ www.apsc.gov.au/publications-and-media/current-publications/gender-equality-strategy.

Box M2: Application of the legislative framework

The following issues have arisen from the casework.

Where there is an express power in the legislation for an agency to do something—for example direct an employee to undertake a fitness for duty assessment (Regulation 3.2)—agencies are not able to use the general employer powers in section 20 of the Public Service Act to achieve the same end.

Handling misconduct advises that agencies should calculate fines, as a sanction for misconduct, for part-time employees based on the salary they receive for the 'ordinary hours' in their part-time work agreement. On this basis, the fine imposed on a part-time employee should be calculated as a percentage of the employee's part-time salary and not on the basis of the full-time salary for the employee's classification.

FOCUS FOR THE COMING YEAR

My appointment as Merit Protection Commissioner ends in January 2018. My goal is to leave a fully effective and responsive Office that has the necessary staffing, technology and culture to ensure continued operational efficiency.

With this in mind, I have identified three broad objectives for the remainder of 2017:

- identifying legislative or policy changes for consideration by the Government
- contributing to public sector-wide understanding of integrity and risks
- promoting internal gains within the Office.

Government reviews such as the Belcher and McPhee reports have identified the need to examine processes within the APS, including administrative review. The message we will pass to agencies in presentations, briefings and discussions is that it is cost-effective to address employment matters at line manager level, simply because it is at this level where most issues arise and this lessens the risk that disputes will escalate.

In my regular discussions, agencies have requested more information and a greater number of case summaries on my website. An internal working group is considering how best to present case summaries addressing the needs of the different audiences. Ongoing refreshing of the website content will continue my focus on multiple ways of conveying information to clients, such as podcasts or short videos. I will continue issuing my regular newsletter and use my Facebook page to inform agencies of issues of interest and practical 'tips and traps' about employment matters for managers and human resources practitioners.

"The website works really well. Uncluttered and simple. One of the projects on my mind before I leave the [NSW government agency] is to look at revamping our terrible website, and yours looks a great start. Nice video!"

(Feedback from state government office holder)

We will continue to use our observations to work with the Commission to support the Government's legislative reform process. One issue identified is a drafting oversight in Part 7.2A of the Regulations to clarify how an agency head should handle a recommendation following a review of a breach of the Code of Conduct by a former employee.

While I am pleased with the performance of my Office, we are not complacent. I had a larger than usual staff turnover this year as key staff retired. I will continue training and upskilling of all staff.

My delegates and I will continue to examine business processes to determine whether there are potential productivity savings through changing the way reviews are handled and, more effective interaction with applicants to manage expectations and use of information technology. We will be considering the feedback from applicants to help manage expectations of the review process. Work is under way to enable electronic lodgment of applications and papers for reviews, and the automatic generation of emails and correspondence templates. At the same time we will examine our work practices to move to fully electronic recordkeeping. Both initiatives need to be viewed in a whole-of-system way so that work requirements are not just shifted from one area to another.

The work of my Office is largely demand driven. In part, the level of reviews is dependent on how well agencies handle dispute resolution in their agencies. I anticipate that the review casework will continue at similar levels in 2017–18, including inquiries by my Office into breaches of the Code of Conduct. Promotion review and independent selection advisory committee (ISAC) activity are dependent on agency recruitment activity. While it is difficult to predict, I envisage continued demand for promotion review and ISAC services. As noted earlier, during times of change and uncertainty there is greater emphasis on trust and integrity.

REPORTING BY FUNCTION

The Office of the Merit Protection Commissioner's 'Corporate Statement and Priorities for 2016–17' is published on the Commissioner's website. The statement identifies two functions for the Office:

- to review APS employment-related decisions
- to provide a range of fee-related services to the APS and other jurisdictions.

There is qualitative evidence that the Office of the Merit Protection Commissioner is well regarded and is having a positive impact on agency employment decision-making.

Table M1 sets out the Office's performance against its goals for 2016–17. More specific performance information is provided in the next two sections of this report.

Table M1: Office of the Merit Protection Commissioner—goals and achievements, 2016–17

Goals and statement of outcomes	2016–17 audit of achievements
<p>1. Improve agency people management performance by sharing OMPC information and observations.</p> <p>We have made a difference when:</p> <ul style="list-style-type: none"> when our input is actively sought on how to improve agency performance. 	<p>Information published on the website, including case summaries</p> <p>Contributed to the Australian National Audit Office audit of the management of underperformance</p> <p>Presentations to the Australian Government Leadership Network, SES orientations, APS Code of Conduct practitioners forum and other APSC programs</p> <p>Review of two agencies' misconduct and performance management procedures and policies</p> <p>Regular feedback to agencies through review and Code of Conduct decisions and discussions with senior managers</p> <p>Mentored senior staff in five agencies.</p>
<p>2. Contribute to public service-wide understanding and awareness of integrity risks within review and employment frameworks.</p> <p>We have made a difference when:</p> <ul style="list-style-type: none"> our observations and input are specifically requested across jurisdictions. 	<p>Information published on the website, including case summaries</p> <p>Feedback to the Commission on policy issues arising from review casework</p> <p>Participation in the Integrity Agencies Group, including dialogue with individual agencies</p> <p>Participation in OECD integrity forums</p> <p>Presentation to China Australia Dialogue on Public Administration Workshop in Hong Kong</p> <p>Hosted Indonesian secondment and addressed three other international delegations.</p>
<p>3. Progress legislative amendments to enhance the flexibility and efficiency of OMPC and agency functions.</p> <p>We have made a difference when:</p> <ul style="list-style-type: none"> our legislative framework reflects the requirements of a merit-based modern public service. 	<p>Communication with other jurisdictions, including Canada and Ireland, on best practice models for providing review and assurance services</p> <p>Contributed to discussion on changes to the Commissioner's Directions and sought changes to the PS Regulations.</p>
<p>4. Assist clients to interact with us more effectively by building on and maintaining our Clear Communications and website initiatives.</p> <p>We have made a difference when:</p> <ul style="list-style-type: none"> feedback on our communication through multiple forums is positive our clients understand our role and how we can assist. 	<p>Major update of the website and continual refreshing</p> <p>Newsletters and information sheets distributed</p> <p>Facebook account established and shared</p> <p>Updated and conducted client feedback survey</p> <p>Project to examine the use made of case studies by agencies and ways of presenting to suit audience needs.</p>

