



Australian Government
Department of the
Prime Minister and Cabinet

Department of the Prime Minister & Cabinet

Annual Report

2017-18



OUR MISSION

THE DEPARTMENT OF THE PRIME MINISTER AND CABINET (PM&C) ADVANCES THE WELLBEING OF AUSTRALIANS BY DELIVERING HIGH-QUALITY SUPPORT TO THE PRIME MINISTER AND CABINET.

We take a whole-of-nation approach, working closely with communities, stakeholders and across all areas of government and acknowledge the special place of the First Peoples of our nation. We lead the APS in rigorous and collaborative policy development, implementation and program delivery.

OUR PURPOSES

OUR WORK IS GUIDED BY THREE KEY PURPOSES:

1. Supporting the Prime Minister, as the head of the Australian Government, the Cabinet and portfolio ministers.
2. Providing advice on major domestic policy, national security and international matters.
3. Improving the lives of Indigenous Australians.

OUR DEPARTMENT

THEN

PM&C has a proud history of serving successive Australian Prime Ministers, their Cabinets and, through them, our nation and the Australian people.

Established in 1911 by Prime Minister Andrew Fisher, the Prime Minister's Department started operations from Melbourne with a total of six staff. In 1971, we merged with the Department of the Cabinet Office to create the Department of the Prime Minister and Cabinet (PM&C), laying the foundations of the modern, responsive and fit-for-purpose PM&C of 2018.

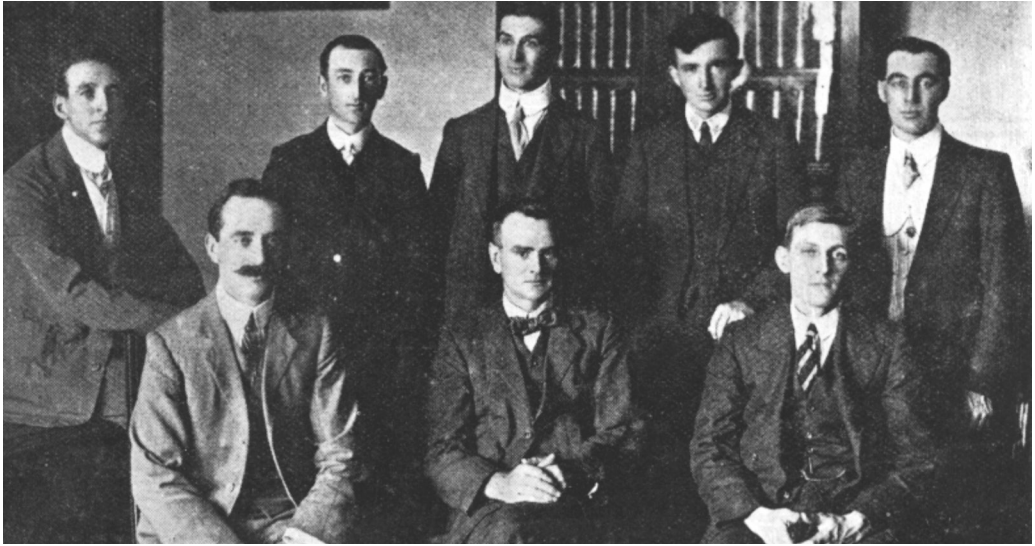
Over the past 107 years we have served 25 Prime Ministers, providing high-quality support and advice.

NOW

The PM&C of 2018 has a diverse workforce of 2,188 staff working across 110 PM&C offices around Australia.

We continue to provide high-quality support to the Prime Minister and the Cabinet, but we are also responsible for policies and programs ranging from developing national security policy in Canberra to building partnerships with Aboriginal and Torres Strait Islander people in some of the most remote communities across Australia.

The core values enshrined at the time of our creation in 1911 still live with us today—supporting the Prime Minister to the highest possible standard, a commitment to excellence and service to our nation. It is these values we continue to uphold with pride as we lead a modern APS ready to advance the wellbeing of all Australians.



Staff from the Prime Minister's Department, Melbourne, 1912. (National Archives of Australia)



The Department of the Prime Minister and Cabinet in 2018.

LETTER OF TRANSMITTAL



Australian Government

SECRETARY

The Hon Scott Morrison MP
Prime Minister
Parliament House
CANBERRA ACT 2600

Dear Prime Minister

I am pleased to present the Annual Report of the Department of the Prime Minister and Cabinet for the year ended 30 June 2018. The report has been prepared in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 63 of the *Public Service Act 1999*, which require that you table the report in Parliament.

The annual performance statement in Part 2 of this report is prepared in accordance with paragraph 39(1)(a) of the PGPA Act and accurately presents the Department's performance for the 2017–18 financial year in accordance with subsection 39(2) of the PGPA Act.

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

I certify that I am satisfied that the Department has in place appropriate fraud control mechanisms that meet our needs and comply with the PGPA Act, PGPA Rule and associated framework applying in 2017–18.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Martin Parkinson'.

Dr Martin Parkinson AC PSM
3 September 2018

Cc Senator the Hon Nigel Scullion, Minister for Indigenous Affairs

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PART ONE

OVERVIEW 2017-18

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SECRETARY'S REVIEW

For PM&C 2017–18 was a year of contrasts. There were many achievements in which we all took great pride. However, there were also moments when we needed to acknowledge failure, and then learn and grow from it. Reflecting on the areas in which we are working to improve should not stop us from acknowledging the successes we have had thanks to the dedication of PM&C staff across the country.



DR MARTIN PARKINSON AC PSM

Secretary

Department of the Prime Minister and Cabinet

OVERVIEW OF 2017-18

CLOSING THE GAP ON DISADVANTAGE FOR FIRST AUSTRALIANS

A strong focus for PM&C was supporting the Government to Close the Gap on disadvantage for First Australians. The environment in which Indigenous Affairs operates is complex and has changed significantly over the last several years. We are working with Aboriginal and Torres Strait Islander people to help shift the direction of government support from a social welfare model to one focused on strength, opportunity and economic development.

Strong partnerships between our Regional Network and First Australians are essential for delivering effective outcomes at a local level. Our Regional Partnerships continued to build and deliver for local communities over 2017-18. Successful Regional Partnerships this year included partnering with the Northern Territory Government to establish Multi-Agency Partnerships (MAPs) to support local Aboriginal Corporations in achieving their social and economic aspirations. The first MAP and related implementation plan were agreed with Yugul Mangi Development Aboriginal Corporation in Ngukurr in May 2018. In South Australia, our Regional Office partnered with local community leaders to develop local tourism initiatives designed to raise the region's tourism profile and support a key element of the regional economic development agenda.

One of the great success stories for 2017-18 was the take-up of the Government's Indigenous Procurement Policy. Since launching in July 2015, this policy has achieved a significant increase in the number of Indigenous businesses awarded Commonwealth contracts, in both number of contracts awarded and value. In the first 2.5 years of the policy over 1,000 Indigenous businesses across the country won over 6,800 contracts, delivering goods and services worth over \$1.084 billion. This is a substantial increase on the former Indigenous business policies, which saw approximately 30 Indigenous businesses winning just \$6.2 million in Commonwealth contracts, in 2012-13.

To build on this momentum, in February, the Government launched Australia's first Indigenous Business Sector Strategy, developed in partnership with First Australians, to support the needs of the Aboriginal and Torres Strait Islander businesses across the country.

It is anticipated that the growing number of Indigenous-owned businesses will create more jobs for First Australians and drive real economic empowerment across the country.

A SECURE AND PROSPEROUS AUSTRALIA

PM&C has led a number of large-scale projects that will contribute significantly to advancing the wellbeing of all Australians.

- The PM&C Home Affairs Taskforce led the establishment of the Home Affairs portfolio and the restructuring of the Attorney-General's portfolio to bring Australia's main integrity bodies under the same umbrella.
- The creation of the Home Affairs portfolio is the most significant reform of Australia's national intelligence and domestic security arrangements in more than 40 years. Subsequent machinery of government changes impacted the remits of PM&C, with National Security and Cyber Security functions transferred to the new Home Affairs portfolio. However, PM&C retains its critical role of leading the nation's strategy to keep Australia safe.
- In May 2017, Prime Minister Malcolm Turnbull announced the \$89 billion Naval Shipbuilding Plan. PM&C has worked with relevant agencies on building naval capability and the implementation of naval projects, infrastructure works, and education and training initiatives.

THE ONGOING BUSINESS OF GOVERNMENT

While it is easy to celebrate PM&C's high-profile achievements it is also important to acknowledge those areas of the Department tasked with keeping the business of government running smoothly. Ensuring ministerial correspondence, ministerial briefs, Cabinet papers and minutes are of the highest quality is vitally important in providing support to the Prime Minister, the Cabinet and our portfolio ministers. Over the course of the year, we continued to make improvements to our CabNet and Live Briefing systems.

PROMOTING AUSTRALIA TO THE WORLD

PM&C plays an important role in welcoming Heads of Government and State to Australia and supporting the Prime Minister's schedule of international visits. Both are vitally important in promoting Australia's interests internationally and securing trade and security deals to ensure a safe and prosperous Australia. Over the course of the year:

- Our Association of Southeast Asian Nations (ASEAN) taskforce organised the ASEAN–Australia Special Summit 2018. Held in Sydney and hosted by then Prime Minister Malcolm Turnbull, it was the first time ASEAN had met in Australia. It provided an unprecedented opportunity to strengthen our relationships across the region.
- Our G20 taskforce, led by our G20 Sherpa Dr David Gruen, supported the Prime Minister at the G20 Leaders' Summit held in Hamburg, Germany in July 2017.
- We hosted a significant number of visits from Heads of Government, Heads of State and other senior international visitors, including welcoming our neighbouring Heads of Government from the Pacific region. We also supported the Prime Minister's participation in a range of important international meetings to further enhance Australia's bilateral relationships.

UNAUTHORISED DISCLOSURE OF COMMONWEALTH DOCUMENTS

Of all the challenging issues we faced in 2017–18, it was the unauthorised disclosure of Commonwealth documents that had the most significant impact.

As soon as I became aware of the incident, I immediately instigated an AFP investigation into the circumstances that led to the disposal of two Commonwealth Government filing cabinets containing classified material. I commissioned Mr Ric Smith AO PSM to undertake an independent review of PM&C's security procedures, practices and culture, including the implications for the Australian Public Service (APS) more broadly (the Smith Review).

In March I received the Smith Review report, and I have wholeheartedly accepted all the recommendations. I have also established a dedicated team to strengthen PM&C's protective security practices, procedures and culture.

I am deeply concerned that such an extraordinary lapse of security could occur. It is important that the APS heeds the lesson of this incident, and it has been the subject of attention at the Secretaries Board. Each Secretary across the APS has reviewed their department's security arrangements and asked all agencies within their portfolio to do the same.

APS REVIEW

In May 2018, the Prime Minister commissioned an independent review of the APS. This major independent review is an opportunity to build a modern, fit-for-purpose APS that delivers for government and for the community. It will inform how we position ourselves to best adapt to our changing environment in the years and decades ahead.

THE NEXT 12 MONTHS AND BEYOND

PM&C'S TRANSFORMATION AGENDA

For almost two years PM&C has been reinvigorating what we do and how we do it, in order to better deliver government priorities. The ongoing transformation of PM&C remains one of our top priorities for the year ahead.

To be fit for purpose, PM&C needs to be a workplace that is technologically adept, and we need a workforce that is knowledgeable, can work flexibly and collaboratively, and is inclusive and diverse. These are our four pillars of transformation.

