
PART 3

Management and accountability

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CORPORATE GOVERNANCE

The department promotes a culture that encourages and supports all staff to be accountable for their actions to act with integrity, trust, honesty and respect; commit to excellence; focus on performance; and ensure the efficient and ethical management of people and resources. Elements of our corporate

governance framework include business planning, audit and assurance activities, risk management, fraud prevention and control, committees, Secretary's Instructions, policies and guidelines and staff performance agreements and assessments.

Committees

To support the Secretary in the achievement of our objectives, we have a number of committees. These are outlined in Figure 3.1.

Figure 3.1 **Departmental Committees**

Committee	Purpose
Executive Leadership Group	Establishes the strategic direction for PM&C on policy and organisational matters.
Division Heads	Discusses key business issues, including business priorities, key commitments and any ongoing or emerging risks.
Audit Committee	Provides independent assurance and assistance to the Secretary and the Executive on the department's risk, control and compliance framework, and its external accountability responsibilities.
Financial Statements Sub-Committee	Oversees, reviews, reports and advises the Audit Committee on the planning, management and finalisation of the department's annual financial statements process and certificate of compliance process.
Operations Committee	Considers, oversees and provides advice to the Secretary and the Executive Leadership Group on matters relating to all aspects of the department's operations including, but not limited to, financial management, workforce/human resources, security, corporate improvement, and programme management.

Figure 3.1 **Departmental Committees**

Committee	Purpose
External Budgets Sub-Committee	A sub-committee of the Operations Committee that advises the Operations Committee on the planning, management and clearance of key PM&C Commonwealth Budget related deliverables.
National Health and Safety Sub-Committee	A sub-committee of the Operations Committee that facilitates discussion and cooperation regarding work health and safety (WHS) issues and assists in developing Health and Safety Management Arrangements through consultation with all staff.
Compliance Sub-Committee	A sub-committee of the Operations Committee that supports the Operations Committee in providing assurance to the Secretary and Executive Leadership Group regarding the department's performance and its compliance with internal and external requirements.
Inclusion & Diversity Committee	Drives and promotes inclusion and diversity initiatives and change within PM&C.

Risk management

The department's risk management framework is consistent with the international standard ISO 31000:2009, and outlines the department's approach to effective risk management providing the basis for integrating risk management into the department's business activities. Risk is considered in key decision-making activities and, in particular, when undertaking policy development and giving policy advice; in planning for and undertaking significant projects and procurements such as major events and taskforces; when outsourcing services, managing contracts and delivering programmes; and when providing secretariat and support services.

The department's strategic risk management plan is updated annually. The 2015-16 update was informed by feedback from senior managers, outcomes from the department's annual internal audit programme, as well as the views of the Secretary, the Executive Leadership Group, Operations Committee and Audit Committee members.

The Audit Committee recommends the plan for approval by the Executive Leadership Group and monitors the implementation of treatment strategies and tracks risks. The 2015-16 plan was approved on 10 August 2015.

Ethical standards

The department is committed to promoting and maintaining the standard of behaviour outlined in the APS Values and APS Code of Conduct, as set out in the *Public Service Act 1999*. The department is a member of the Ethics Contact Officer Network, which plays a key role in supporting the ongoing work of the Ethics Advisory Service and provides best practice advice on ethical matters.

Complaints management

To ensure we continue to improve our services to the Australian people, we have a complaints and feedback system. In 2015–16 our complaints staff recorded and processed 89 matters. Further information is available on the department's website.

Fraud prevention and control

The department's fraud control plan is designed to prevent, detect and deter fraud. It includes: a statement of the department's policy on, and approach to, fraud control; a description of the department's fraud control responsibilities and strategies; direction for the department's fraud control, response and education capabilities; and a description of fraud reporting obligations both within and external to the department.

We review the fraud control plan every two years and undertake ongoing risk assessments to support the plan. As part of the review process, we conduct extensive consultations with programme risk managers and subject matter experts on a six monthly basis to evaluate existing risk trends and emerging risks and to put in place appropriate strategies to manage them.

The department's fraud awareness strategy provides for training and regular fraud related messages to staff. The training uses a number of delivery methods including face to face, video conferencing and an e-Learning package to meet different staff training needs in national offices and across the network. We investigate allegations of fraud and criminal behaviour involving the department and organisations and individuals who receive funding and services through our programmes. Risks identified and lessons learned through investigations are reported to the Compliance sub-committee and programme and network areas.

EXTERNAL SCRUTINY

External audit

During 2015-16 the Australian National Audit Office reported on one portfolio-specific performance audit, *The Indigenous Business Australia - Indigenous Home Ownership Programme*. This report was tabled on 3 December 2015. The department was involved in four multi-portfolio performance audits on: *Procurement Initiatives to Support Outcomes for Indigenous Australians*, *Confidentiality in Government Contracts: Senate Order for Departmental and Entity Contracts (Calendar Year 2014 Compliance)*, *Approval and Administration of Commonwealth Funding for the East West Link Project* and *Implementing the Deregulation Agenda: Cutting Red Tape*. These final reports were tabled on 8 July 2015, 30 September 2015, 14 December 2015 and 4 May 2016 respectively.

The Australian National Audit Office commenced an audit in February 2016 to assess whether the department has effectively established and implemented the Indigenous Advancement Strategy (IAS) to achieve the outcomes desired by government. The audit is continuing with the report due to be tabled in December 2016.