Goals and statement of outcomes	2016–17 audit of achievements
<p>5. Promote internal gains in productivity, quality and timeliness of reviews and apply technological solutions where appropriate.</p> <p>We have made a difference when:</p> <ul style="list-style-type: none"> we consistently meet reasonable standards of timeliness and quality for demand-led reviews. 	<p>Target timeframes met</p> <p>Trialled electronic lodgment of review applications with an agency</p> <p>Refreshed panels for MPC and agency nominees on committees</p> <p>Implemented flexibility initiatives such as job-sharing and working from home</p> <p>Promoted mental health awareness and developed resilience surveys within the Office</p> <p>Training of new staff and upskilling of existing staff</p> <p>Review of case management system upgrade in progress.</p>

REVIEW OF EMPLOYMENT-RELATED DECISIONS

Reviews of action performance

The Corporate Statement commits the Office to gains in productivity, quality and timeliness of reviews. The key target is that 75% of reviews will be completed within target timeframes. The target timeframe to complete reviews of actions is 14 calendar weeks—it is eight or 12 weeks for promotion reviews, depending on the size of the applicant field.

The Office again met its performance targets this year, although there was a reduction in the proportion of review of action cases finalised within the target timeframe (77.4% compared to 91% in 2015–16). This is still a good result given the number of large complex cases and the largest turnover of staff in the Office since its relocation to Sydney in 2010–11. The majority of promotion reviews (92%) continued to be completed within the relevant timeframes despite a 30% increase in the number of completed reviews.

This year we gave presentations to stakeholders to support improvements in decision-making. These presentations included addresses to the Australian Government Leadership Network in three states on *'The right way to investigate wrongdoing'*; a presentation to the APS Code of Conduct Practitioners' Network on *'Challenges in Code of Conduct decision-making'*; and presentations to three agencies on *'Gender equality and merit reviews as a strategic lever'*. The Merit Protection Commissioner and delegates continued a commitment to educating SES managers through presenting on *'Leading with integrity—APS Values, Employment Principles and ethics'* to orientation sessions for new SES officers.

‘Colleagues who attended the Tas [sic] People Management Network meeting last Friday also attended your AGLN presentation on 21 July. When asked for their thoughts re any takeaways etc., feedback was: dynamic speaker; engaging; interesting presentation re recruitment/selection processes; flexibility in the recruitment regs was noted—something to make better use of; and consensus was that speaking for 1.5 hours and not progressing beyond the first slide was impressive.

We have had previous sessions like this before but no one was able to explain it as well and in depth and apply it to situations as Annwyn.’

(Feedback from Australian Government Leadership Network forums)

The Office seeks feedback through a survey of review clients once their review applications have been finalised. The survey responses are anonymous, so they cannot be linked to specific cases. The client survey was updated and relaunched in 2016–17. The survey period covered reviews finalised from April 2016 to March 2017 and had a disappointing response rate of 18% compared with 45% for 2015–16. The survey is voluntary and we do not know why the response rate was so low.

The survey feedback confirmed that the MPC website was the primary source of information about review rights for clients, followed by information provided by the employing agency. The majority of clients found the website easy to navigate. However, 30% of survey respondents would have liked more information from the MPC’s review advisers about the scope of the review and the review process.

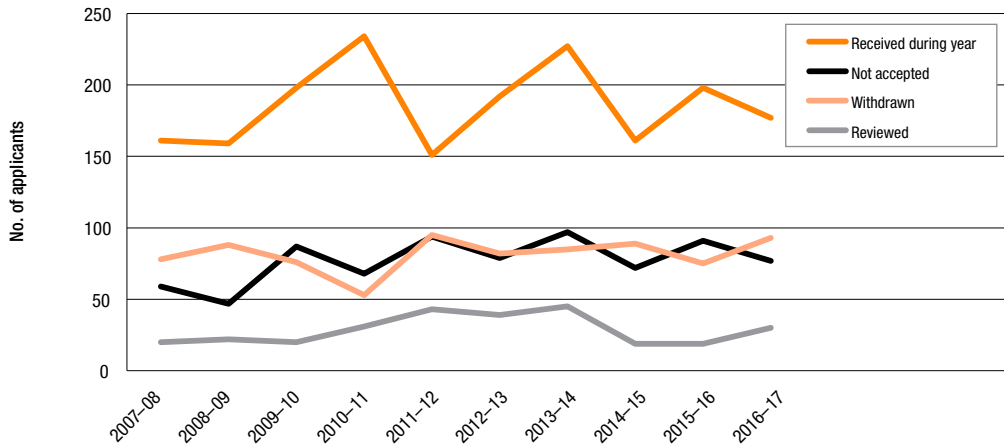
Only one survey respondent thought the reasons for decision difficult to understand. This reflects the Office’s investment in previous years in communicating decisions in plain English. Survey respondents’ most common complaint was that their views about their case had not been sufficiently taken into account by the delegate. This indicates that more work is needed on explaining and managing the expectations of employees—in particular, the balance between a clear, concise report and referencing all evidence.