PM&C has taken great strides to enable us to work more collaboratively and flexibly.

Our challenge is to drive this transformation agenda forward over the next 12 months and beyond.

FOUR PILLARS OF TRANSFORMATION

KNOWLEDGE ORGANISATION

TECHNOLOGICALLY ADEPT

FLEXIBLE AND COLLABORATIVE

INCLUSIVE AND DIVERSE



Dr Martin Parkinson AC PSM speaking at PM&C all staff address.

CHALLENGES AHEAD

Supporting the new Prime Minister will be our key focus over the coming year. Preparing for the next federal election will also be a priority. We will need to ramp up our support to manage an effective caretaker period and a smooth incoming government process.

Our priority will be to ensure that the Government can continue to deliver for the Australian public throughout, and that the incoming government, whether returned or new, is well supported to hit the ground running.

The Closing the Gap refresh will be another priority. It will be an opportunity to drive generational change by focusing targeted investment in areas with the biggest long-term impact—early learning, health and positive cultural identity.

Understanding the public we serve is critical to the development and effective implementation of policy and programs. In July I announced that PM&C will conduct a regular national survey of citizen experiences and satisfaction with the APS and the services we deliver.

This year we will also drive a program of cultural change that will strengthen our physical, personnel and information security through initiatives that reach across people, systems and technology. We are committed to being an exemplar of best practice in protective security.

We have already started developing the survey in collaboration with relevant agencies, as well as designing a methodology and model so that the results are robust and useful to us.

Looking back, we achieved much last year and we paved a more robust path forward. It is an exciting time for the Department. Regardless of the challenges and issues that we may face, I have great expectations for PM&C for the year ahead.

THE DEPARTMENT

OUR ROLE IS TO:

- provide high-quality advice and support to the Prime Minister, the Cabinet and our portfolio Ministers
- provide advice on major domestic policy, national security and international matters, and lead cross-portfolio collaboration to develop astute, responsive and rigorous advice on policy development and program implementation
- build partnerships with First Australians to increase positive opportunities for economic development, health, wellbeing and cultural identity
- lead an Australian Public Service (APS) that is best placed to serve the Australian people into the future.

TO DO THIS WE ARE SUPPORTED BY:

- 2,188 staff operating across 110 different PM&C offices
- this includes 44 regional locations and 66 remote locations
- our Regional Network, which works in partnership with First Australians to develop locally-driven solutions, community empowerment and place-based partnership models
- our transformation agenda, which is driving change from within and creating a PM&C that is a knowledge organisation, technologically adept, flexible and collaborative, and inclusive and diverse.

Locations of PM&C national and regional offices



OUR STRUCTURE

Our organisational structure as at 30 June 2018

Department of the Prime Minister and Cabinet

Secretary
Dr Martin Parkinson AC PSM

		Domestic Policy			
Group		APS Review Taskforce	Social Policy	Economic	Innovation & Transformation
Division		APS Review	Social Policy	Economic	Industry, Infrastructure & Environment
			Office for Women	Policy Innovation & Projects	

Governance	National Security	Indigenous Affairs	Indigenous Affairs
Cabinet	National Security	Programme Office	Indigenous Employment & Recognition
Corporate	International	Housing, Land & Culture	Education, Community Safety & Health
Government	APEC Taskforce	Community & Economic Development	Policy, Analysis & Evaluation
Ministerial Support			

Regional Network
Aboriginal Land Commissioner
Office of Township Leasing
Office of the Registrar of Indigenous Corporations

Domestic Policy Group

APS Review Taskforce

	Deputy Secretary David Williamson
PAS	APS Review Mary Wiley-Smith
AS	APS Review Callie Zorzi A/g
	APS Review Clare Firth A/g

Domestic Policy Group

Social Policy

	Deputy Secretary Yael Cass A/g	
PAS	Social Policy Roslyn Baxter	Office for Women Trish Bergin
AS	Health & Sport Susan Fitzgerald	Office for Women Melissa Cranfield
	Education & Immigration Matthew Roper	Office for Women Laura Gannon
	National Disability Scheme & Aged Care Jessica Evans A/g	Office for Women Rachel Livingston A/g
	Social Services, Human Services & Veterans' Affairs Cain Beckett	Office for Women Rachel Lloyd*

* Temporary division/branch

Economic

	Deputy Secretary David Gruen	
FAS	Economic Dominique Lowe A/g	Policy Innovation & Projects Tanja Cvijanovic
AS	Taxation, Financial Sector & Employment Victoria Pullen A/g	Project Office Ali Jenkins
	Fiscal Policy Joe Castellino	Project Office Jane Christie
	Economic Policy & A/g Chief Policy Officer Jason McDonald	Project Office Ryan Black A/g
	Commonwealth–State Relations Felicity Ryan A/g	Data & Digital Andrew Lalor
	Office of Best Practice Regulation <i>Executive Director</i> Wayne Poels	Behavioural Economics Team of Australia <i>Managing Director</i> Tara Oliver
		National Data Commission Phillip Gould

Innovation and Transformation

	Deputy Secretary Barry Sterland	
FAS	Industry, Infrastructure & Environment Helen Wilson	
AS	Industry, Innovation, Science & Communications Neil Williams	
	Environment, Energy & Climate Change Paula Stagg	
	Infrastructure, Population, Agriculture & Regional Development Roland Trease A/g	

Governance

<p>Deputy Secretary Stephanie Foster</p>				
FAS	<p>Cabinet Lee Steel A/g</p>	<p>Corporate Charlotte Tressler CFO/COO</p>	<p>Government John Reid</p>	<p>Ministerial Support Paula Ganly</p>
	AS	<p>Cabinet Secretariat & Implementation Rebekka Wheate A/g</p>	<p>Deputy CFO Budgets & Reporting Sam Volker</p>	<p>Legal Policy Celeste Moran</p>
	<p>Strategic Coordination & National Security John Neil A/g</p>	<p>Chief Information Officer Nathan Heeney</p>	<p>Parliamentary & Government Peter Rush</p>	<p>Ministerial & Parliamentary Support Alex Cullum A/g</p>
	<p>Implementation Taskforce Jo Virtue</p>	<p>Chief People Officer Alexandra Buckley A/g</p>	<p>PLO—House of Representatives Anne Dowd</p>	<p>Ceremonial & Hospitality Lindsay Youman A/g</p>
		<p>Security & Transformation Sita Jackson</p>	<p>PLO—Senate Debbie Arnold A/g</p>	<p>Governance, Audit & Reporting Brandon Jarrett</p>
		<p>Financial Accounting Stephen Heskett</p>	<p>FOI Brendan MacDowell</p>	
		<p>People Branch Brooke Everett</p>		
		<p>Business Services Pat Sowry</p>		

National Security

	Deputy Secretary Allan McKinnon		
FAS	National Security Kylie Bryant	International Justin Hayhurst	
AS	Defence John Toohey A/g	International <i>Chief Adviser</i> Michael Carnahan	Asia-Pacific Economic Cooperation (APEC) Taskforce Lee Goddard
	Home Affairs Trevor Jones	Middle East, Americas, North Asia, Russia & Turkey Angela Macdonald	
	IGIS Legislation Project <i>Adviser</i> Marina Tsirbas	South & South East Asia, Pacific, Europe & Africa Ben Burdon	

Indigenous Affairs

	Associate Secretary Andrew Tongue		
FAS	Programme Office Susan Black	Housing, Land & Culture Ryan Bulman A/g	Community & Economic Development Deborah Lewis
AS	Grant Delivery Reform & Compliance Stuart Turnbull	Housing Danielle Regeling A/g	CDP Strategy Chloe Bird
	Grant Advice Assessment & Performance & Capability Andrew Huey A/g	Culture Leonard Hill	CDP Operations Paul Denny
	ORIC Reform Taskforce Marian Moss	Land Wayne Beswick	Business & Economic Policy Carmen Saunders A/g Clare Sharp
	Risk & Assurance Brant Smith	Remote Strategies Charlie Higgins A/g	
PM&C Regional Network <i>National Director—Anne-Marie Roberts</i> <i>Deputy National Director—Vacant</i>			
	Regional Manager Delivery Support Harry Abrahams A/g	Engagement & Development Andy Johnston A/g	Eastern NSW Leon Donovan
	Western NSW Michael Ramalli	South QLD Joanna Lindgren A/g	Far North QLD Andrew Hewitt
	Gulf & North QLD Marnie Wettenhall	South Australia Kira Kudinoff A/g	Greater WA Richard Aspinall
	Kimberley Stuart Turnbull	Central Australia NT Joe Martin-Jard	Top End & Tiwi Islands NT Jessica Foote A/g
	Arnhem Land & Groote Eylandt Rebecca Lannen A/g	Victoria/ Tasmania Lou Leo A/g	

Indigenous Affairs

	Deputy Secretary Ian Anderson		
FAS AS	Indigenous Employment & Recognition Troy Sloan	Education, Community Safety & Health Tarja Saastamoinen A/g	Policy, Analysis & Evaluation Jamie Fox
	IAG Legal Services Brendan Jacomb	Women, Families & Children Carita Davis	Cross Government Policy Danielle Donegan
	Employment Policy Sarah Clough	School Policy & Delivery Belinda Campbell	Strategic Priorities Jo Da Rocha
	Environment Toni Williams	Community Safety Kirsti Van Der Steen A/g	Empowered Communities Implementation Taskforce Robert Ryan
	IAG Information & Evaluation Shane Johnston	Tertiary Education & Policy Coordination Tania Ellison A/g	Special Adviser Regional Governance Sam Jeffries
		Health & Wellbeing Peter Arnaudo	
		Strategic Policy Rachel O'Connor	
		Project Wendy Ah Chin	
	Aboriginal Land Commissioner The Hon JR Mansfield AM	Office of Township Leasing <i>Executive Director</i> Pennie Weedon A/g	Office of the Registrar of Indigenous Corporations <i>Registrar</i> Mike Fordham A/g <i>Deputy Registrar</i> Gerrit Wanganeen A/g

OUR EXECUTIVE

The Executive team as at 30 June 2018.

Department of the Prime Minister and Cabinet Executive

Secretary

Dr Martin Parkinson AC PSM

Deputy Secretary Indigenous Affairs

Professor Ian Anderson AO

Deputy Secretary Economic

Dr David Gruen

Deputy Secretary Governance

Ms Stephanie Foster PSM

Deputy Secretary Social Policy

Ms Lin Hatfield Dodds

Deputy Secretary National Security

Mr Allan McKinnon PSM

Deputy Secretary Innovation and Transformation

Mr Barry Sterland PSM

Associate Secretary Indigenous Affairs

Mr Andrew Tongue PSM

Deputy Secretary APS Review Taskforce

Mr David Williamson



DR MARTIN PARKINSON AC PSM SECRETARY

Martin Parkinson commenced as Secretary of the Department of the Prime Minister and Cabinet on 23 January 2016.

From March 2011 to December 2014, Martin was the Secretary of the Department of the Treasury. Before this he served as the inaugural Secretary of the Department of Climate Change from its establishment in December 2007. Between 1997 and 2000 he worked at the International Monetary Fund on reform of the global financial architecture.

Martin has served as a member of the Board of the Reserve Bank of Australia, Chair of the Board of the Australian Office of Financial Management, and a member of the Business Advisory Council and Australia's Asian Century Strategic Advisory Board.