Judicial decisions and other external scrutiny

There was one decision of the Administrative Appeals Tribunal affecting the department over 2015-16: Secretary, Department of the Prime Minister and Cabinet and John Wood and Allan Asher [2015] AATA 945 (8 December 2015).

The Administrative Appeals Tribunal found that parts of an October 2011 brief from the then department's Secretary to the then Prime Minister were not exempt under section 47C (deliberative processes) of the *Freedom of Information Act 1982* (FOI Act). The Tribunal found that there is a legitimate public interest under the FOI Act, in appropriate cases, in keeping agency advice to ministers confidential. However, having regard to other factors including the passage of time, the Tribunal decided that, on balance, disclosure of the brief would not be contrary to the public interest.

Other external scrutiny

The department commenced a review of the PM&C portfolio in 2015–16 to ensure it is best positioned to deliver the Government’s priorities. Led by Mr David Thodey, the review incorporates a Functional and Efficiency Review required as part of the Government’s broader Efficiency through Contestability Programme. The review will comprehensively assess the efficiency and effectiveness of all aspects of the department and portfolio with a particular focus on staff capability and the quality of our enabling services. The review will conclude and be provided to the Prime Minister and the Minister for Finance by September 2016.

The Joint Committee of Public Accounts and Audit (JCPAA) tabled *Report 454, Early Years Quality Fund: Review of Auditor-General’s Report No. 23 (2014–15)* on 22 February 2016. The report contained a recommendation directed to the department in relation to caretaker guidance provided by the department in 2013, which was addressed by adding a new section in the ‘Introduction’ of the *Guidance on Caretaker Conventions* (updated on the department’s website on 13 April 2016).

The Senate Finance and Public Administration References Committee tabled a report into the *Commonwealth Indigenous Advancement Strategy tendering processes* in March 2016. PM&C is considering the nine recommendations resulting from the Committee’s inquiry into the impact on service quality, efficiency and sustainability of the 2014 Commonwealth Indigenous Advancement Strategy (IAS) tendering processes.

Entities subject to the FOI Act are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. Information for the department, including an Agency Plan showing what information we publish, is available at www.dpmmc.gov.au.

OUR PEOPLE

PM&C recognises the essential contribution that people make to achieving PM&C’s purpose, and the importance of investing in staff capability. The PM&C *People Strategy 2014–16* provided the vision to support the development of our people throughout 2015–16 with a focus on cohesion, capability and capacity.

Employment performance

As at 30 June 2016 the department had 1,976 employees engaged in ongoing functions. This is a decrease from 2,086 employees as at 30 June 2015. Further information is provided at Figure 3.2.

We have a diverse workforce with approximately 66 per cent female representation, 58 per cent under 45 years and 15 per cent identifying as Aboriginal or Torres Strait Islander.

We have staff working right across Australia with approximately 71 per cent of staff located in Canberra and the remaining staff in other capital cities, regional and remote areas. Further information is provided in the human resources workforce profile at Figure 3.3.

Total employee expenditure for 2015–16 was \$269.825 million, a decrease of \$2.778 million from the previous year.

Figure 3.2 **Staff distribution figures (based on headcount)**

PM&C functions	Number of staff at 30 June 2015	Number of staff at 30 June 2016
Ongoing functions	2,086	1,990
Inoperatives ¹	129	151
Total	2,324	2,141

Notes:

¹ Includes staff on paid leave greater than three months (maternity leave, long service leave, annual leave) and staff on leave without pay (external temporary transfers, overseas travel or study) and other temporary employment in the interests of the APS.

Figure 3.3 Workforce profile (based on substantive headcount)

Workforce profile ¹	At June 2015			At June 2016		
	Ongoing	Non-ongoing	Total	Ongoing	Non-ongoing	Total
Job classification						
Secretary	1	0	1	1	0	1
SES Band 3	8	1	9	8	1	9
SES Band 2	30	0	30	19	1	20
SES Band 1	87	0	87	74	4	78
Executive Level 2	344	12	356	254	7	261
Executive Level 1	687	35	722	641	18	659
APS 4-6	935	105	1,040	960	53	1,013
APS 1-3	52	9	61	59	11	70
Graduate	18	0	18	30	0	30
Total	2,161	162	2,324	2,046	95	2,141
Location						
ACT	1,522	101	1,624	1,467	55	1,522
NSW	97	5	102	89	4	93
NT	264	17	281	234	7	241
QLD	102	11	113	94	8	102
SA	46	9	55	41	8	49
TAS	11	0	11	8	0	8
VIC	27	0	27	26	1	27
WA	92	19	111	87	12	99
Overseas	0	0	0	0	0	0
Total	2,161	162	2,324	2,046	95	2,141
Staff age profile						
Age < 25	44	13	57	53	16	69
Age 25 - 34	639	48	687	591	16	607
Age 35 - 44	601	36	637	548	16	564
Age 45 - 54	563	29	592	534	29	563
Age 55 - 64	290	34	334	289	18	307
Age 65 +	24	2	27	31	0	31
Total	2,161	162	2,324	2,046	95	2,141

Figure 3.3 Workforce profile (based on substantive headcount)

Workforce profile ¹	At June 2015			At June 2016		
	Ongoing	Non-ongoing	Total	Ongoing	Non-ongoing	Total
Equal employment opportunity group participation and workplace arrangements						
Female	1,451	114	1,543	1,358	64	1,422
Non-English speaking background	109	6	115	107	8	115
Aboriginal and/or Torres Strait Islander	321	25	346	303	25	328
People with a disability	74	3	77	62	2	64
Working part-time	254	24	278	268	14	282

Notes:

¹ Figures include staff employed in ongoing functions, staff who are inoperative and the Secretary.