‘I really want to extend my deepest appreciation to your team ... for taking the time to assess what was a complex matter. I have had a great experience with the MPC ... and your fairness in making your judgements by allowing both sides the right of reply throughout the process has been exemplary.’

(Feedback from review applicant, June 2017)

Figure M1 shows the trends in review casework in the past 10 years.

Figure M1: Trends in review caseload, 2007–08 to 2016–17



REVIEW CASELOAD

Table M2 (see appendix) provides information on the number of applications for review (other than promotion review) received, and reviews completed, in 2016–17, as compared with 2015–16.

In 2016–17, the number of cases subject to a full review on the merits increased by 24%. A total of 200 cases were finalised, of which 93 were subject to a full merits review. The remainder were ruled ineligible for reasons discussed below. The total included 47 carried over from 2015–16 and finalised.

This increase in the output of the Office occurred against a backdrop of a 10% reduction in applications for review (177) compared with the previous year. The decrease was across all review categories, including a 19% decrease in applications for review of Code of Conduct decisions. We attribute this decrease to our investment in sharing lessons and clarifying approaches with both agencies and individuals.

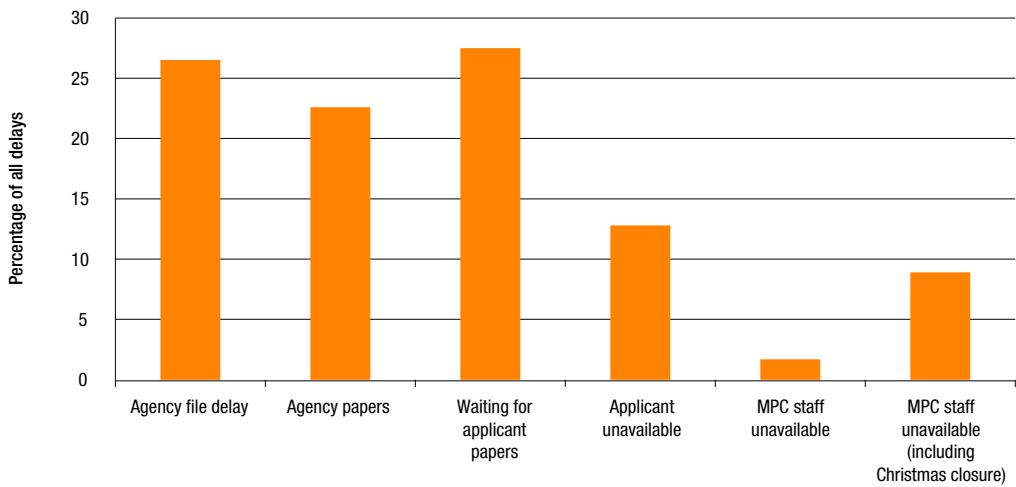
Table M3 in the appendix provides information on the timeliness with which the review function was performed. The table compares results for 2016–17 with those of 2015–16.

As noted, 77.4% of review cases were completed within target times. The average time taken to finalise a case can be influenced by its complexity, as was evident this year. The average time taken to finalise a case was 14.6 weeks, but if five large, complex cases are excluded, the average is 13.4 weeks—well within the 14-week target.

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

In 2016–17, on average 33% of the time between the date an application was received and the date the review was finalised was spent on hold; that is, the review was not being actively worked on. The average time on hold for a finalised review was 7.2 weeks, compared with 6.4 weeks in 2015–16. Figure M2 shows the reasons for delays. Improved information for agencies about identifying the relevant documents required for the review appears to have been a factor in reducing how agency processes delay finalising cases. Delays in receiving agency papers (24.8%) have reduced by more than half since 2014–15.

Figure M2: Reasons for delays in reviews, 2016–17



APPLICATIONS NOT ACCEPTED FOR REVIEW

In 2016–17, 35% of cases were not accepted for review, compared with 39% in 2015–16. The main reasons for not accepting reviews of Code of Conduct decisions were that the application was made out of time or the application did not concern a Code of Conduct breach or sanction decision. The four main reasons for not accepting applications for review of matters other than Code of Conduct decisions were as follows:

- Review or further review by the Merit Protection Commissioner was not justified, including because nothing useful would be achieved by continuing to review a matter (35%).
- The application was out of time (23%).

- 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 (21%).
- The applicant needed first to seek a review from their agency (13%).

Some of these cases are resolved quickly but cases involving the exercise of discretion can take a long time because consultation with the applicant is usually required. The average time taken to decide to decline an application was seven weeks.