Martin holds PhD and MA degrees from Princeton University, a Master of Economics from the Australian National University and a Bachelor of Economics (Hons 1) from the University of Adelaide. In May 2015, Martin was awarded the degree of Doctor of the University (*honoris causa*) by the University of Adelaide.



PROFESSOR IAN ANDERSON AO DEPUTY SECRETARY INDIGENOUS AFFAIRS

Professor Ian Anderson AO (MBBS, PhD, DMedSci (*honoris causa*) FAFPHM) commenced as Deputy Secretary Indigenous Affairs on 6 March 2017.

Ian was previously the Foundation Chair, Indigenous Higher Education; Pro Vice-Chancellor (Engagement) at the University of Melbourne. He was also the Foundation Chair of Indigenous Health at the University of Melbourne and has held a number of academic, policy and practice roles in Indigenous health over a 30-year period.

Ian was awarded the Order of Australia Medal in 2017 for distinguished service to the Indigenous community, particularly in the areas of health equality, aged care and education, as an academic, researcher and medical practitioner, to policy reform, and as a role model.



DR DAVID GRUEN DEPUTY SECRETARY ECONOMIC

Dr David Gruen commenced as Deputy Secretary, Economic, on 15 September 2014. He is responsible for leading the economic and data policy aspects of the Domestic Policy Group and is Australia's G20 Sherpa.

Before David joined PM&C he was Executive Director of Macroeconomic Group at the Department of the Treasury. He was also Head of the Economic Research Department at the Reserve Bank of Australia. Before joining the Reserve Bank, he worked as a research scientist in the Research School of Physical Sciences at the Australian National University.

David was visiting lecturer in the Economics Department and the Woodrow Wilson School at Princeton University from August 1991 to June 1993. He holds PhD degrees in physiology from Cambridge University, England and in economics from the Australian National University.



MS STEPHANIE FOSTER PSM DEPUTY SECRETARY GOVERNANCE

Stephanie Foster PSM commenced in the role of Deputy Secretary, Governance, on 11 December 2017.

Stephanie was Deputy Australian Public Service Commissioner from October 2013 to December 2017. In this role she supported the Australian Public Service Commissioner in leading and shaping a unified, high-performing APS.

Prior to this, Stephanie was a Deputy Secretary in the Department of Regional Australia, Local Government, Arts and Sports, where she was responsible for regional policy and the arts, from February 2011.

From November 2008 to January 2011, Stephanie was a Deputy Secretary in the Department of Infrastructure, Transport, Regional Development and Local Government, where she had direct responsibility for Local Government and Regional Development, the Office of Northern Australia and the Bureau of Infrastructure, Transport and Regional Economics.

Stephanie was awarded a Public Service Medal in June 2008 for her policy support to Australian Defence Force deployments overseas. She has also been awarded the French decoration of Officier de l'Ordre National du Mérite for her work to develop Defence relations between France and Australia.



MS LIN HATFIELD DODDS DEPUTY SECRETARY SOCIAL POLICY

Lin Hatfield Dodds commenced as Deputy Secretary, Social Policy, in July 2016. Lin leads the provision of whole-of-government advice to the Prime Minister on social policy issues, including health, education, social services and gender equality. Lin advises the Prime Minister on major Commonwealth initiatives such as the implementation of the National Disability Insurance Scheme. She also leads the provision of advice to the Prime Minister on the Council of Australian Governments. In addition, Lin provides policy advice, and advice on international engagement, to the Minister for Women.

Before joining PM&C Lin was the National Director of UnitingCare Australia. Lin has served on a wide range of boards and government advisory bodies, including as President of the Australian Council of Social Service, and Chair of the Australian Social Inclusion Board.

Lin was ACT Australian of the Year in 2008, received a Churchill Fellowship to study anti-poverty strategies in 2003, and was awarded a Chief Minister's International Women's Day Award in 2002.



MR ALLAN MCKINNON PSM
DEPUTY SECRETARY NATIONAL SECURITY

Allan McKinnon commenced as Deputy Secretary, National Security and International Policy Group, in June 2012. He leads the provision of advice to the Prime Minister and whole-of-government coordination on national security matters.

From September 2013 to September 2014, Allan was seconded to the Operation Sovereign Borders Joint Agency Taskforce as Deputy Commander. In this role he supported whole-of-government efforts to combat people smuggling and the protection of Australia's borders.

Before joining PM&C, Allan worked in the Department of Foreign Affairs and Trade, where he served in numerous overseas postings, including at the Australian Embassy in Tokyo as Counsellor (Minerals and Energy) (1994–1998) and Deputy Head of Mission (2006–2010).



MR BARRY STERLAND PSM

DEPUTY SECRETARY INNOVATION AND TRANSFORMATION

Barry Sterland commenced as Deputy Secretary, Industry and Jobs, on 27 November 2017. He is responsible for leading the innovation, infrastructure and environment policy aspects of the Domestic Policy Group.

Barry was previously Deputy Secretary in charge of international economic engagement at the Department of the Treasury. In this role, he led the G20 Finance Deputies group during Australia's Presidency of the G20 in 2014, represented Australia on the Financial Stability Board, and was closely involved in regional forums such as APEC and in Australia's bilateral economic engagement in the Asian region. Between 2014 and 2016 he was an Executive Director on the Board of the International Monetary Fund, representing Australia and several other mainly Pacific countries. In 2017 he was a Visiting Fellow at the Brookings Institution.

In 2010 Barry received the Public Service Medal for his work on climate change policy. He was awarded a Fulbright Scholarship and completed a Masters in Public Policy at Princeton University. He holds a Bachelor of Agricultural Economics with first class honours and the University Medal from the University of Sydney.



MR ANDREW TONGUE PSM
ASSOCIATE SECRETARY INDIGENOUS AFFAIRS

Andrew Tongue was appointed as the Associate Secretary of Indigenous Affairs on 1 July 2015. Andrew is responsible for leading policy, program and delivery reform in Indigenous Affairs in line with the Government's commitment to improving the lives of Indigenous Australians. This includes responsibility for over 1,200 staff in more than 100 locations across Australia.

Prior to his current role, Andrew was Secretary of the Victorian Premier's Department and Secretary of the Victorian Department of Planning and Community Development. Andrew has worked in a number of Commonwealth departments across social and industry policy and on regulation. Andrew received a Public Service Medal in 2011 for outstanding public service in the development of public policy, particularly in the areas of aviation security, Indigenous affairs and social housing.



MR DAVID WILLIAMSON

DEPUTY SECRETARY APS REVIEW TASKFORCE

David Williamson commenced as Deputy Secretary leading the team supporting the Independent Review of the Australian Public Service on 27 February 2018. Before this he was a Deputy Secretary and Innovation Champion in the Department of Agriculture and Water Resources, where his group included agricultural policy, farm support and sustainable agriculture, fisheries and forestry divisions.

From 2013 to 2016 David worked at PM&C, firstly leading the taskforce that prepared the Australian Government's White Paper on Developing Northern Australia and then as head of the Industry, Infrastructure and Environment Division.

Previously, David has held a number of senior executive positions in the Infrastructure, Transport and Agriculture portfolios. He has also had leadership roles supporting a number of government-commissioned inquiries.

THE PORTFOLIO

As at 30 June 2018, the following entities were part of the portfolio.

DEPARTMENT OF STATE

- Department of the Prime Minister and Cabinet

OTHER NON-CORPORATE COMMONWEALTH ENTITIES

- Australian National Audit Office
- Australian Public Service Commission
- Digital Transformation Agency
- Office of National Assessments
- Office of the Official Secretary to the Governor-General
- Workplace Gender Equality Agency

CORPORATE COMMONWEALTH ENTITIES

- Indigenous Business Australia
- Indigenous Land Corporation
- Australian Institute of Aboriginal and Torres Strait Islander Studies
- Anindilyakwa Land Council
- Central Land Council
- Northern Land Council
- Tiwi Land Council
- Torres Strait Regional Authority
- Wreck Bay Aboriginal Community Council

COMMONWEALTH COMPANIES

- Aboriginal Hostels Limited
- National Australia Day Council Limited
- Outback Stores Pty Ltd

STATUTORY BODIES

- Defence Force Remuneration Tribunal
- Remuneration Tribunal

OFFICE HOLDERS

- Independent National Security Legislation Monitor
- Registrar of Indigenous Corporations
- The Aboriginal Land Commissioner
- Executive Director of Township Leasing

OUR MINISTERS

As at 30 June 2018

PM&C'S MINISTERS AND ASSISTANT MINISTERS

Prime Minister

The Hon Malcolm Turnbull MP





Minister for Revenue and Financial Services,
Minister for Women, Minister Assisting the
Prime Minister for the Public Service

The Hon Kelly O'Dwyer MP



Minister for Indigenous Affairs

Senator the Hon Nigel Scullion



Minister for Human Services,
Minister Assisting the Prime Minister
for Digital Transformation

The Hon Michael Keenan MP



Assistant Minister to the Prime Minister

Senator the Hon James McGrath

BUDGET OUTCOMES AND PROGRAM STRUCTURE

PM&C set an ambitious program of work for 2017–18 in response to the key priorities outlined the Portfolio Budget Statements (PBS) and Portfolio Additional Estimates Statements (PAES). Our Corporate Plan 2017–2021 articulated how these key priorities would be achieved and how achievement and success would be measured. Table 1.1 shows the links between our purposes, outcomes and program framework.

Table 1.1

Corporate plan 2017–2021 strategic priorities mapped to 2017–18 Portfolio Budget Statements objectives

Purpose	Outcome	Program
<p>1. Supporting the Prime Minister as the head of the Australian Government, the Cabinet and Portfolio Ministers.</p> <hr/> <p>2. Providing advice on major domestic policy, national security and international matters.</p>	<p>1. Provide high-quality policy advice and support to the Prime Minister, the Cabinet, Portfolio Ministers and Assistant Ministers, including through the coordination of government activities, policy development and program delivery.</p>	<p>1.1 Prime Minister and Cabinet</p>
<p>3. Improving the lives of Indigenous Australians.</p>	<p>2. Improve results for Indigenous Australians, including in relation to school attendance, employment and community safety, through delivering services and programs, and through measures that recognise the place that Indigenous People hold in this Nation.</p>	<p>2.1 <i>Indigenous advancement</i> Jobs, land and economy</p> <hr/> <p>2.2 <i>Indigenous advancement</i> Children and schooling</p> <hr/> <p>2.3 <i>Indigenous advancement</i> Safety and wellbeing</p> <hr/> <p>2.4 <i>Indigenous advancement</i> Culture and capability</p> <hr/> <p>2.5 <i>Indigenous advancement</i> Remote Australia strategies</p> <hr/> <p>2.6 <i>Indigenous advancement</i> Evaluation and research</p> <hr/> <p>2.7 Program support</p>

KEY EVENTS AND SIGNIFICANT CHANGES FOR PM&C

JULY 2017

- *Towards 2025: An Australian Government strategy to boost women's workforce participation* released.
- Prime Minister Malcolm Turnbull visits Germany for the G20 Leaders' Summit, then France and the United Kingdom.



Leaders of the G20 nations and their partners pose for a family photo at 'Elbphilharmonie' during the G20 summit in Hamburg, Friday, July 7, 2017. (AAP Image/Lukas Coch)

AUGUST 2017

- Prime Minister Malcolm Turnbull welcomes The Honourable Manasseh Damukana Sogavare MP, Prime Minister of Solomon Islands, on his official visit to Australia.
- Prime Minister Malcolm Turnbull welcomes Her Excellency Ms Kolinda Grabar-Kitarović, President of Croatia, on her State Visit to Australia.