Inclusion and diversity

PM&C recognises the importance of an inclusive and diverse workplace. To assist in achieving this, we have appointed an overarching SES Band 3 Diversity Champion, who is supported by SES Band 2 co-champions: a Gender Champion, Indigenous Champion, and Disability and LGBTI Champions. Champions play a visible leadership role across the department and work together to achieve a cohesive and integrated approach to inclusion and diversity.

In 2015-16, the department achieved a number of priorities relating to inclusion and diversity, including the release of an *Aboriginal and Torres Strait Islander Employment Strategy*, Reconciliation Action Plan and the Disability Action Plan.

Aboriginal and Torres Strait Islander peoples

The department's Reconciliation Action Plan (RAP) 2015-2018 was published in November 2015, setting out our journey towards reconciliation. We respect and celebrate the unique place Aboriginal and Torres Strait Islander peoples hold as our First Australians. The RAP focused on three key areas: Relationships, Respect and Opportunities. Further information on our achievements is available on the PM&C website or by contacting the department.



Photo 3.1 Rosie Batty with Scott Channing, Environment Branch and Kerrie Tim, Principal Adviser – Indigenous Affairs at the launch of the PM&C Domestic Violence Policy.

People with disability

The National Disability Strategy 2010–20 sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. Agency level information on people with disability can be found at www.dss.gov.au.

The department's Disability Action Plan (DAP) 2015–2017 was released in November 2015. The DAP will enable us to increase the representation of people with disability by providing a safe, accessible and supportive working environment for employees with disability. The department aims to increase disability confidence and awareness of all employees, particularly supervisors. Further information is available on the PM&C website or by contacting the department.

Domestic and family violence policy

The department launched a Domestic and Family Violence Policy in May 2016. The policy reaffirms our commitment to taking action on this important issue by providing a compassionate and supportive environment for employees affected by domestic and family violence. The policy was the first step towards putting words into action and offers many internal and external services to those affected, including trained contact officers, as well as flexible working arrangements to assist staff. Priorities in 2016–17 include working towards becoming a White Ribbon accredited workplace.

Recruitment

In August 2015, the department made a number of innovative changes to the way we attract, assess and recruit candidates. Changes to the recruitment process included removing selection criteria and duty statements and replacing these with a clear job advertisement that outlines the opportunity and the ideal candidate. We have seen a clear increase in the size and diversity of candidate pools and the changes have been recognised with PM&C nominated for four Human Resources Industry and public administration awards.

Entry level programmes

The department continued to offer opportunities through a range of entry level programmes. This included an increase in entry level opportunities offered for Aboriginal and Torres Strait Islander people and the department creating partnerships with other APS agencies to provide placement opportunities. The department's entry level programmes and participant numbers are listed below.

- ◆ The PM&C Graduate Programme had 30 participants in 2016 (this included two participants recruited through the APS Indigenous Pathways Graduate Programme).
- ◆ The Indigenous Australian Government Development Programme (IAGDP) had 15 participants.
- ◆ The Indigenous Apprenticeship Programme had two programme participants in 2015-16.
- ◆ The PM&C Vacation Employment Programme welcomed 15 university participants.

Employment arrangements

The department's employee profile shifted significantly following the machinery of government changes in late 2013. The terms and conditions of employment, including remuneration of employees moved to the department as a result of these changes, are preserved under a section 24(3) determination made under the *Public Service Act 1999*. The terms and conditions of affected employees are preserved until such time as a new enterprise agreement is negotiated for the department.

In addition to the current PM&C Enterprise Agreement 2011-14, the Department is administering the terms and conditions of the following nine agreements:

- ◆ Attorney-General's Department Enterprise Agreement 2011
- ◆ Department of Broadband, Communications and the Digital Economy Enterprise Agreement 2011-14

- ◆ Department of Education, Employment and Workplace Relations Enterprise Agreement 2012-14
- ◆ One Innovation Enterprise Agreement 2011
- ◆ Department of Finance and Deregulation Enterprise Agreement 2011-14
- ◆ Department of Health and Ageing Enterprise Agreement 2011-14
- ◆ Department of Families, Housing, Community Services and Indigenous Affairs Enterprise Agreement 2012-14
- ◆ Department of Regional Australia, Regional Development and Local Government Enterprise Agreement 2011
- ◆ Department of Sustainability, Environment, Water, Population and Communities Enterprise Agreement 2011-14.

Data on employment arrangements for all departmental staff is provided at Figure 3.4.

Figure 3.4 Trends in employment agreements - as at 30 June

	2014	2015	2016
Section 24(1) determinations¹			
SES	71	73	107
Non-SES ¹	1	2	66
Section 24(3) determinations²			
SES	46	31	0
Non-SES	1,431	1,361	1,115
Enterprise Agreement (EA)			
SES	0	0	0
Non-SES	819	768	756
Individual Flexibility Arrangements			
SES	0	0	0
Non-SES	98	88	96
Total³	2,466	2,323	2,140

Notes:

¹ Non-SES staff subject to a determination under section 24(3) were offered a determination under section 24(1) in lieu of an Individual Flexibility Arrangement where agreed.