NUMBER OF REVIEWS BY AGENCY

Table M4 (see appendix) details the number of reviews by agency. We completed reviews in 22 agencies. The Department of Human Services accounted for nearly 52% of the completed reviews. The Departments of Defence and Immigration and Border Protection and the Australian Taxation Office together accounted for a further 25%.

REVIEW OUTCOMES

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

In 2016–17, there was an increase in the number and proportion of cases in which we recommended that the agency decision be varied or set aside—26% (or 24 cases) compared with 12% in 2015–16. This reversed a trend in the past few years towards an increase in the number of recommendations to uphold the original agency decision. I am more likely to recommend that Code of Conduct decisions be varied or set aside than for other types of reviews—this year one third of all reviewed Code of Conduct cases (41) were set aside or varied. In comparison, I recommended in 18% of secondary reviews that the agency's decision be varied or set aside. The nature of the cases this year has been particularly complex and challenging and involved exercise of discretion.

Agencies still face challenges in analysing evidence and establishing clearly the facts of a case, particularly in complex cases. The analysis and reasoning in agency reports is sometimes unsophisticated and of poor quality. This is an area where agencies need to improve the capability of employees undertaking this work, including identifying employees with the appropriate skill set to make quality administrative decisions, providing tools and advice, and ensuring that this work is quality assured.

Box M3: Procedural concerns

The quality of agencies' written work in Code of Conduct cases can create procedural concerns. A failure to put allegations clearly, in a way that is readily understood by a general reader, can adversely affect an employee's capacity to respond, denying the employee a fair hearing.

The following are examples from cases:

- Allegations were put to the employee in a long and confusing document, so that it was difficult for the employee to understand the case they had to answer.
- Serious allegations were put to the employee but less serious findings were made. However, the agency had failed to put the less serious matters to the employee as an allegation.
- An agency redacted witness evidence so extensively in the written notice of the allegations that the employee, and a general reader, would have had difficulty following the evidence, including being unable to identify which witness had given which evidence.

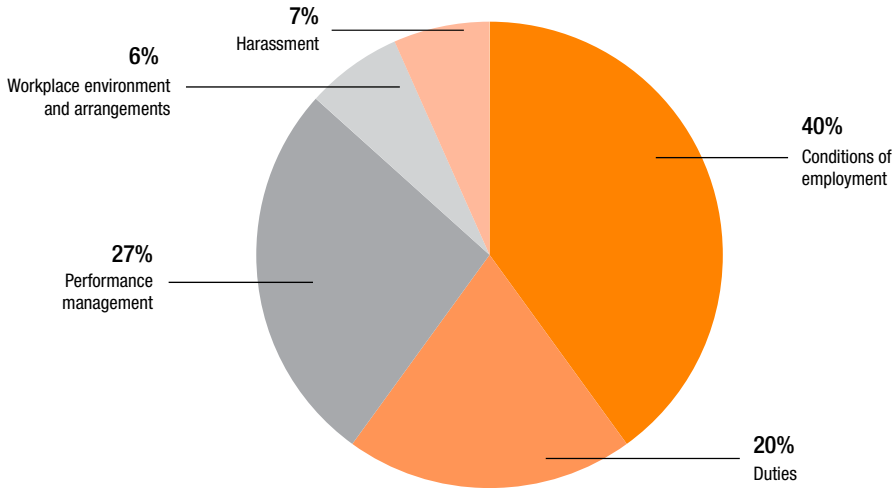
Two reviews were conducted under Part 7 of the Regulations of findings that a former APS employee had breached the Code of Conduct. In one case, the Merit Protection Commissioner recommended that the agency decision be set aside on the basis of a concern about procedural fairness; in the other case, she recommended that the decision be upheld.

There is an expectation that an agency would accept the recommendations of an independent and expert statutory office holder, except in exceptional circumstances. Section 33(6) of the Public Service Act enables the Merit Protection Commissioner to raise an agency's response to a delegate's recommendations with the relevant agency minister and with the Prime Minister or the presiding officers. At the end of the reporting period, agencies had accepted all review recommendations.

SUBJECT MATTER

In 2016–17, Code of Conduct cases accounted for 54% of all cases reviewed—a greater proportion than in 2015–16 and 2014–15 (41% and 45% respectively).

Figure M3 and Table M5 (see appendix) provide a breakdown of cases reviewed by subject matter, excluding Code of Conduct reviews.

Figure M3: Cases reviewed by subject, 2016–17

Note: Excludes Code of Conduct cases.

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 determination that there has been a breach and any sanction imposed for that breach.

Based on data in the 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.⁶ Review by the Office provides an assurance check on this important area of employment decision-making.

There were 58 applications for review of a decision that an employee had breached the Code of Conduct and/or the sanction, and 28 cases on hand at the start of the reporting period. Fifty cases were reviewed during the year, involving 41 employees.⁷ Two applications from former employees were also reviewed.

⁶ The *State of the Service Report 2015–16* reported that 87% of the 717 employees investigated were found to have breached the Code of Conduct in 2015–16. In 2015–16, the Merit Protection Commissioner reviewed applications from 28 employees relating to breaches of the Code of Conduct and a further 28 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% and 10% of agency decisions are reviewed.

⁷ Employees may apply separately for a review of a breach determination and the consequential sanction decision. If employees do this, their application for review is counted as two cases. It is for this reason that there are more cases than there are employees.