SEPTEMBER 2017

- Some Australian Government data functions transferred to the Digital Transformation Agency.
- Prime Minister Malcolm Turnbull attends the Pacific Islands Forum in Samoa.

OCTOBER 2017

- Special Counter-Terrorism Meeting of the Council of Australian Governments.
- Prime Minister Malcolm Turnbull welcomes His Excellency Mr Michael D Higgins, President of Ireland, on his State Visit to Australia.
- Prime Minister Malcolm Turnbull welcomes His Excellency Mr Mahamadou Issoufou, President of Niger, on his State Visit to Australia.

NOVEMBER 2017

- Prime Minister Malcolm Turnbull announces a review to examine whether Australian law adequately protects the human right to religious freedom.
- Prime Minister Malcolm Turnbull welcomes His Excellency Dr Frank-Walter Steinmeier, President of Germany, on his State Visit to Australia
- Prime Minister Malcolm Turnbull welcomes The Right Honourable Jacinda Ardern MP, Prime Minister of New Zealand, on her official visit to Australia.



New Zealand Prime Minister Jacinda Ardern and Australian Prime Minister Malcolm Turnbull held a joint press conference at Kirribilli House, in Sydney. (AAP Image/Dean Lewins)

DECEMBER 2017

- Prime Minister Malcolm Turnbull announces two new major portfolios focusing on job creation and national security. The subsequent machinery of government changes see the Cities portfolio move from PM&C to the Department of Infrastructure, Regional Development and Cities. Some National Security and Cyber Security functions move to the Department of Home Affairs and the Attorney-General's Department.

JANUARY 2018

- Australia Day honours and awards are held, with quantum physics Professor Michelle Simmons announced Australian of the Year.
- Media reporting reveals an unauthorised disclosure of Commonwealth documents. PM&C takes immediate action to recover documents, identify the cause of the security breach and boost protective security arrangements across the Department and the APS.



(L-R) Young Australian of the Year Samantha Kerr, Local Hero Eddie Woo, Prime Minister Malcolm Turnbull, Australian of the Year Professor Michelle Yvonne Simmons, and Senior Australian of the Year Dr Graham Farquhar at the 2018 Australian of the Year Awards at Parliament House in Canberra, Thursday, January 25, 2018. (AAP Image/Mick Tsikas)

FEBRUARY 2018

- The 10th Closing the Gap report is released. Three of the seven targets are on track to be met.

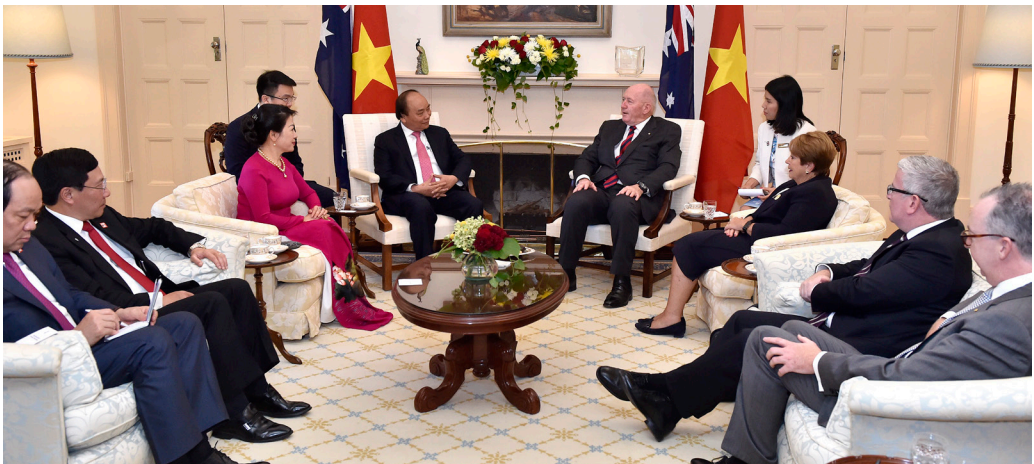


Australian Prime Minister Malcolm Turnbull speaks on the Closing the Gap report in the House of Representatives at Parliament House in Canberra, Monday, February 12, 2018. (AAP Image/Lukas Coch)

MARCH 2018

- Prime Minister Malcolm Turnbull welcomes The Right Honourable Jacinda Ardern MP, Prime Minister of New Zealand, on her official visit to Australia.
- Australia hosts Association of Southeast Asian Nations (ASEAN) leaders for the first time at the ASEAN–Australia Special Summit in Sydney.

- Prime Minister Malcolm Turnbull welcomes His Excellency Mr Nguyen Xuan Phuc, Prime Minister of Vietnam and Her Excellency Daw Aung San Suu Kyi, State Counsellor, Myanmar to Australia.
- PM&C attends the 62nd Session of the United Nations Commission on the Status of Women, which is focused on empowering rural women and girls.



Governor General Sir Peter Cosgrove meets with Prime Minister of Vietnam Nguyen Xuan Phuc during his visit to Australia.

APRIL 2018

- Australia hosts a visit by His Royal Highness The Prince of Wales and Her Royal Highness The Duchess of Cornwall to open the Commonwealth Games on the Gold Coast.
- Prime Minister Malcolm Turnbull visits the United Kingdom to attend the Commonwealth Heads of Government Meeting, then Germany, Belgium, and France for ANZAC Day commemorations.

MAY 2018

- Prime Minister Malcolm Turnbull commissions an independent review of the APS. A PM&C Taskforce will support the independent board.
- The 2018–19 Federal Budget is handed down.
- Prime Minister Malcolm Turnbull welcomes His Excellency Emmanuel Macron, President of France, on his State Visit to Australia.



Federal Treasurer Scott Morrison hands down his third Federal Budget at Parliament House in Canberra, Tuesday, May 8, 2018. (AAP Image/Dean Lewins)

JUNE 2018

- Prime Minister Malcolm Turnbull welcomes The Honourable Rick Houenipwela MP, the Prime Minister of Solomon Islands, on his official visit to Australia.
- Prime Minister Malcolm Turnbull welcomes The Honourable Charlot Salwai Tabimasmass, Prime Minister of Vanuatu, on his official visit to Australia.
- PM&C hosts the Behavioural Exchange Conference—a conversation on behavioural insights involving policymakers, academics, economists and behavioural insights enthusiasts.



Behavioural Economics Team of the Australian Government (BETA) Managing Director Tara Oliver (R) interviews behavioural insights luminary Cass Sunstein (L) at the international Behavioural Exchange conference, hosted by BETA in Sydney on 25–26 June 2018.



PART TWO

ANNUAL PERFORMANCE STATEMENT

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INTRODUCTORY STATEMENT

I, as the accountable authority of the Department of the Prime Minister and Cabinet, present the 2017–18 annual performance statement of PM&C, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and *Public Governance, Performance and Accountability Rule 2014*. In my opinion, the annual performance statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with subsection 39(2) of the PGPA Act.



Dr Martin Parkinson AC PSM
3 September 2018

OUR PURPOSES

Our Corporate Plan for 2017–2021 set out three key purposes to help achieve our mission of advancing the wellbeing of all Australians:

1. Supporting the Prime Minister as the head of the Australian Government, the Cabinet and portfolio ministers.
2. Providing advice on major domestic policy, national security and international matters.
3. Improving the lives of Indigenous Australians.

This performance statement reports on PM&C's performance against:

- the three purposes
- our key performance indicators (KPIs) for outcomes 1 and 2 in the Portfolio Budget Statements 2017–18.

ANALYSIS OF PERFORMANCE AGAINST OUR PURPOSES

During 2017–18 PM&C performed effectively in delivering our three purposes. Independent surveys of stakeholders found that we provided quality advice across a broad range of policy areas; that we collaborated effectively with public and non-government stakeholders; and we provided effective services to the Cabinet.

PERFORMANCE MEASUREMENT IN PM&C

The results recorded in this performance statement are listed against the relevant activity, KPI and measurement in the Corporate Plan 2017–21 and the Portfolio Budget Statements 2017–18.

PM&C measures performance by assessing the timeliness of our advice, where we aim for a target of 85 per cent of briefs and correspondence being delivered on time, and an internal assessment of our policy advising and implementation, supported by case studies.

We also assess stakeholder satisfaction and our effectiveness by surveying senior ministerial staff reporting to the Prime Minister and portfolio ministers, the PM&C Executive and other external stakeholders with whom we have a close working relationship. The surveys are conducted by an independent specialist. Satisfaction and effectiveness is reported on a four point scale:

- **dissatisfied/not effective** (0 to 49)
- **neutral** (50)
- **satisfied/effective** (51 to 70), and
- **highly satisfied/highly effective** (71 to 100).

We aimed for a target of 71, which indicates that our stakeholders are highly satisfied with our policy advice and coordination, monitoring and implementation and organisation of events. We have a threshold of 51 for responses where our wider stakeholder group consider our collaboration to be effective.

Meeting a target indicates achievement of the broader activity. The Department considers an activity to be achieved when all measurements are at or above target, and substantially achieved when all measures have a satisfactory or equivalent result. The Department acknowledges there is room for improvement for those activities that are rated 'substantially achieved'.

OPERATING ENVIRONMENT

The year was dominated by an increasing shift in the international order creating a profound strategic and economic change across the world. This delivered both opportunities and challenges for the Indo-Pacific region and our country. This together with the robust domestic political landscape required the Department to respond quickly and decisively to anticipated and unforeseen events to support the priorities of the Government. The year also saw a spike in the number of Heads of Government and Heads of State visiting Australia for events such as the ASEAN-Australia Special Summit and the Commonwealth Games, stretching resourcing and capacity.

AREAS FOR IMPROVEMENT

The results indicate more work needs to be done to consistently achieve the targets that we set for ourselves and improve delivery against the following activities:

- **Policy advice**—Senior ministerial staff were generally satisfied with the timeliness and quality of the Department’s policy advice but indicated that the Department can improve the ways in which it brings a whole-of-government perspective to policy advice.
- **Support functions**—Senior ministerial staff indicated they were satisfied with the Department’s level of support and management of official visits and events. This level of satisfaction is lower than last year’s rating, which met the target high levels of satisfaction. There was also a drop in the rating for timeliness of correspondence flows to ministerial offices. The Department is responding to these lower ratings as part of the transformation agenda outlined in our 2018–22 Corporate Plan, including an internal review of priorities, some restructuring and enhanced performance tracking.

- **Policy coordination and monitoring**—External stakeholders reported satisfaction with the quality and timeliness of Department’s policy coordination, monitoring and implementation activities. This is the first year of reporting in this area and the results are below the Department’s target high level of satisfaction. The Department has projects underway to improve coordination and monitoring, including the CabNet Improvement Program and the Digital First System. When fully implemented, these IT based systems will deliver stronger coordination of briefing materials across agencies and provide streamlined services to ministers and their offices.
- **Advice on Indigenous Affairs**—Senior ministerial staff were satisfied with the quality and timeliness of advice, and the support received on Indigenous affairs matters. This assessment is less favourable than the Department’s target of high levels of satisfaction. Senior ministerial staff were marginally dissatisfied with the support provided to the Minister for Indigenous Affairs. The Department is responding by improving internal processes linked to:
 - the timeliness of correspondence flows to ministers’ offices
 - training
 - improved collaboration
 - a review of priorities and performance tracking.