² Staff transferred to PM&C to give effect to Administrative Arrangements Orders made by the Governor-General in Council on 18 September 2013 had all terms and conditions of employment maintained by determinations under section 24(3) of the Public Service Act 1999.

³ These figures include both ongoing and non-ongoing employees but do not include the Secretary.

Consistent with the relevant enterprise agreement, eligible departmental employees received pay point progression at the end of financial year. Data on base salary is available in Figure 3.5 below.

Figure 3.5 Trends in base salary

Base salary ¹	30 June 2014		30 June 2015		30 June 2016	
	Min	Max	Min	Max	Min	Max
APS 1-3	41,049	62,837	41,049	62,837	41,049	62,837
APS 4-6	56,711	97,137	60,428	100,095	60,428	100,095
EL1	94,705	123,603	93,975	128,287	93,975	128,287
EL2	112,992	148,759	111,677	156,138	111,677	156,138
SES Band 1	151,933	202,385	151,933	202,385	154,971	214,451
SES Band 2	212,950	246,897	204,248	260,000	225,044	315,000
SES Band 3	276,250	367,719	300,000	367,719	306,000	371,280
Secretary	The Secretary's remuneration is determined by the Remuneration Tribunal.					

Notes:

¹ Data sourced from Enterprise Agreements and Section 24(1) Determinations covering the department's workforce as a result of the machinery of government changes

Productivity gains

We worked towards achieving a range of productivity initiatives throughout the year to enhance our ability to deliver the business outcomes of the department. These included enhancements to our Human Resource systems, ICT services and business processes.

Performance pay and other benefits

Two employees received performance bonuses in 2015-16 under Individual Flexibility Arrangements (established at the former Department of Health and Ageing). To avoid disclosing personal information performance bonus figures have not been published.

Employees can access a range of salary sacrifice benefits including additional superannuation, leased motor vehicles, laptop computers, mobile telephones and study assistance.

Performance management Framework

All employees participate in the performance management process; the main objectives are to:

- ◆ link individual work with the department's strategic and operational objectives
- ◆ provide considered feedback to employees on their performance and achievements at work
- ◆ identify and support the ongoing learning and development needs of employees
- ◆ effectively identify and address underperformance.

Learning and development

In 2015-16 the department delivered 233 training sessions to employees Australia-wide. Centrally coordinated courses were linked to our Capability Framework. Training opportunities included APS foundation and core skills, diversity, specialist policy and project management, critical thinking, writing skills and the management of domestic and family violence in the workplace. Leadership development was also a strong focus in 2015-16. A number of internal and external leadership and

talent development opportunities were offered to high-performing and high-potential APS 6 to SES employees.

In 2015-16 the department offered greater access to interactive, accessible and self-paced 'just-in-time' eLearning. These opportunities were offered due to increasing demand for online training and to provide employees with the opportunity to complete induction, compliance, leadership, management, and Microsoft Office training online anytime.

The department's career advisory service provided over 60 employees with tailored one-on-one advice. The department's study assistance scheme provided 255 employees with access to paid study leave and financial assistance to undertake tertiary education.

The department's study assistance scheme provides employees with access to paid study leave and financial assistance to undertake tertiary education. The scheme is designed to encourage and support employees to complete relevant study that will improve their professional skills and knowledge. In the 2015-16 financial year, 255 employees accessed the scheme.

Work health and safety

During the year, the department has focused on revising its Work Health and Safety Management System (WHSMS). The department has progressed through its programme of improvement for the WHSMS which has enabled an evidence-based, risk management approach to WHS considerations. There has also been a focus on achieving nationally consistent WHS management. This focus has led to:

- ◆ revision and development of formal WHS consultation mechanism and governance arrangements
- ◆ revision of the department's WHS policy
- ◆ revision of procedures for managing safety within the department
- ◆ establishment of a national WHS risk register to capture all risks to workers' health and safety
- ◆ development of the department's Due Diligence Framework and Due Diligence Manual to assist officers in discharging their due diligence obligations under WHS legislation
- ◆ increased focus on risk management of specific risks from our unique and diverse risk profile.

The department's new rehabilitation management system focuses on assisting injured workers to remain at work, or return to work in a manner that is safe and affords a durable outcome. The new rehabilitation management system resulted in the following outcomes:

- ◆ rehabilitation case volume has been controlled
- ◆ future compensation liabilities have been reduced
- ◆ accountability, capacity and authority for managers have increased, allowing lower level issue resolution, earlier referral and implementation of early intervention
- ◆ rehabilitation case managers are empowered and cases are decisively and consistently managed to achieve defined outcomes
- ◆ accountability for reducing harm and supporting our people is systematically embedded and verified.

Notifiable incidents and investigations

Under the WHS Act, the department is required to provide statistics of any notifiable incidents that the department became aware of during the year that arose out of the conduct of business or undertakings by the entity, and any investigations conducted and notices given. In accordance with WHS legislation, a notifiable incident is defined as: the death of a person; or a serious injury or illness of a person; or a dangerous incident. During this period, there were six notifiable incidents, including four serious injury or illness of a person that required notice to Comcare under section 35 and two dangerous incidents that required notice to Comcare under section 35.