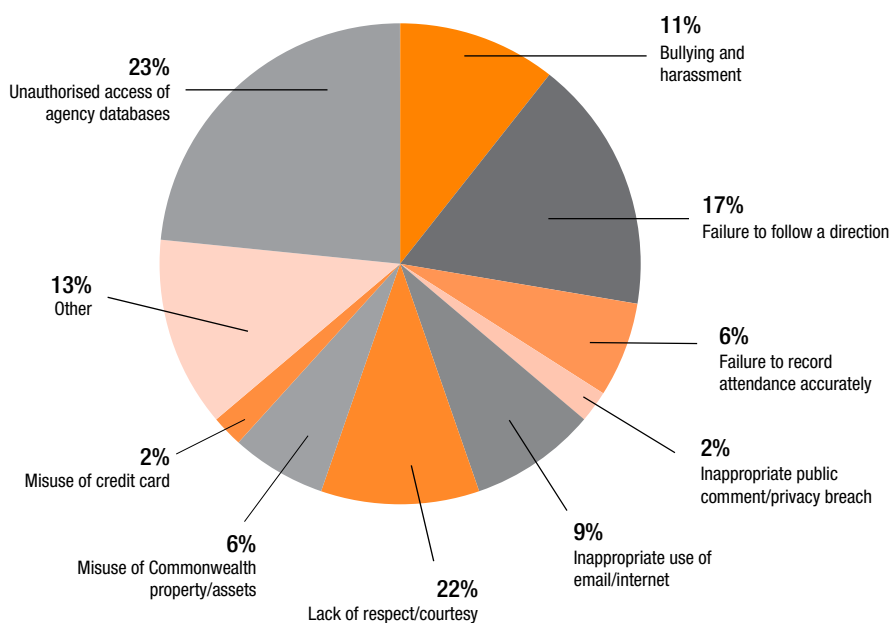
In five cases we recommended that the findings of misconduct, and/or the sanctions, be set aside. In two of those cases, the agency had not established that the employee had engaged in misconduct. In one other case, we concluded that the agency should not have proceeded to a finding of misconduct once it had learnt about the employee's mental health.

In the two remaining cases, we recommended that agencies set aside the decisions because of concerns about procedural fairness. In one of these cases, the agency had denied the employee a hearing, and in the other, the agency had failed to put adverse information to the employee before it made its decision.

In a further nine cases the breach and/or sanction decision was varied. In four of these cases the findings of breach were varied. This was a result of problems with the agency's analysis of evidence and the reasoning in investigation reports and decisions. In particular, some of the alleged breaches could not be sustained on the facts and/or the decision-maker had applied the wrong elements of the Code of Conduct to the employee's behaviour, with the effect of exaggerating the seriousness of the behaviour. In another of the cases, the agency failed to apply the most relevant element of the Code of Conduct to the employee's behaviour, and we recommended an additional finding of breach.

Three sanction decisions were varied with a recommendation to reduce the severity of the sanction, including a recommendation that a reduction in classification be reduced to a reassignment of duties. In the remaining case, we recommended both a variation of a breach decision and a reduction in sanction.

Figure M4 and Table M6 (see appendix) provide a breakdown of the types of employment matters in Code of Conduct reviews.

Figure M4: Code of Conduct cases reviewed, by subject, 2016–17

The range of alleged misconduct we reviewed in 2016–17 was varied. Unauthorised accessing of client databases and inappropriate personal behaviour involving bullying, harassment and/or other discourteous behaviour accounted for the largest number of cases. Four of the nine unauthorised access cases involved access to the employee's own records. In seven of these cases, the employee suffered a financial penalty and all sanctions were upheld on review. In two cases, we recommended that the decisions be set aside because of procedural flaws.

Examples of inappropriate use of agency ICT resources included an employee who used a text replacement 'plug-in' to disguise use of inappropriate language in a departmental chat room. In another case the employee was found to have written discriminatory and derogatory comments about customers and colleagues in emails and on the department's internal messaging software. In this case, we upheld the sanction decision of a reduction in classification.

Allegations of bullying and other discourteous and disrespectful behaviour (11 cases) represented a further 26% of cases (compared with 36% in 2015–16). These cases included employee behaviour towards managers, colleagues and the public ranging from threatening physical harm to making inappropriate comments about colleagues in emails or in conversations. In one case, an employee was found to have failed to stop contacting a work colleague outside work and the sanction of a reduction in classification was upheld. One manager was reduced in classification from Executive

Level 2 to Executive Level 1 having been found to have engaged in bullying behaviour towards subordinate staff and colleagues in other teams.

Failure to accurately record attendance and failure to follow a direction concerning attendance represented another significant area of the review caseload.

There were three cases where employees failed to perform their client service duties in accordance with agency procedures, including one case where the employee provided a benefit to a client to which the client was not entitled, in circumstances where the employee had a conflict of interest.

There were two cases where an employee's behaviour outside work became the subject of a misconduct finding. One of these involved the employee's behaviour as a client of the agency and the failure to provide accurate information to determine the employee's entitlements.

There were three cases where employees argued that their mental health should have been taken into consideration before making a finding of misconduct. In two of those cases, the employee's mental health was taken into consideration when reviewing sanction. That consideration resulted in no change to the sanction decision. In the third case, we recommended that the misconduct finding be set aside.