- **Education targets under COAG's Closing the Gap agenda**—PM&C coordinates the annual statement on achievements against the COAG Closing the Gap targets. On the education targets, the Year 12 attainment target is on track. The targets for Indigenous school attendance and reading, writing and numeracy are not on track. These three targets are included in PM&C's performance measurements for Program 2.2 in the 2017–18 Portfolio Budget Statements but responsibility for delivery of the services designed to achieve those targets largely rests with state and territory governments. The 2018 Closing the Gap Report prepared by PM&C provided detailed information on progress toward these targets. Following the 10th anniversary of Closing the Gap this year, Commonwealth, state and territory governments are working with Aboriginal and Torres Strait Islander organisations and communities on a refreshed Closing the Gap agenda. The Closing the Gap targets are a collective target for all levels of government across Australia.

IN FUTURE

The Department has incorporated the lessons learned from this year's feedback into the Department's 2018–2022 Corporate Plan. The Plan clearly highlights our purposes, key focus areas and performance measures, providing key priorities for the next four years. The measures of success included in the plan demonstrate a significant consolidation from previous years.

PURPOSES 1 AND 2

SUPPORTING AND ADVISING

1. Supporting the Prime Minister as the head of the Australian Government, the Cabinet and portfolio ministers.
2. Providing advice on major domestic policy, national security and international matters.

The results are listed against the relevant activity, KPI and measurement from the Corporate Plan 2017–2021 and relevant targets from the Portfolio Budget Statements 2017–18.

Results were based on an independent survey of stakeholders, analysis of system-based data and an internal assessment illustrated by case studies.

POLICY ADVICE

Over 2017–18, PM&C provided advice on domestic, international and national security developments.

Results

ACTIVITY	KPI	PERFORMANCE MEASUREMENTS	KEY RESULTS
Policy advice			Achieved
Provide high-quality and timely advice on major domestic policy, national security and international matters to support the Prime Minister, the Cabinet, portfolio ministers and assistant ministers, and the Cabinet Secretary.	The Prime Minister, portfolio ministers and the Cabinet are satisfied with the quality and timeliness of advice and support provided.	Feedback from the Prime Minister, portfolio ministers, the Cabinet, ministerial officers and the Executive shows a high level of satisfaction with the quality and timeliness of advice received.	Achieved a result of 79 against a target of 71 (highly satisfied). Stakeholders, including the PM&C Executive, provided feedback against both KPIs.
	Demonstrate an understanding of policy issues and provides a whole-of-government perspective.	Use of case studies, independent panels or providers that show PM&C significantly influenced decision-making by government.	Achieved
		85% of responses to requests for briefs are delivered within agreed timelines.	Achieved a result of 93% of responses delivered to timelines against a target of 85%.

The following case studies support the achievement of the activity.

Case study

ASEAN-AUSTRALIA SPECIAL SUMMIT 2018

In 2018, Prime Minister Malcolm Turnbull welcomed leaders from the Member States of the Association of Southeast Asian Nations (ASEAN) and the Secretary-General of ASEAN to the ASEAN-Australia Special Summit in Sydney. The event was held over two days on 17–18 March 2018. It was the first time Australia had hosted a summit for ASEAN leaders.

The summit was an unprecedented opportunity to strengthen relations with ASEAN and underlined Australia's commitment to remaining a leading security, economic and development partner for South-East Asia.

Leaders issued the Sydney Declaration, committing to closer cooperation to shape a secure and prosperous region for our people. To give effect to the declaration, Australia and ASEAN members will take forward 15 new initiatives in areas including counter-terrorism, security, cyber, education and education cooperation.

Major events run alongside the leaders' summit included a counter-terrorism conference attended by senior officials from Australian and ASEAN member governments, a CEO forum and an SME conference that drew in representatives from leading Australian and regional businesses.

The Special Summit was an example of collaboration across government, business and industry groups to deliver an outcome that advanced Australia's significant economic and security interests in and with ASEAN.



ASEAN Leaders meet in Sydney, March 2018 (L-R) Laos Prime Minister Thongloun Sisoulith, Indonesian President Joko Widodo, Cambodian Prime Minister Hun Sen, Brunei Prime Minister and Sultan Hassanal Bokhiah, Thailand Prime Minister Prayuth Chan-ocha, Australian Prime Minister Malcolm Turnbull, Singapore Prime Minister Lee Hsien Loong, Vietnam Prime Minister Nguyen Xuan Phuc, Philippines Secretary of Foreign Affairs Alan Peter Cayetano, Myanmar State Counsellor Aung San Suu Kyi and Malaysian Prime Minister Najib Razak wave as they assemble for the Leaders' Welcome and Family Photo during the ASEAN-Australia Special Summit in Sydney, Saturday, March 17, 2018. (AAP Image/Dan Himbrechts)

Case study

NAVAL SHIPBUILDING ENTERPRISE

On 16 May 2017, Prime Minister Malcolm Turnbull announced the Government's \$89 billion Naval Shipbuilding Plan. This long-term plan sets a blueprint for building submarines, major surface combatants and minor naval vessels at Osborne Naval Shipyard in South Australia and the Henderson Maritime Precinct in Western Australia. Investment will also cover enabling infrastructure, workforce and industry requirements.

The plan is one of the most ambitious construction enterprises in Australia's history and outlines the national effort required to establish a sustainable sovereign naval shipbuilding enterprise. This national endeavour requires unprecedented collaboration and partnership across all sectors if it is to be fully realised.

A Secretaries Committee on Shipbuilding (an adjunct to the Secretaries Committee on National Security) was established to set the strategic direction and integrated thinking required to work through and deliver the plan.

Over the performance period, PM&C worked with relevant agencies on all aspects of naval capability and implementation of naval projects, infrastructure works and education and training initiatives, including:

- strengthening the connections between national security agencies and expertise in education, training, employment, infrastructure and industry
- continuous engagement with other agencies through senior executive working groups (co-chaired by PM&C and Defence) to drive the development of policy advice and implementation
- establishing a Naval Shipbuilding Coordination Office and Deputy Secretary Shipbuilding in Defence to consolidate this work.

Efforts to date have seen a growing enterprise focus and commitment to delivering this ambitious policy agenda. Integrated work teams and innovative thinking continue to drive this work and create the partnerships needed to deliver a sustainable sovereign naval shipbuilding industry.

Case study

INSURANCE WORKING GROUP

Parts of Northern Australia are particularly susceptible to extreme weather events like floods and cyclones. This has caused insurance companies to raise their premiums for those living in these areas.

The Northern Australia Strategic Partnership (NASP) provides high-level leadership on the Northern Australia agenda. The Prime Minister is a member of this partnership.

At its meeting on 8 June 2017, the NASP agreed that the heads of PM&C and the Departments of Premier and Cabinet in New South Wales and Queensland would explore ways to address high insurance premiums in flood and cyclone prone areas.

PM&C led a 'virtual' Insurance Working Group (IWG) made up of officials from Commonwealth agencies, the New South Wales and Queensland Departments of Premier and Cabinet, and the Queensland Treasury.

IWG team members operated from their home departments, coming together for a series of intense workshops. The group reviewed previous studies and consulted with insurers, industry bodies and Queensland Government agencies involved in mitigation and response to natural disasters.

The IWG report examined options and made recommendations aimed at reducing insurance premiums in cyclone-prone areas. The recommendations cover a broad range of issues:

- disclosure and transparency around insurance
- the availability and use of data so that risk around cyclones and floods is better understood and can inform planning processes
- government and household mitigation
- Australian building standards.

The report was provided to Prime Minister Malcolm Turnbull and the Premiers of Queensland and New South Wales, and at the 9 February 2018 NASP meeting an action plan to improve insurance affordability in vulnerable areas was agreed.

Case study

SPECIAL MEETING OF THE COUNCIL OF AUSTRALIAN GOVERNMENTS ON COUNTER-TERRORISM

In October 2017, the Prime Minister convened a special Council of Australian Governments (COAG) meeting with state premiers and territory chief ministers, and the President of the Australian Local Government Association, to consider the nation's laws and practices to protect Australians from violent extremism and agree to a nationally consistent approach to counter-terrorism.

PM&C played a crucial role in organising and facilitating the Special COAG meeting, with Commonwealth-State Relations Branch (CSR) working jointly with the Centre for Counter-Terrorism Coordination (CCTC). CCTC staff were embedded in CSR in the lead-up to the Special COAG to ensure seamless policy and logistical coordination.

There were a number of notable outcomes of the meeting. Specifically, First Ministers:

- signed the updated Intergovernmental Agreement on National Counter-Terrorism Arrangements
- agreed to establish a National Facial Biometric Matching Capability and signed the associated Intergovernmental Agreement on Identity Matching Services
- agreed to enhance the existing Commonwealth pre-charge detention regime under the *Crimes Act 1914*
- agreed to a national approach to the assessment and management of people with extreme fixations who may be radicalised to violence.



Australian Prime Minister Malcolm Turnbull speaks to state and territory leaders during a special meeting on counter-terrorism of the Council of Australian Governments (COAG) at Parliament House in Canberra, Thursday, October 5, 2017. (AAP Image/Lukas Coch)

COLLABORATION

In 2017–18, PM&C worked with other agencies to strengthen relationships and build partnerships that influence domestic and international dialogue and policy decisions.

Results

ACTIVITY	KPI	PERFORMANCE MEASUREMENT	RESULT
Collaboration			Achieved
<p>Work directly or indirectly with other agencies and external parties to strengthen relationships.</p> <p>Build partnerships that influence domestic and international dialogue on policy decisions and outcomes.</p> <p>Provide leadership to the APS in relation to government decisions, policies and strategic priorities.</p>	<p>Support timely, relevant and effective collaboration across government and external parties.</p>	<p>Feedback from external stakeholders demonstrates effective collaboration between the Department and other parties on specific policy decisions or outcomes.</p> <p>Use of case studies, independent panels or providers that show PM&C significantly strengthened relationships and facilitated priorities.</p>	<p>Achieved a result of 73 (highly effective) against a target range of 51 to 70 (effective).</p> <p>Achieved</p>

The following case studies support the achievement of the activity.

Case study

62ND SESSION OF THE COMMISSION ON THE STATUS OF WOMEN

The United Nations (UN) Commission on the Status of Women (CSW) is the principal global intergovernmental body exclusively dedicated to the promotion of gender equality and the empowerment of women. Australia will serve a three-year term on the UN CSW, from March 2019. Australia was allocated a seat for the 'Western Europe and Others Group'.

PM&C worked with colleagues in the Department of Foreign Affairs and Trade to globally campaign for the support of UN member countries in the 2018 CSW election, promising a principled and pragmatic approach to advance gender equality and leveraging the momentum of our successful 2017 UN Human Rights Council campaign in which gender was a key pillar of our bid.

Membership provides a platform to complement gender equality priorities pursued at the Human Rights Council during Australia's 2018–2020 term, and presents a rare and opportune occasion to advance our global leadership on gender equality and represent our domestic and regional priorities on a transnational scale.

In pursuing our priorities, we work in close partnership with portfolio agencies on key gender equality priorities.



The Hon Kelly O'Dwyer MP, Minister for Women, delivering Australia's Country Statement at the 62nd session of the United Nations Commission on the Status of Women (United Nations Headquarters, New York, March 2018).