From the notifiable incidents no follow up has been requested by the regulator following notification. This suggests that the information provided to the regulator by the department is sufficient

and the regulator is satisfied with the department's response to the incidents.

No investigations were undertaken by the Regulator under Part 10 of the WHS Act.

ENVIRONMENTAL PERFORMANCE

As outlined in our Environmental Policy Statement, we are committed to each of the five principles of sustainable development (integration, precaution, intergeneration, biodiversity and valuation) identified in the *Environment Protection and Biodiversity Conservation Act 1999*. Where they applied to our operations, in 2015-16, we continued to mitigate the effects of our impact on the environment by:

- ◆ conserving resources and minimising waste
- ◆ implementing a range of environmentally sound work practices
- ◆ including environmental impacts in our purchasing policies where appropriate
- ◆ complying with all relevant Commonwealth Government, State and Territory environmental legislation, regulations, policies and initiatives

- ◆ using technology such as telepresence and desktop videoconferencing to facilitate meetings with interstate colleagues where appropriate
- ◆ supporting and encouraging staff to utilise environmentally friendly modes of transport
- ◆ supporting the use of recycled paper and recycling systems
- ◆ communicating our environmental commitments to staff and the public.

During 2015-16 we continued to demonstrate environmental responsibility by minimising the negative effects we have on the environment in the areas of energy efficiency, waste and water. This includes:

- ◆ maintaining a National Australian Built Environment Rating System (NABERS) rating of 4.5 stars for whole building energy and achieving a 5 star rating for base building energy and 3.5 stars for water at National Circuit, Barton

- ◆ maintaining a NABERS rating of 5.5 stars for tenancy and 5 star base building NABERS rating for building energy and water at Centraplaza, Bowes Place, Woden
- ◆ holding monthly Building Management Committee meetings in line with our Green Lease obligations and quarterly Environmental Committee meetings to review energy usage and analyse consumption
- ◆ regularly monitoring levels of waste recycling
- ◆ moving to a 'paperless office' by supporting the use of electronic document management and collaboration as well as digital and mobile technology solutions for many staff (iPads, laptops)
- ◆ using a 70,000 litre rainwater tank to flush toilets and water gardens at One National Circuit, Barton
- ◆ encouraging recycling by providing recycling bins as well as waste bins, with suitable waste composted by a recycling provider
- ◆ using drought tolerant plants in the One National Circuit gardens
- ◆ participating in Earth Hour
- ◆ implementing our Environmental Management System (EMS), based on the Australian Standard AS/NZS ISO 14001, and conducting regular reviews of the EMS
- ◆ encouraging staff to utilise black/white and two sided printing options
- ◆ replacing down light globes with LED lighting in building core and toilet facilities at One National Circuit and auto-dimming workspace lights following inactivity
- ◆ the majority of office equipment in both One National Circuit and Centraplaza using an energy saver mode when not in use
- ◆ purchasing up to 10 per cent of the energy for tenant light and power for both One National Circuit and Centraplaza from green power sources
- ◆ the installation of Predictive Optimisation software at Centraplaza to enable monitoring of real-time weather forecasts, energy prices/tariffs and demand response signals; this results in automatic adjustments to reduce energy usage.

FINANCIAL MANAGEMENT

This section highlights the department's financial performance during 2015–16 for both departmental and administered activities.

The department's financial statements are presented from page 78 of this report. The Australian National Audit Office issued an unmodified audit opinion of these statements on 6 September 2016.

Financial performance of departmental activities

Operating result

The department recorded a technical operating deficit of \$26.2 million including non-cash items:

- ◆ \$21.1 million in unfunded depreciation and amortisation expenses
- ◆ \$4.6 million in the discounting of employee provisions, mainly due to a decrease in the long term Government bond rate
- ◆ \$1.8 million in write-down and impairment of assets expenses, mainly due to the disposal of property, plant and equipment assets
- ◆ \$0.5 million in losses from asset sales and the unwinding of make-good provisions.

The exclusion of these non-cash adjustments results in an operating surplus of \$1.8 million.

Statement of Financial Position

As at 30 June 2016, the department had net equity of \$114.5 million, representing \$233.5 million of assets offset by \$119.0 million of liabilities. The financial asset balance of \$111.3 million primarily represented cash and appropriation receivable. The non-financial asset balance of \$112.7 million mainly represented staff accommodation, offices in remote areas and leasehold improvements. The majority of the liabilities balance reflected \$76.3 million in employee provisions and \$22.8 million payable to suppliers.

Financial performance of administered activities

Income

Administered revenue of \$100.3 million predominantly reflects \$76.1 million of interest earned on the investment of funds held by the Aboriginals Benefit Account (ABA) and the Aboriginal and Torres Strait Islander Land Account (ATSILA) and grant acquittals of \$21.7 million that was returned to the Government.

The revaluation of land, buildings, property, plant and equipment owned by portfolio entities resulted in a \$108.1 million increase in the net book value of administered investments. These adjustments are reflected in the Asset Revaluation Reserve and Other Comprehensive Income.

Expenses

In 2015-16 the programmes administered by the department on behalf of the Australian Government included:

- ◆ \$1,285.5 million for the Indigenous Affairs programmes
- ◆ \$163.1 million for the ABA special account
- ◆ \$120.7 million in payments to Corporate Commonwealth Entities in the portfolio

- ◆ \$51.1 million for the ATSILA special account
- ◆ \$16.3 million for other programmes including Women's policy and other administered items.