The two reviews of findings of a breach of the Code of Conduct by a former employee (under Part 7 of the Regulations) involved misuse of Commonwealth information and a conflict of interest with respect to recruitment.

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 classification levels by demonstrating that they are more meritorious than the employees who were promoted.

The promotion review application rate remained high in 2016–17. There were 177 applications received, one more than in 2015–16. The number of applications in 2015–16 had increased by 274% over the previous year, the second highest number of promotions reviewed since 2001–02. In 2016–17, large recruitment exercises in the Australian Taxation Office, the Department of Human Services and the Department of Immigration and Border Protection accounted for 89% of finalised promotion reviews.

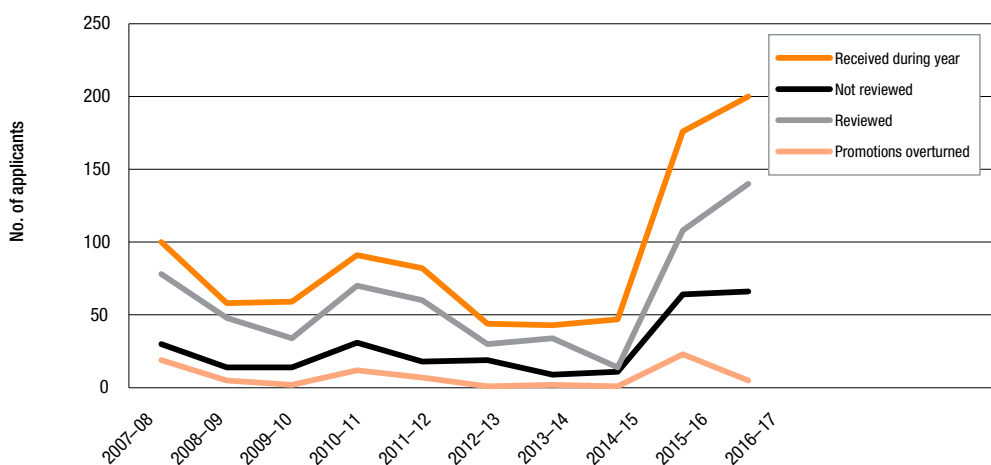
Figure M5 shows how the promotion review casework has fluctuated over the past 10 years. Table M7 (see appendix) sets out the promotion review caseload for 2016–17.

The number of promotion reviews makes it hard for us to identify suitable members to sit on promotion review committees. We sought assistance from agencies to identify independent members for large promotion review exercises. In one agency, a single panel was established and

was able to finalise a number of cases in a single day. The Office refreshed its list of agency nominees for promotion review committees and provided training to new committee members in Canberra, Sydney and Perth during May–June 2017. The participation of a representative range of agency staff on promotion review committees provides practical experience across the APS in merit-based recruitment.

We met with agencies to help them prepare for, and manage, large promotion review processes and to provide feedback on the effectiveness of their recruitment plans. We received feedback from promotion review committees about the poor quality of review applicants' statements made in support of their applications for review. In response our website now includes more guidance to review applications.

Figure M5: Trends in promotion review caseload, 2007–08 to 2016–17



Over the past six years, the promotion review function has exceeded its internal performance targets for timeliness (75% of reviews in time). Despite the continued large number of applications, 97% of promotion reviews with a target timeframe of 12 weeks were completed in time. Ninety-one percent of those with an eight-week target timeframe were completed in time.

We received applications for review of promotion decisions in 13 agencies. Agencies with two or more applications for review are shown in Table M8 (see appendix).

In 2016–17 the largest number of applications for a single finalised promotion review exercise was 57. Twelve exercises had between 21 and 50 applications each and a further 15 had between 10 and 20 applications. The average number of applications per exercise was 6.9. By contrast, the maximum number of promotions considered by a promotion review committee in 2015–16 was 62, while the average number of applications per exercise was 12.6.

Other review-related functions

Under Part 7 of the 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.

Table M2 (see appendix) provides information on the number of applications under Part 7 in 2016–17. Four complaints about final entitlements were received. Three of these applications were not accepted; the fourth was withdrawn.

Two review applications received from former employees for determinations of misconduct made after they had ceased APS employment were finalised in 2016–17. We upheld one of these decisions and recommended that the second be set aside on procedural grounds. A third case is still under consideration.

We identified an omission from the Public Service Regulations with respect to the provisions for reviewing a breach of the Code of Conduct by a former APS employee. This concerned the agency head's responsibilities on receiving a recommendation from this Office. In May 2017, I asked the Australian Public Service Commission to consider making an amendment to Part 7 Division 7.3 of the Regulations.

PROVIDE FEE-RELATED SERVICES

The following section reports on the performance of the fee-related services we provided in 2016–17.

Inquiries into breaches of the Code of Conduct

Following amendments to the Public Service Act in 2013 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 (section 50A). An inquiry must have the written agreement of the employee or former employee.

Table M9 (see appendix) sets out the Code of Conduct caseload for 2016–17.

Two cases were on hand at 1 July 2016 and eight more were received during the year. One case was withdrawn because the employee did not consent to the inquiry. In seven of the eight cases that were finalised we determined that the employee or former employee had breached the Code of Conduct. In the remaining case, we found that the employee had not breached the Code of Conduct.