Case study

BETA ENERGY MARKET WORK

The Behavioural Economics Team of the Australian Government (BETA) is conducting a suite of projects looking to help energy consumers find better deals. In December 2017, our advice to the Australian Energy Regulator (AER) was incorporated in its review of the Retail Pricing Guidelines which set out how energy retailers must provide information about their plans. We are now partnering with the Department of the Environment and Energy to test different approaches to promoting customer engagement in the energy market through improved bill design. This work will include a framed field experiment with around 4,500 Australians and will draw on a range of innovative techniques, including eye tracking to assess consumers' engagement with visual information presented on energy bills.

Case study

HEADS OF AGREEMENT ON PUBLIC HOSPITAL FUNDING AND HEALTH REFORM

The Heads of Agreement between the Commonwealth and the states and territories on public hospital funding and health system reform was signed and presented at the COAG meeting on 9 February 2018. The agreement outlines jurisdictions' joint priorities for the next hospitals agreement and settles the Commonwealth's funding arrangements for the five-year period 2020–21 to 2024–25.

Public hospital funding is one of the largest agreements between the Commonwealth and state and territory governments. Settling \$130 billion of Commonwealth expenditure for the next five-years agreement was a significant achievement.

PM&C played an important role, working closely with colleagues across Commonwealth departments and with state and territory officials to draft terms for the agreement, including long-term funding arrangements, for discussion between the Prime Minister and all First Ministers.

To develop the new agreement and future funding arrangements, PM&C undertook detailed analysis of the range of options and reform priorities available to support long-term improvements in the health system.

The terms of the Heads of Agreement provide for increased funding while focusing all governments on improved quality and health system reform for the benefit of all Australians. It has helped progress one of the Government's key intergovernmental commitments—settling long-term public hospital funding in 2018.

Case study

NATIONAL DISABILITY INSURANCE SCHEME IN WESTERN AUSTRALIA

The National Disability Insurance Scheme (NDIS) is a national scheme designed to give all eligible Australians with disability access to the reasonable and necessary supports they need to live an ordinary life.

Western Australia (WA) originally elected to operate the NDIS as a state-run scheme. PM&C played a key role in Commonwealth–state negotiations concerning WA's transition to the nationally-run NDIS.

PM&C worked closely with the Department of Social Services and the National Disability Insurance Agency (NDIA), other central agencies and the WA Government to progress negotiations and reach an agreement that is consistent with the agreements with other states and territories.

In December 2017, Prime Minister Malcolm Turnbull and the WA Premier signed a Bilateral Agreement and Heads of Agreement to implement the nationally-run NDIS in WA. From 1 July 2018, the NDIA assumed responsibility for the delivery of the NDIS in WA, as is the case in every other state and territory. The signing of the agreement represented the final step towards achieving a truly national disability scheme.

SUPPORT THE FUNCTIONS OF GOVERNMENT

In 2017–18, PM&C provided support to the Prime Minister, the Cabinet, portfolio ministers and assistant ministers, the Cabinet Secretary and the former Governors-General and their offices.

Results

ACTIVITY	KPI	PERFORMANCE MEASUREMENTS	RESULT
Support the functions of government			Substantially achieved
Support the Prime Minister, the Cabinet, portfolio ministers and assistant ministers, the Cabinet Secretary and the former Governors-General and their offices.	Internal and external stakeholders are satisfied with the quality, relevance and timeliness of the advice and support services provided by the Department.	Feedback from external stakeholders demonstrates a high level of satisfaction with the quality and timeliness of advice and support received.	Achieved a result of 66 (satisfied) against a target of 71 (highly satisfied).
		85% of responses to requests for ministerial correspondence are delivered within set timelines.	Achieved a result of 64% against a target of 85%.

POLICY COORDINATION

In 2017–18, PM&C coordinated responses and contributions to government policies, assisted in shaping their development and reported to government on the impact of government decisions.

Results

ACTIVITY	KPI	PERFORMANCE MEASUREMENTS	RESULT
Policy coordination			Substantially achieved
Coordinate responses and contributions to government policies to assist in shaping their development.	Coordinate and contribute to timely and effective policy development across government.	Feedback from external stakeholders demonstrates a high level of satisfaction with the quality and timeliness of policy coordination provided.	Achieved a result of 62 (satisfied) against a target of 71 (highly satisfied).
Evaluate and report to government on the impact of government decisions in line with agreed overall outcomes.		Use of case studies, independent panels or providers show PM&C effectively contributed to the development of government policies.	Achieved

The following case study supports the achievement of the activity.

Case study

EMBEDDING THE INFRASTRUCTURE AND PROJECT FINANCING AGENCY TO SUPPORT GOVERNMENT DECISION-MAKING

PM&C played a lead role in establishing and integrating the Infrastructure and Project Financing Agency (IPFA) as a pivotal and trusted support agency assisting the Government in being a more informed investor in infrastructure.

The Department provided advice to the Prime Minister and the Cabinet on functions and governance arrangements for the Agency. An internal transition team comprising of departmental officers and secondees from other government agencies was established in July 2017 to get IPFA up and running.

Since IPFA's establishment, PM&C has leveraged its networks and relationships across government, including with the Department of Infrastructure, Regional Development and Cities, the Department of Finance and the Treasury, to ensure that IPFA is engaged on key matters for which they have specialist knowledge and professional expertise. PM&C also led the appointment processes for IPFA's interim and permanent CEOs.

In December 2017 IPFA transferred to the Department of Infrastructure, Regional Development, and Cities portfolio.

IPFA recently celebrated its first anniversary. It is now fully operational and its advice is helping to shape the Government's funding and financing approaches to key infrastructure projects. It is serving as a centre of excellence that is building capacity across government on infrastructure financing.

MONITORING AND IMPLEMENTATION

In 2017–18, PM&C monitored and supported the development and implementation of government initiatives, policies, programs and reforms across the breadth of public service responsibilities.

Results

ACTIVITY	KPI	PERFORMANCE MEASUREMENTS	RESULT
Monitoring and implementation			Substantially achieved
Develop policies and strategies in line with government priorities. Monitor and oversee the implementation of government initiatives, policies, programs and reform agendas.	Actively monitor and support the timely development and implementation of government policies and initiatives.	Feedback from external stakeholders demonstrates a high level of satisfaction with the quality and timeliness of monitoring and implementation provided.	Achieved a score of 62 (satisfied) against a target of 71 (highly satisfied).
		Use of case studies, independent panels or providers demonstrates the successful delivery of activities.	Achieved
		Quantitative assessment of the timely delivery of government initiatives and/or commitments.	Achieved through internal tracking of progress on implementation of key government priorities.

The following case study supports the achievement of the activity.

Case study

REFORMING THE AUSTRALIAN GOVERNMENT DATA SYSTEM

PM&C played a leading role in the Government's efforts to unlock the potential of better use of public data to drive economic gains.

In May 2017, in its inquiry into Data Availability and Use, the Productivity Commission recommended a suite of reforms to the way public data is governed, shared and released. In November 2017, the Government agreed to a majority of these recommendations pending a review of data activities across the Commonwealth to inform how the reforms were to be implemented.

PM&C brought together a cross-agency review team, which undertook consultations and a review of data use across the APS. As a result, PM&C developed a policy proposal to government that addressed shortcomings in Government's data governance system through a new framework overseen by a National Data Commissioner. This proposal was agreed during the 2018–19 Budget process.

PM&C secured funding for the new office of the National Data Commissioner from the nine portfolio agencies (including PM&C) that stand to benefit the most from streamlined data sharing and access arrangements. The office will guide consultations and develop legislation to make more effective use of public data, while maintaining strong privacy safeguards the public have come to expect.

A review of government data activities also provided a picture of how 58 Commonwealth government departments and agencies use data and have invested in their data capabilities.

SECRETARIAT SERVICES

In 2017–18 PM&C provided secretariat services to the Cabinet, the Executive Council and COAG.

Results

ACTIVITIES	KPI	PERFORMANCE MEASUREMENTS	RESULT
Secretariat services			Achieved
Perform secretariat functions to support the effective operations of boards, committees, councils and the Cabinet and its subcommittees.	High level of satisfaction with the secretariat support services provided to boards, committees and councils.	<p>Feedback from boards, committees and councils demonstrates a high level of satisfaction with the timeliness and accuracy of the functions delivered.</p> <p>Time frames are met for 90% of Cabinet and Cabinet committee minutes for approval and for lodgement of Executive Council documents.</p>	<p>Achieved with a result of 71 against a target of 71 (highly satisfied).</p> <p>Achieved</p>

The following case study supports the achievement of the activity.

Case study

CABNET IMPROVEMENT PROGRAM

PM&C's CabNet Improvement Program is developing modern technology to replace the ICT system used to support the Cabinet process. The new system, CabNet+, will improve the way Cabinet information is produced, distributed and consumed across government.

The CabNet+ Viewer was delivered in 2017–18 as the first feature of the new system. The viewer provides electronic access to PROTECTED Cabinet material from desktops and mobile devices. It provides faster and more flexible access to Cabinet material and enables more timely collaboration across government.

The feedback on the CabNet+ Viewer highlights the benefits the program is delivering:

"The system is much more consistent with the demands of our roles, particularly the need to access material quickly and remotely and to collaborate across the department in the provision of comments."

Senior Executive, The Treasury

The CabNet Improvement Program will deliver more features in the CabNet+ system through 2018 and 2019.

EVENTS

In 2017–18 PM&C played a central role in planning and delivering events, including essential logistical and administrative support for a number of important international and domestic objectives for the Australian Government.

Results

ACTIVITY	KPI	PERFORMANCE MEASUREMENTS	RESULT
Events			Substantially achieved
Coordinate the arrangements for events including the Prime Minister's overseas visits and official visits by Heads of State and Heads of Government as well as major events and ceremonies.	Provide timely, relevant and accurate advice to support the coordination of major events, visits and ceremonies along with supporting the implementation and delivery of those events, visits and ceremonies.	100% of the events planned are delivered within the agreed time frames. Feedback from stakeholders demonstrates a high level of satisfaction with the relevance and accuracy of the advice associated with the planning of events and with the support for their successful implementation and delivery.	Achieved Achieved a score of 57 (satisfied) against a target of 71 (highly satisfied).

The following supports the achievement of the activity.

OFFICIAL VISITS AND EVENTS

Prime Minister Malcolm Turnbull undertook a number of important overseas visits this year to participate in multilateral forums and to further enhance Australia's bilateral relationships. In total, PM&C successfully delivered seven prime ministerial overseas visits to a total of 12 nations:

- Germany (G20), France and the United Kingdom (5–13 July 2017)
- Samoa (Pacific Island Forum) (7–9 September 2017)
- Israel and Sri Lanka (29 October–2 November 2017)
- Vietnam (APEC), China (Hong Kong) and the Philippines (9–15 November 2017)
- Japan (17–19 January 2018)
- United States of America (21–26 February 2018)
- United Kingdom (CHOGM), Germany, Belgium and France (17–26 April 2018).

PM&C successfully delivered on the Guest of Government Program again this year. We managed a significant number of visits to Australia by Heads of State and Heads of Government, including a number of visits related to the ASEAN Special Summit in Sydney in March and visits during the Commonwealth Games on the Gold Coast in April 2018. The level of international engagement continues to increase, with another significant rise in completed visits for this financial year. This year's visits included:

- Royal Visit by Their Royal Highnesses The Prince of Wales and The Duchess of Cornwall associated with the Commonwealth Games
- Heads of State from Croatia, Niger, Ireland, Germany and France
- Heads of Government from Solomon Islands, New Zealand, Vietnam, Myanmar, Malaysia, and Vanuatu
- Ministers from the United Kingdom, Singapore, Laos, Vietnam and the United Arab Emirates.