Assets

As at 30 June 2016, administered assets were valued at \$4,566.1 million reflecting:

- ◆ \$2,549.0 million of investments, being ABA and ATSILA funds held in term deposits
- ◆ \$1,922.3 million representing the net book value of the portfolio's corporate entities
- ◆ \$63.9 million in trade and other receivables
- ◆ \$20.1 million cash at bank
- ◆ \$10.8 million non-financial assets.

Liabilities

As at 30 June 2016 the department had administered liabilities of \$57.7 million. The most significant items were:

- ◆ \$41.1 million of suppliers, grants and other payables
- ◆ \$16.0 million of provisions for future non-cash benefits to be provided to former Governors-General.

Figure 3.6 Resourcing statement

	Actual Available Appropriation for 2015-16 \$'000	Payments Made 2015-16 \$'000	Remaining balance 2015-16 \$'000
	(a)	(b)	(a)-(b)
Ordinary annual services¹			
Departmental appropriation ²	518,585	426,946	91,639
Total	518,585	426,946	91,639
Administered expenses³			
Outcome 1: Prime Minister and Cabinet	20,920	16,510	
Outcome 2: Indigenous	1,242,060	1,220,622	
Payments to corporate Commonwealth entities and companies ⁴	120,727	120,727	
Total	1,383,708	1,357,859	
Total ordinary annual services	A 1,902,293	1,784,805	
Other services⁵			
Administered expenses			
Specific payments to States, Act, NT and local Government			
Outcome 1: Prime Minister and Cabinet	-	-	
Outcome 2: Indigenous	8,647	7,588	
Total	8,647	7,588	
Departmental non-operating			
Equity injections ⁶	14,162	5,830	8,332
Total	14,162	5,830	8,332

Figure 3.6 Resourcing statement

		Actual Available Appropriation for 2015-16 \$'000	Payments Made 2015-16 \$'000	Remaining balance 2015-16 \$'000
		(a)	(b)	(a)-(b)
Administered non-operating				
Administered assets and liabilities		-	-	
Payments to corporate Commonwealth entities and companies - non-operating		36,550	36,550	
Total		36,550	36,550	
Total other services	B	59,359	49,968	
Total available annual appropriations and payments		1,961,652	1,834,773	
Special appropriations				
Special appropriations limited by criteria/entitlement				
<i>Aboriginal Land Rights (Northern Territory) Act 1976</i>			208,253	
<i>Higher Education Support Act 2003</i>			51,333	
Special appropriations limited by amount				
<i>Public Governance, Performance and Accountability Act 2013</i>			6	
Total special appropriations	C		259,592	

Figure 3.6 Resourcing statement

	Actual Available Appropriation for 2015-16 \$'000	Payments Made 2015-16 \$'000	Remaining balance 2015-16 \$'000
	(a)	(b)	(a)-(b)
Special accounts⁷			
Opening balance	24,117		
Appropriation receipts	207,285		
Non-appropriation receipts to Special Accounts	2,644,853		
Payments made		2,846,685	
Total special accounts	D 2,876,255	2,846,685	29,570
Total resourcing and payments			
A+B+C+D	4,837,907	4,941,050	
Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or corporate Commonwealth entities and companies through annual appropriations	(364,562)	(364,562)	
Total net resourcing and payments for PM&C	4,473,345	4,576,488	

Notes:

- ¹ *Appropriation Act (No.1) 2015-16 and Appropriation Act (No.3) 2015-16* including prior year departmental appropriation and section 74 retained revenue receipts, less permanent quarantines of \$51.952 million. For further details refer to Note 5.1 to the financial statements.
- ² Includes an amount of \$5.241 million in 2015-16 for the Departmental Capital Budget. For accounting purposes this amount has been designated as 'contribution by owners'.
- ³ Includes an amount of \$24.2 million from 2013-14, \$9.2 million from 2014-15 and \$0.3 million in 2015-16 for the Administered Capital Budget. For accounting purposes \$0.3 million has been designated as 'contribution by owners'.
- ⁴ Corporate entities' are corporate Commonwealth entities and Commonwealth companies as defined under the PGPA Act 2013.
- ⁵ *Appropriation Act (No.2) 2015-16*.
- ⁶ *Appropriation Act (No.2) 2015-16 equity injections and prior year equity injections*.
- ⁷ Does not include 'Special public money' held in accounts like Services for Other entities and Trust Moneys Special accounts (SOETM).