The misconduct cases investigated were serious and complex and included allegations of inappropriate use of social media; aggressive behaviour towards colleagues and managers;

performance of regulatory functions in a way that had the potential to bring the agency into disrepute; conflicts of interest in procurement and arising from a relationship in the workplace; and installing prohibited software on the agency's ICT system, creating an IT security risk. One case was on hand at 30 June 2017.

Feedback from agencies on the timeliness and quality of the inquiry work and decision-making has been positive.

Independent selection advisory committees and fee-for-service activity

The Merit Protection Commissioner establishes independent selection advisory committees (ISACs) to help agencies' recruitment processes. ISACs undertake a staff selection exercise on behalf of an agency and make recommendations about the relative suitability of candidates for jobs at the APS 1–6 classifications.

An ISAC consists of a convenor nominated by the Merit Protection Commissioner and two other members, one nominated by us and one nominated by the agency. ISACs work within agency recruitment policies and can accommodate a range of selection assessment techniques.

Agency demand for ISACs was maintained in 2016–17 reflecting the overall upturn in APS recruitment in 2015–16. Five agencies used ISACs. The 11 ISACs finalised in 2016–17 considered 2,098 candidates, of whom 193 were recommended—an average of 190 candidates and 17 recommendations per ISAC, compared with an average of 215 candidates and 54 recommendations in 2015–16. The largest recruitment exercise was 620 candidates for positions in the Department of Foreign Affairs and Trade.

Table M10 (see appendix) provides information on ISAC activity for 2016–17 compared with that for 2015–16.

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. In recent years, this work has consisted of providing members of selection panels for the Australian Federal Police (AFP). In 2016–17, employees of the Merit Protection Commissioner conducted two selection exercises for the AFP.

Norfolk Island fee-for-service activity

In December 2015, the Merit Protection Commissioner accepted an appointment as Norfolk Island Public Service Commissioner. Review services were provided on a fee-for-service basis. This appointment ended on 30 June 2016 and reporting requirements under the Norfolk Island *Public Service Act 2014* were fulfilled.

GOVERNANCE, MANAGEMENT AND ACCOUNTABILITY

The Office of the Merit Protection Commissioner, established under section 49 of the Public Service Act, is an independent office located within the Australian Public Service Commission. Ms Annwyn Godwin was reappointed as Merit Protection Commissioner by the Governor-General in January 2013 for a second five-year term.

The Commissioner's functions are set out in sections 50 and 50A of the Act and Parts 2, 4, 5 and 7 of the Regulations. This report and further information about the Merit Protection Commissioner's role and services are available at www.meritprotectioncommission.gov.au.

The respective responsibilities of the Merit Protection Commissioner and the Australian Public Service Commissioner (the Commissioner) are established in the Public Service Act. The two roles are complementary, particularly in relation to maintaining confidence in public administration.

The Commissioner is responsible for upholding high standards of integrity and conduct in the APS. The Merit Protection Commissioner provides an important assurance role for the APS by ensuring consistent standards of decision-making and people management practices across the APS.

Corporate governance

The Commissioner, as the head of the Commission, is responsible for its corporate governance.

During 2016–17, 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. In 2016–17, the Merit Protection Commissioner was 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's review and fee-related service activities are performed in the Commission's Sydney office. The Merit Review Policy team is based in Canberra. During 2016–17, the Merit Protection Commissioner was supported by four delegates (with two job-sharing the Principal Adviser role), a business manager, a policy officer, four review advisers, a review manager and three administrative staff, two of whom are also job-sharing.

Information Publication Scheme

Information about the Merit Protection Commissioner is included in the Commission's plan, which is available at www.apsc.gov.au/freedom-of-information/ips.

APPENDIX: Review of performance by function

The information on activity and performance provided in this appendix refers to the Merit Protection Commissioner's statutory functions. Information on the Merit Protection Commissioner's functions can be found at www.meritprotectioncommission.gov.au.

Review of employment actions

The Merit Protection Commissioner, under section 33 of the Public Service Act and Part 5 of the Regulations, conducts three main categories of reviews:

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

Table M2 provides information on the number of applications for review (other than promotion review) received and reviews completed in 2016–17. Table M3 provides information on the timeliness with which this function was performed. Both tables compare results for 2016–17 with those for 2015–16.

Table M2: Review of employment actions workload for 2016–17, by type of review, compared with total reviews in 2015–16

Cases	Primary reviews— Code of Conduct	Primary reviews—other	Secondary reviews	Complaints/ reviews by former employees	Total	
					2016– 17	2015– 16
On hand at start of year	28	3	14	1	46	34
Received during the period	58	14	99	6	177	198
Total cases	86	17	113	7	223	232
Reviewed	50	2	39	2	93	75
Not accepted	12	10	52	3	77	91
Lapsed or withdrawn	17	3	9	1	30	19
Total finalised during period	79	15	100	6	200	185
On hand at end of year	7	2	13	1	23	47

Notes: There is a variation in the number of cases on hand at the end of 2015–16 and at the start of 2016–17 because two cases were reassessed and handled as one case.

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.

Table M3: Timeliness in handling reviews, 2016–17 compared with 2015–16

Review type	2015–16		2016–17	
	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	13.04	88.57	13.72	78
Primary reviews—other	8.14	100	22.36	50
Secondary reviews	12.58	92.31	15.3	79.5
Reg 7.2/7.2A	NA	NA	16.29	50
Total	12.91	90.67	14.62	77.4

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

Table M4 details the number of reviews by agency concerned.