President of France Emmanuel Macron speaks during a defence strategic partnership event on board HMAS Canberra in Sydney, Wednesday May 2nd 2018.

PM&C managed 199 airport facilitations for Heads of State and Heads of Government who were transiting or making private visits to Australia—a significant increase on last year’s figures.

In addition to the official hospitality provided during Guest of Government visits, PM&C successfully delivered another 17 events in support of the Prime Minister, including:

- a COAG meeting in Canberra
- receptions for Australia Day, national finalists for the Australian of the Year Awards, and the Special Olympics Australia National Games
- hospitality for the Test Cricket Teams from Australia and England, 2018, and the Prime Minister’s XI cricket match.

PM&C also coordinated State funerals for:

- The Rt Hon Sir Ninian Stephen KG AK GCMG GCVO KBE QC (Melbourne, Vic),
- Lady Florence Bjelke-Petersen (Kingaroy, Qld), and
- The Hon Jocelyn Newman AO (Canberra, ACT).

We coordinated a State memorial service for the Hon Barry Cohen AM (Canberra, ACT).

PORTFOLIO BUDGET STATEMENTS

PM&C also measured our achievements for 2017–18 against criteria set down in Outcome 1 of the Portfolio Budget Statements:

Provide high quality policy advice and support to the Prime Minister and the Cabinet, Portfolio Ministers and Assistant Ministers including through the coordination of government activities, policy development and program delivery.

Performance results for Program 1.1

PROGRAM	PERFORMANCE CRITERIA	TARGET	RESULT
Prime Minister and Cabinet	<p>Quality and timely policy advice, support and services to the Prime Minister, the Cabinet and key stakeholders.</p> <p>Effective public sector leadership, coordination and monitoring of responses to Government decisions, policies and strategic priorities.</p>	Maintain or increase stakeholder satisfaction by 2018.	<p>Substantially achieved</p> <p>The majority of stakeholder targets were met in 2017–18. A modest number were not maintained at the high level achieved in 2016–17.</p>

PURPOSE 3

PERFORMANCE
RESULTS FOR
IMPROVING
THE LIVES OF
INDIGENOUS
AUSTRALIANS

3. Improving the lives of Indigenous Australians.

The results for Purpose 3 are listed against the relevant activity, KPI and measurement from the Corporate Plan 2017–2021 and relevant targets from the Portfolio Budget Statements 2017–18.

Results were combined based on an independent survey, formal feedback from stakeholders, analysis of system-based data and an internal assessment of case studies and achievements.

POLICY ADVICE, SUPPORT AND COORDINATION

In 2017–18, PM&C provided advice on the Closing the Gap policy and programs to improve the lives of Aboriginal and Torres Strait Islander peoples.

Results

ACTIVITY	KPI	PERFORMANCE MEASUREMENTS	RESULT
Policy advice, support and coordination			Substantially achieved
Provide high-quality and timely advice on Indigenous Affairs to support the Prime Minister, the Cabinet and Minister for Indigenous Affairs. Coordinate submissions, responses, and contributions to, government policies.	The Prime Minister, Minister for Indigenous Affairs and the Cabinet are satisfied with the quality, relevance and timeliness of advice and support provided by the Department. Coordinate and contribute to timely and effective policy development across government.	Feedback from the Prime Minister, Minister for Indigenous Affairs, the Cabinet, and to the Executive shows a high level of satisfaction with the quality and timeliness of advice received.	Achieved a result of 61 (satisfied) against a target of 71 (highly satisfied).
		Use of case studies, independent panels or providers shows PM&C significantly influenced decision-making.	Achieved. The measurement relates to the timeliness of advice and the contribution to effective policy development indicators.
		85% of responses to requests for briefs are delivered within agreed timelines.	Achieved a result of 92% of responses delivered to timelines.
		85% of responses to requests for ministerial correspondence are delivered within set timelines.	Achieved a result of 53% of responses within timelines for the Indigenous Affairs Group.

Case study

CLOSING THE GAP REPORT SEVEN TARGETS

In February 2018, Prime Minister Malcolm Turnbull tabled the annual *Closing the Gap: Prime Minister's report 2018* in Parliament, delivering on the commitment to monitor progress against the Closing the Gap targets.

The report showed that three of the seven Closing the Gap targets were on track. The report put this progress in the context of the Australian Government initiatives and investment and showcased innovative local solutions from Indigenous organisations and communities across Australia.

Government, communities and businesses all contributed to the report. Within PM&C, contributions were guided by a cohesive governance structure, with two reference groups reporting to the Indigenous Affairs Executive: one of senior Indigenous colleagues and one of branch heads in key areas such as health, community safety, employment, education and early childhood. Contributions to the report came from every branch in the PM&C Indigenous Affairs Group, all regional managers, and 20 agencies and departments across the APS.

The annual Closing the Gap report is available online and includes video messages from Prime Minister Malcolm Turnbull and Ministers Scullion, Cash, Birmingham and Wyatt; video case studies; and state-of-the art animation.

The media strategy included the report's presence on social and traditional media and supported a suite of events, including statements in the Senate and House of Representatives.

Strong project management and effective collaboration were required to ensure that all elements of the report, statements and events were delivered on time and met ministerial expectations. The response to the report from media, stakeholders and community was positive.

Case study

COMMONWEALTH RIGHTS AND INTERESTS IN INDIGENOUS PROPERTY PROJECT

In February 2018, the Australian Government held caveats over more than 2,800 Indigenous owned properties purchased with grants made by the Aboriginal and Torres Strait Islander Commission (ATSIC) and its predecessor organisations. Former ATSIC legislation stopped the Australian Government from removing its interests in these properties unless they were being sold, transferred or mortgaged. This has prevented Indigenous organisations from leveraging the equity in these properties.

Early in 2017 PM&C led a process of legislative change to the *Aboriginal and Torres Strait Islander Commission Amendment Act 2005* that would allow the Commonwealth to remove its rights and interests over these properties' caveats.

During the process, we collaborated closely with consenting authorities such as the Indigenous Land Corporation and Indigenous Business Australia.

The project has overcome identified risks and barriers. A key risk to the project was the passage through Parliament of the enabling legislation. We mitigated this risk through initial consultations undertaken in 2017, which have led to further collaboration with stakeholders in 2018. We also sought the views of the 40 Indigenous organisations that own the highest number of Commonwealth caveated properties.

Following the legislative change on 13 February 2018, we formed a governance committee to oversee the consultation process and to co-design the policy approach to lifting the caveats. The committee comprised Commonwealth consenting authorities and key Indigenous stakeholders.

Throughout May and June 2018, PM&C held nine face-to-face consultation sessions with 95 organisations in Queensland, Victoria, South Australia, Western Australia, the Australian Capital Territory and New South Wales. In Tasmania and the Northern Territory, where there are only a few organisations impacted by the changes, we offered consultation through videoconferencing facilities.

Our effective collaboration with stakeholders has enabled the development of a draft policy that supports economic development opportunities for Indigenous organisations and reduces red tape. We will continue to work with stakeholders in 2018–19 before seeking final policy endorsement.

Case study

TIME TO WORK EMPLOYMENT SERVICE

The Time to Work Employment Service (TWES) is a new \$17.6 million employment service for Indigenous prisoners and is being jointly implemented by PM&C and the Department of Jobs and Small Business between 2018 and 2021.

PM&C brought a whole-of-government perspective to drive significant cultural competence improvements to the program design, coordinate engagement with states and territories, and identify cross-government solutions to policy and implementation challenges.

To effectively deliver TWES within state-run prisons, PM&C had primary responsibility for negotiating eight separate memoranda of understanding (MOUs) with corrections and health agencies in each state and territory. Since August 2017, five MOUs have been signed with New South Wales, South Australia, Tasmania, Victoria and the Australian Capital Territory, and the rest are on track to be finalised by the end of 2018 in line with staggered start dates for the program.

PM&C's involvement in the development of TWES has helped achieve a range of strategic priorities, including improving the lives of Indigenous Australians by targeting the unique and complex job-seeking needs of Indigenous prisoners; and ensuring the program was developed in line with the relevant Cabinet decision.

Case study

EMPOWERMENT AND DEVELOPMENT AGENDA TO CLOSE THE GAP ON INDIGENOUS DISPARITY IN CAPE YORK PENINSULA

The local Indigenous people of Cape York have developed a plan, Pama Futures, to close the gap on Indigenous disparity in their region. The proposal calls for the Aboriginal people of Cape York to take responsibility for their own people as part of a true partnership with government.

Pama Futures has been developed with input from people from across Cape York through on-the-ground workshops, design labs and community facilitators in each sub-region working with their local communities. This work culminated in a summit in December 2017 attended by over 400 people, including 330 Traditional Owners.

PM&C's national office worked closely with the Regional Network to actively support the design process in partnership with Indigenous leaders. Officials attended the design labs and summits to provide the Government's policy positions on various matters, which were then factored in to the development of the model. We also worked with Cape York Partnership and Cape York Land Council in developing the modelling for Pama Futures, which leaders then tested and further refined at the community level across Cape York. The proposed model outlines governance structures which will continue this partnership approach through the implementation of Pama Futures.

Pama Futures focuses on three areas of reform:

- land rights reform to strengthen decision-making by grassroots land owners as more land in the region is settled under native title and lands rights processes
- empowerment of Indigenous families and individuals in Cape York sub-regions, including involvement in robust local decision-making processes for services and programs in these areas

- economic development on Indigenous land supported through investment-ready tenure, industry and enterprise opportunities, employment and retaining funding in Cape York with appropriate investment in building the human capital required for success.

To achieve this reform, Pama Futures seeks to have government work with Aboriginal people in a genuine partnership to address structural barriers such as passive welfare and restrictive land tenure that impede opportunities for economic independence.

Cape York is one of the Empowered Communities regions across the country in which the Australian Government is working in partnership with Aboriginal leaders. Through its Regional Network, PM&C is supporting the Indigenous-led Empowered Communities initiative. Empowered Communities is a new way for Indigenous communities and governments to work together to set priorities, improve services and apply funding effectively at a regional level. It aims to increase Indigenous ownership and give Indigenous people a greater say in decisions that affect them.



Panoramic view of Cape Tribulation where the Rainforest meets the Great Barrier Reef in Far North Queensland.

COLLABORATION

In 2017–18, PM&C supported collaborations across government and with Aboriginal and Torres Strait Islander peoples.

Results

ACTIVITY	KPI	PERFORMANCE MEASUREMENTS	RESULT
Collaboration			Achieved
Work with other agencies and external parties to strengthen relationships and drive whole-of-government effort in Indigenous Affairs.	Agencies and external stakeholders are satisfied with the timeliness, relevance and effectiveness of collaboration across government and with Aboriginal and Torres Strait Islander peoples.	Feedback from external stakeholders demonstrates effective collaboration between the Department and other parties on specific policy decisions or outcomes.	Achieved a result of 66 (effective) against a target range of 51 to 70 (effective).
Build partnerships that strengthen engagement with Aboriginal and Torres Strait Islander communities, leaders and stakeholders to facilitate holistic place-based responses, support policy decisions and program outcomes.		Use of case studies, independent panels or providers that show PM&C significantly strengthened relationships and facilitated strategic priorities that affect Aboriginal and Torres Strait Islander peoples.	Achieved
Provide leadership to the APS in government decisions, policies and priorities that affect Aboriginal and Torres Strait Islander peoples.			

The following case studies support the achievement of the activity.