Figure 3.7 Expenses by Outcome

Expenses for Outcome 1			
Outcome 1: Provide high quality policy advice and support to the Prime Minister, the Cabinet, Portfolio Ministers and Parliamentary Secretaries including through the coordination of government activities, policy development and programme delivery.	Budget * 2015-16 \$'000	Actual expenses 2015-16 \$'000	Variation 2015-16 \$'000
	(a)	(b)	(a)-(b)
Programme 1.1: Prime Minister and Cabinet			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1, 3 and 5)	18,115	16,360	1,755
Special Accounts	35	17	18
Special appropriations	10	-	10
Special Accounts	5	-	5
Departmental expenses			
Departmental appropriation ¹	121,395	96,359	25,036
Expenses not requiring appropriation in the Budget year ²	10,017	6,994	3,023
Total for Programme 1.1	149,577	119,730	29,847
Outcome 1 Totals by appropriation type			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	18,115	16,360	1,755
Special appropriations	10	-	10
Special Accounts	40	17	23
Departmental expenses			
Departmental appropriation ¹	121,395	96,359	25,036
Expenses not requiring appropriation in the Budget year ²	10,017	6,994	3,023
Total expenses for Outcome 1	149,577	119,730	29,847

Figure 3.7 Expenses by Outcome

Expenses for Outcome 1

Outcome 1: Provide high quality policy advice and support to the Prime Minister, the Cabinet, Portfolio Ministers and Parliamentary Secretaries including through the coordination of government activities, policy development and programme delivery.	Budget *	Actual	Variation
	2015-16	2015-16	2015-16
	\$'000	\$'000	\$'000
	(a)	(b)	(a)-(b)
	2015-16	2015-16	
	Budget	Actuals	
Average staffing level (number)	561	545	16

Notes:

* Full year budget, including any subsequent adjustment made.

¹ Departmental Appropriation combines Ordinary annual services (Appropriation Act Nos. 1 and 3) and Retained Revenue Receipts under section 74 of the PGPA Act 2013.

² Expenses not requiring appropriation in the Budget year is made up of depreciation and amortisation expenses, impairment of receivables, valuation of employee provisions, make good expense, audit fees and other non-cash expense items.

Figure 3.7 Expenses by Outcome

Expenses for Outcome 2

Outcome 2: Improve results for Indigenous Australians including in relation to school attendance, employment and community safety, through delivering services and programmes, and through measures that recognise the special place that Indigenous people hold in this Nation.	Budget * 2015-16 \$'000	Actual expenses 2015-16 \$'000	Variation 2015-16 \$'000
	(a)	(b)	(a)-(b)
Programme 2.1: Jobs, Land and Economy			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	623,493	558,933	64,560
Special appropriations	192,969	161,308	31,661
Special Accounts	228,334	211,444	16,890
Payments to corporate entities	43,647	43,647	-
Less expenses made from appropriations credited to special accounts	(177,226)	(160,339)	(16,887)
Expenses not requiring appropriation in the Budget year ²	-	20,363	(20,363)
Total for Programme 2.1	911,217	835,356	75,861
Programme 2.2: Children and Schooling			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	222,821	282,468	(59,647)
Other Services (Appropriation Act No.2)	8,647	7,588	1,059
Special appropriations	54,516	54,303	213
Special Accounts	5	-	5
Less expenses made from appropriations credited to special accounts	(5)	-	(5)
Expenses not requiring appropriation in the Budget year ²	-	628	(628)
Total for Programme 2.2	285,984	344,987	(59,003)

Figure 3.7 Expenses by Outcome

Expenses for Outcome 2			
Outcome 2: Improve results for Indigenous Australians including in relation to school attendance, employment and community safety, through delivering services and programmes, and through measures that recognise the special place that Indigenous people hold in this Nation.	Budget * 2015-16 \$'000	Actual expenses 2015-16 \$'000	Variation 2015-16 \$'000
	(a)	(b)	(a)-(b)
Programme 2.3: Safety and Wellbeing			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	248,954	252,974	(4,020)
Payments to corporate entities	37,582	37,582	-
Expenses not requiring appropriation in the Budget year ²	-	282	(282)
Total for Programme 2.3	286,536	290,838	(4,302)
Programme 2.4: Culture and Capability			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	63,310	58,059	5,251
Expenses not requiring appropriation in the Budget year	-	508	(508)
Total for Programme 2.4	63,310	58,567	4,743
Programme 2.5: Remote Australia Strategies			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	51,453	51,453	-
Special Accounts	3,210	242	2,968
Payments to corporate entities	39,498	39,498	-
Expenses not requiring appropriation in the Budget year ²	-	119	(119)
Total for Programme 2.5	94,161	91,312	2,849

Figure 3.7 Expenses by Outcome

Expenses for Outcome 2			
Outcome 2: Improve results for Indigenous Australians including in relation to school attendance, employment and community safety, through delivering services and programmes, and through measures that recognise the special place that Indigenous people hold in this Nation.	Budget * 2015-16 \$'000	Actual expenses 2015-16 \$'000	Variation 2015-16 \$'000
	(a)	(b)	(a)-(b)
Programme 2.6: Programme Support			
Departmental expenses			
Departmental appropriation ¹	273,513	299,260	(25,747)
Expenses not requiring appropriation in the Budget year ²	7,986	23,127	(15,141)
Total for Programme 2.6	281,499	322,387	(40,888)
Outcome 2 Totals by appropriation type			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	1,210,031	1,203,888	6,143
Other Services (Appropriation Act No.2)	8,647	7,588	1,059
Special appropriations	247,485	215,611	31,874
Special Accounts	231,549	211,444	20,105
Payments to corporate entities	120,727	120,727	-
Departmental expenses			
Departmental appropriation ¹	273,513	299,260	(25,747)
Expenses not requiring appropriation in the Budget year ²	7,986	45,026	(37,040)
Total expenses for Outcome 2	2,099,938	2,103,544	(3,606)
Less expenses made from appropriations credited to special accounts	(177,231)	(160,339)	(16,892)
Total net expenses for Outcome 2	1,922,707	1,943,205	(20,498)
	2015-16 Budget	2015-16 Actuals	
Average staffing level (number)	1,503	1,552	(49)

Notes:

* Full year budget, including any subsequent adjustment made.