Table M4: Reviews completed, by agency, 2016–17

Agency concerned	Primary reviews—Code of Conduct	Primary reviews—other	Secondary reviews	Reviews/complaints by former employees	Total
Department of Human Services	23	1	24	0	48
Australian Taxation Office	9	0	1	0	10
Department of Defence	6	0	1	0	7
Department of Immigration and Border Protection	2	0	3	1	6
Department of the Prime Minister and Cabinet	2	0	0	0	2
CrimTrac	2	0	0	0	2
Department of Agriculture and Water Resources	0	0	2	0	2
Department of Infrastructure and Regional Development	2	0	0	0	2
Fourteen other agencies (one review each)	4	1	8	1	14
Total	50	2	39	2	93

Table M5 shows the main subject matter and the secondary subject matters for all secondary cases reviewed in 2016–17. The data in Table M5 is not directly comparable with the data in tables M2–M4, because a review may involve more than one subject matter.

Table M5: Subject matter of reviews completed, 2016–17

Subject matter	Secondary subject matter	Number
Conditions of employment	Allowances/other payments	1
	Leave	13
	Hours of work	2
	Other entitlements	2
Subtotal		18
Duties	Assignment/temporary assignment of duties	3
	Relocation	2
	Reclassification	2
	Suspension	1
	Fitness for duty assessment	1
Subtotal		9
Performance management	Counselling	2
	Performance appraisal	3
	Performance pay	1
	Workplace direction	1
	Underperformance	5
Subtotal		12
Workplace environment and arrangements	Discrimination	2
	Management practices	1
Subtotal		3
Harassment	Bullying and harassment	3
Subtotal		3
Total		45

Note: Excludes Code of Conduct cases.

Table M6 shows the subject matter for all Code of Conduct cases reviewed in 2016–17. The data in Table M6 is not directly comparable with that in tables M2–M4, because a review may involve more than one subject matter.

Table M6: Subject matter of Code of Conduct reviews completed, 2016–17

Subject matter identified	Number
Unauthorised access of agency databases	11
Failure to follow a direction	8
Bullying and harassment	5
Lack of respect and courtesy	5
Inappropriate use of email/internet	4
Failure to record attendance accurately	3
Misuse of Commonwealth property/assets	3
Inappropriate public comment/privacy breach	1
Misuse of credit card	1
Other (providing false information, illegal drug use, unreasonable directions)	6
Total number of matters identified	47

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 2015–16 are in Table M6. In this table, ‘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: Promotion review caseload, 2016–17 compared with 2015–16

Promotion review cases	2015–16	2016–17
On hand at start of year	23	28
Received during the period	176	177
Total caseload	199	205
Reviewed	108	141
Not accepted	11	13
Lapsed or withdrawn	53	48
Total finalised during period	172	202
On hand at end of year	27	3
Target completion time (weeks)	8 or 12	8 or 12
Completed within target time (number)	104	130
Completed within target time (percentage)	96%	92%

Note: There is a variation in totals for 2015–16 published in the Merit Protection Commissioner's *Annual Report 2015–16* because one case that was subsequently withdrawn was incorrectly recorded as being lodged in 2016–17.

Table M8 lists those agencies whose promotions attracted review applications and the number of promotions considered.

Table M8: Review of promotion decisions, by agency, 2016–17

Agency	Promotion reviews finalised	Total applications received	'Active' applications received	'Protective' applications received	Promotion decisions considered	Promotion decisions varied
Australian Taxation Office	67	607	156	451	622	4
Department of Human Services	40	232	79	153	221	0
Department of Immigration and Border Protection	19	126	27	99	146	1
Department of Veterans' Affairs	3	7	3	4	7	0
Fair Work Ombudsman	3	4	4	0	3	0
Department of Agriculture and Water Resources	2	2	2	0	4	0
Seven other agencies (with one review)	7	7	7	0	11	0
Total	141	985	278	707	1,015	5

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 may 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 M9 sets out information on Code of Conduct inquiry activity for 2016–17 compared with that for 2015–16.

Table M9: Code of Conduct inquiries, 2016–17 compared with 2015–16

Status	2015–16	2016–17
On hand at start of year	0	2
Received during the period	5	8
Total workload	5	10
Completed	2	8
Lapsed/withdrawn	1	1
Total finalised during the period	3	9
On hand at end of year	2	1

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 M10 sets out information on ISAC activity for 2016–17 compared with that for 2015–16.

Table M10: Independent Selection Advisory Committees, 2016–17 compared with 2015–16

	2015–16	2016–17
On hand at start of year	2	6
Received during the period	10	10
Total workload	12	16
Completed	6	11
Lapsed/withdrawn	0	0
Total finalised during the period	6	11
On hand at end of year	6	5

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Abbreviations and acronyms

AGLN	Australian Government Leadership Network
APS	Australian Public Service
APSC	Australian Public Service Commission
EL	Executive Level
HR	human resource(s)
ICT	information and communications technology
MOU	memorandum of understanding
NAIDOC	National Aboriginal and Islander Day Observance Committee
PBS	Portfolio Budget Statements
PID Act	<i>Public Interest Disclosure Act 2013</i>
PNG	Papua New Guinea
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	Public Governance, Performance and Accountability Rule 2014
Regulations	Public Service Regulations 1999
SES	Senior Executive Service

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