¹ Departmental Appropriation combines Ordinary annual services (Appropriation Act Nos. 1 and 3) and Retained Revenue Receipts under section 74 of the PGPA Act 2013.

² Expenses not requiring appropriation in the Budget year is made up of depreciation and amortisation expenses, impairment of receivables, valuation of employee provisions, make good expense, audit fees and other non-cash expense items.

The variance in Administered is mainly due to funding of \$63.6 million transferred from 2.1 Jobs, Land and Economy Programme to 2.2 Children and Schooling Programme (\$59.6 million), and 2.3 Safety and Wellbeing (\$4.0 million). These were approved by the Minister for Indigenous Affairs.

Procurement

The department's procurement and purchasing in 2015-16 were undertaken in accordance with the principles set out in the Commonwealth Procurement Rules 2014 (CPRs).

CPRs are applied to the department's procurement activities through the Secretary's Instructions (SIs) and Financial Rules, training on procurement policies and centralised advice on all procurement matters. These ensure that the department undertakes competitive, non-discriminatory procurement processes; uses resources efficiently, effectively, economically and ethically; and makes decisions in an accountable and transparent manner.

In 2015-16 the department met its procurement obligations under the Indigenous Procurement Policy by awarding 0.5 per cent of contracts to Indigenous businesses.

No contracts of \$100,000 or greater (inclusive of GST) were let during 2015-16 that did not provide for the Auditor-General to have access to the contractor's premises.

There were no contracts in 2015-16 in excess of \$10,000 (inclusive of GST) that were exempt from being reported on AusTender on the basis that they would disclose exempt matters under the *Freedom of Information Act 1982*.

Further information including procurements expected to be undertaken in 2015-16 is in the department's annual procurement plan, available from the AusTender website (www.tenders.gov.au).

The department supports small business participation in the Commonwealth Government procurement market. Small and medium enterprise (SME) and Small Enterprise participation statistics are available on the Department of Finance's website:

<http://www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/>

The department's procurement practices support SMEs by adopting whole of government solutions to simplify interactions with SMEs. This includes using the Commonwealth Contracting Suite for low risk procurements valued under \$200,000.

The department recognises the importance of paying small businesses on time. The results of the Survey of Australian Government Payments to Small Businesses are available on The Treasury’s website: www.treasury.gov.au.

Consultants

The department engages consultants where it lacks specialist expertise or when independent research, review or assessment is required. Decisions to engage consultants during 2015-16 were made in accordance with the PGPA Act and related regulations, including the Commonwealth Procurement Rules and relevant internal policies.

During 2015-16, 47 new consultancy contracts were entered into by the department, with a total actual expenditure of \$1.65 million. In addition, 25 ongoing consultancy contracts were active during the 2015-16 financial year, incurring a total actual expenditure of \$1.29 million. Details of trends in consultancies are shown in Figure 3.8.

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 www.tenders.gov.au.

Advertising and market research

Under section 311A of the *Commonwealth Electoral Act 1918*, the department is required to disclose payments of \$12,565 or more (inclusive of GST) for advertising and market research.

During 2015-16, the department’s total expenditure for advertising and market research over the reporting threshold was \$241,763.06 (see Figure 3.9).

In accordance with section 311A of the *Commonwealth Electoral Act 1918*, this section contains information about advertising and marketing research.

During 2015-16 the department conducted no advertising campaigns. Further information on advertising is available at www.dpmc.gov.au.

Figure 3.8 Trends in consultancies

Consultancies	2013-14	2014-15	2015-16
Number of existing consultancies	13	17	25
Number of new consultancies	59	33	47
Total consultancies	72	50	72
Total expenditure	\$3.83m	\$2.40m	\$2.94m

Figure 3.9 2015–16 Advertising and market research

Firm	Service provided	2015–16 Payments made in \$ (incl GST)
Media advertising organisations		
Australian Public Service Commission	Advertising and recruitment services	50,689.00
Mitchell and Partners Australia Pty Ltd	Advertising for Recruitment, State Funerals, community consultation and materials for the Community Development Programme, and notifications of hearings for the Independent National Security Legislation Monitor.	115,724.06
Teber Pty Ltd (First10)	Advertising for Recruitment	21,890.00
Intandem	Supply of promotional merchandise for the 2016 National NAIDOC activities	53,460.00

Asset management

The department manages its assets in accordance with the Secretary's Instructions, relevant accounting standards and Department of Finance requirements.

The department administers significant strategic assets, in the form of investments, on behalf of the Australian Government for two special accounts: the Aboriginals Benefit Account (ABA) and the Aboriginals and Torres Strait Islander Land Account (ATSILA). Both the ABA and ATSILA investment strategies are focused on cash flow requirements, preservation of the fund and management of risks. Monies that are surplus to immediate requirements are invested under section 58 of the PGPA Act. For further detail, refer to the ABA and ATSILA Annual Reports.

Non-compliance with finance law

No significant instances of non-compliance requiring a report to the responsible Minister in accordance with the PGPA Act have been recorded in the department for 2015–16.

Grant programmes

Information on grants awarded by the department during the period 1 July 2015 to 30 June 2016 is available at www.dpmmc.gov.au.