Case study

INDIGENOUS ECONOMIC PROSPERITY IN WESTERN SYDNEY

Western Sydney is Australia's third largest economy. It is estimated that billions of dollars of infrastructure investment will be rolled out in the region over the next 20 years. This significant economic boost to the region presents a unique opportunity for the up to 35,000 First Australians currently living in Western Sydney, 60 per cent of whom are of working age (15–65 years).

By 2020 there are expected to be an additional 80,000 jobs generated across industry sectors. In addition there is expected to be, thanks to current government procurement policies, more than \$1 billion for Aboriginal and Torres Strait Islander enterprises generated through public infrastructure investment alone.

In 2017–18, PM&C worked closely across government to accelerate Indigenous economic prosperity in Western Sydney.

In February 2018, the Government announced its Indigenous Business Sector Strategy and committed to establishing Indigenous Business Hubs in three major cities, including Western Sydney. Scheduled for launch in late 2018, the Western Sydney Hub will be a one-stop-shop providing business advice, business support services, and better connections with Indigenous employment services and opportunities. The Hub is being implemented by the New South Wales Aboriginal Land Council, drawing on Indigenous leadership from the outset.

The Hub forms one part of the Western Sydney City Deal, through which the Australian and New South Wales governments have committed to Indigenous employment (2.4 per cent) and procurement (3 per cent) targets for all government funded construction projects under the deal. This commitment was further leveraged to secure the same targets for the \$5.3 billion development of the Western Sydney Airport.

PM&C continues to work closely with the local community, the New South Wales Government, industry stakeholders and local leaders to accelerate economic opportunities for First Australians as Western Sydney continues to grow. In June 2018, PM&C finalised a strategy to better connect demand and supply for priority infrastructure pipelines, harness secondary and service sector growth and support the enabling potential of Indigenous social and cultural capital. Efforts will be made to influence the agendas of Western Sydney governance and leadership bodies, to unlock opportunities for First Australians to participate in the economic and social development of Western Sydney over the next 20 years and beyond.

Case study

TRACHOMA AND ENVIRONMENTAL HEALTH WORKSHOP, ALICE SPRINGS

On 28 February 2018, the Alice Springs and Canberra offices of PM&C, in partnership with Indigenous Eye Health at the University of Melbourne and the Northern Territory Government's Centre for Disease Control, convened a multi-sector workshop looking at how to improve environmental health to help eliminate trachoma in Central Australia.

Professor Hugh Taylor from the Indigenous Eye Health Unit, University of Melbourne, highlighted that addressing clean faces / clean hands and improving environmental health will help to improve a range of health conditions, including Otitis Media, hearing loss, skin infections, lung conditions, rheumatic heart disease and subsequent conditions like kidney disease.

Taking a place-based approach, a locally-based working group has been established to agree on local actions to improve environmental health.

*Case study***BENEFITS OF INTERGOVERNMENTAL AND PORTFOLIO COLLABORATION TO IMPROVE OUTCOME REPORTING**

In 2017–18 PM&C partnered with the Department of Finance to hold workshops with PM&C's Indigenous portfolio bodies (IPBs). The sessions aimed to support a practical understanding of Commonwealth-wide planning and reporting reforms under the PGPA Act.

Collaboration within PM&C facilitates a whole-of-PM&C perspective and helps illuminate the difficult and complex environments that IPBs face in delivering services in challenging operating environments. This inclusive approach also supports collaboration opportunities to inform future Indigenous policy development.

An intergovernmental and cross-portfolio collaborative approach supports PM&C's portfolio bodies to meet their PGPA Act obligations. This type of engagement also helps to identify strategies to communicate improved outcome reporting in corporate plans and annual reports.

Case study

CLOSING THE GAP SPECIAL GATHERING

On 7–8 February 2018 an historic Special Gathering of prominent Indigenous Australians was held in Canberra to coincide with COAG. The meeting was held to inform the development of the Closing the Gap refresh and discuss priorities for the next decade of Closing the Gap.

Participants brought a diverse range of backgrounds and expertise from all states and territories.

Attendees met with Prime Minister Malcolm Turnbull, First Ministers and the Minister for Indigenous Affairs, Senator the Hon Nigel Scullion to talk directly about their experiences and give feedback on the next phase of Closing the Gap.

A delegation from the Special Gathering presented COAG with a statement setting out the Special Gathering's priorities for the refresh. COAG also agreed to undertake community consultations and complete the refresh with national and state targets, performance indicators and accountabilities.

The Special Gathering was a crucial part of our engagement with Aboriginal and Torres Strait Islander Australians. The statement delivered to COAG will be important in facilitating further dialogue on Indigenous aspirations for the Closing the Gap refresh.



Professor Ian Anderson, Deputy Secretary Indigenous Affairs addresses a Closing the Gap Indigenous peak organisations roundtable event.

IMPLEMENTATION AND MONITORING PROGRAMS

In 2017–18, PM&C improved the implementation and monitoring of Australian Government partnerships aimed at advancing the wellbeing of First Australians.

Results

ACTIVITY	KPI	PERFORMANCE MEASUREMENTS	RESULT
Implementation and monitoring programs			Achieved
<p>Design and deliver Indigenous Affairs initiatives, policies, programs, national agreements and reforms including those under Indigenous Advancement Strategy (IAS) programs:</p> <ul style="list-style-type: none"> • Jobs, Land and Economy • Children and Schooling • Safety and Wellbeing • Culture and Capability • Remote Australia Strategies. <p>Promote the Government's priorities in Indigenous Affairs through funding selected service providers in a streamlined and flexible manner and manage their performance and capability.</p>	<p>Improved outcomes for Indigenous Australians from Indigenous Advancement Strategy (IAS) activities in areas such as education, employment, community safety, wellbeing and economic development.</p>	<p>Successful delivery of IAS activities is demonstrated through evaluations and grant activity reviews, including the use of case studies that show improved outcomes for Indigenous Australians.</p>	<p>Achieved</p>

ACTIVITY	KPI	PERFORMANCE MEASUREMENTS	RESULT
Implementation and monitoring programs			Achieved
<p>Drive and oversee whole-of-government effort to improve the effectiveness and evaluation of program delivery.</p>	<p>Actively monitor and support timely development and implementation of government policies and programs. Improved delivery of programs. Successfully manage program funding agreements and activities to deliver on program outcomes and support local priorities.</p>	<p>Service providers meet their agreed milestones on time and do not exceed funding agreements.</p>	<p>Achieved</p>

The following case studies support the achievement of the activity.

Evaluation

SCHOOL ENROLMENT AND ATTENDANCE MEASURE

The School Enrolment and Attendance Measure (SEAM) was established in 2009. It was designed to support parents to get their children to regularly attend school. Under SEAM, the Northern Territory Department of Education Senior Attendance and Truancy Officers worked with Department of Human Services social workers and families to overcome the barriers preventing children from attending school.

To gain a better understanding of the impact of SEAM on school attendance patterns, a randomised controlled trial (RCT) was conducted in partnership with Harvard University. The trial found no evidence that SEAM was achieving its main objective of increasing school attendance. The RCT, together with other evaluations of SEAM, resulted in the program ceasing operation at the end of 2017.

The Australian and Northern Territory governments remain committed to improving school attendance in remote communities. The Remote School Attendance Strategy continues to support schools, families and parents so that children can go to school every day possible.

Case study

COMMUNITY DEVELOPMENT PROGRAMME

The Community Development Programme (CDP) is the Government's remote employment and community development service. In 2017–18, CDP continued to deliver strong employment outcomes for remote job seekers by supporting 7,190 participants into 8,335 jobs. Of these, 3,275 stayed in a job for at least 26 weeks. This is an increase of 17 per cent from 2016–17.

CDP providers play a key role in the success of CDP. PM&C has a rigorous performance framework to ensure providers are delivering high-quality services. The framework involves a formal performance review of each provider every six months. The review comprises a mix of quantitative data extracted from the CDP IT system, on-site observations of activities by PM&C network staff, discussions with the community and local stakeholders, as well as evidence presented by the provider. A national moderation process, and training and support to PM&C network staff, ensure there is consistency in assessments across the nation. The Australian National Audit Office acknowledged the quality of this process in its 2017 performance review of the administration of the CDP.

The performance reviews have driven improvements over the past two and a half years. In this time frame, the number of providers rated as 'excellent' or 'good' has increased by 44 per cent. The reviews have also assisted PM&C to manage underperformance. Providers that do not meet the Department's standards are required to undergo more intensive and regular assessments. In the most serious cases, the Department has removed providers from the programme and replaced them with new providers.

The performance framework has evolved over time to reflect the ongoing maturity of the programme and to continue to drive improved performance. In April 2018, PM&C introduced significant changes to stretch providers further. This included increased weightings for the quality of activities and greater emphasis on community engagement.

These changes, which recognise the importance of community engagement, have been supported by the move towards greater community control in the delivery of CDP. In 2017–18, PM&C introduced new eligibility requirements for CDP providers. Under the new requirements, providers must be 50 per cent Indigenous owned or controlled. By August 2018, we expect providers in all regions except one, to meet this criterion.

PM&C is implementing the reforms to the programme which were announced in the 2018–19 Budget. The reforms include enhancements to assessments of job seekers' barriers, reduced reporting requirements for more vulnerable job seekers and the establishment of a 'pathway' to long-term employment through the creation of 6,000 subsidised jobs. These reforms were informed by consultation and discussion with remote communities.

Case study

INDIGENOUS ADVANCEMENT STRATEGY EVALUATION FRAMEWORK

The Indigenous Advancement Strategy (IAS), introduced in 2014, is the way that the Australian Government funds and delivers a range of programs targeting Aboriginal and Torres Strait Islander peoples.

In February 2018, PM&C released the IAS Evaluation Framework. The IAS framework supports the Government's commitment to investing \$40 million over four years, as announced in the 2017–18 Budget, to strengthen IAS evaluations and policy effectiveness. It was developed in consultation with Indigenous Australians.

The IAS Evaluation Framework reflects best practice in evaluation. In particular, it is designed to ensure that evaluation is high-quality, ethical and inclusive and generates robust and transparent findings which are focused on improving outcomes for Indigenous Australians.

An Indigenous Evaluation Committee will help to oversee the implementation of the framework. The committee will support transparency and ensure evaluation within the PM&C Indigenous Affairs Group is independent and impartial. Its key objective will be to strengthen the quality, credibility, and influence of the Indigenous Affairs Group's evaluation practices.

Case study

ANALYSIS OF CURRENT INDIGENOUS ADVANCEMENT STRATEGY PERFORMANCE DATA

In 2017–18 performance reporting was based on self-assessment by provider organisations. Organisations indicated whether they are 'on track', 'partly on track' or 'off track' against each KPI. There were two mandatory KPIs for IAS grant projects.

The results in the six-month performance report period 1 July to 31 December 2017 (Graph 1) show the self-assessment of performance in terms of service provider overall compliance with project agreement terms and conditions (Mandatory KPI 'M2'). Graph 1 shows:

- the percentage of projects that self-assessed as 'on track' ranged from 82 per cent of Jobs, Land and Economy (Program 2.1) to 90 per cent for Children and Schooling (Program 2.2) and Remote Australia Strategy (Program 2.5)
- the percentage of projects that self-assessed as 'partly on track' ranged from 9 per cent for Program 2.2 to 18 per cent for Program 2.1
- 1 per cent of Program 2.2 projects and 1 per cent of Safety and Wellbeing (Program 2.3) projects were self-assessed as 'off track'.

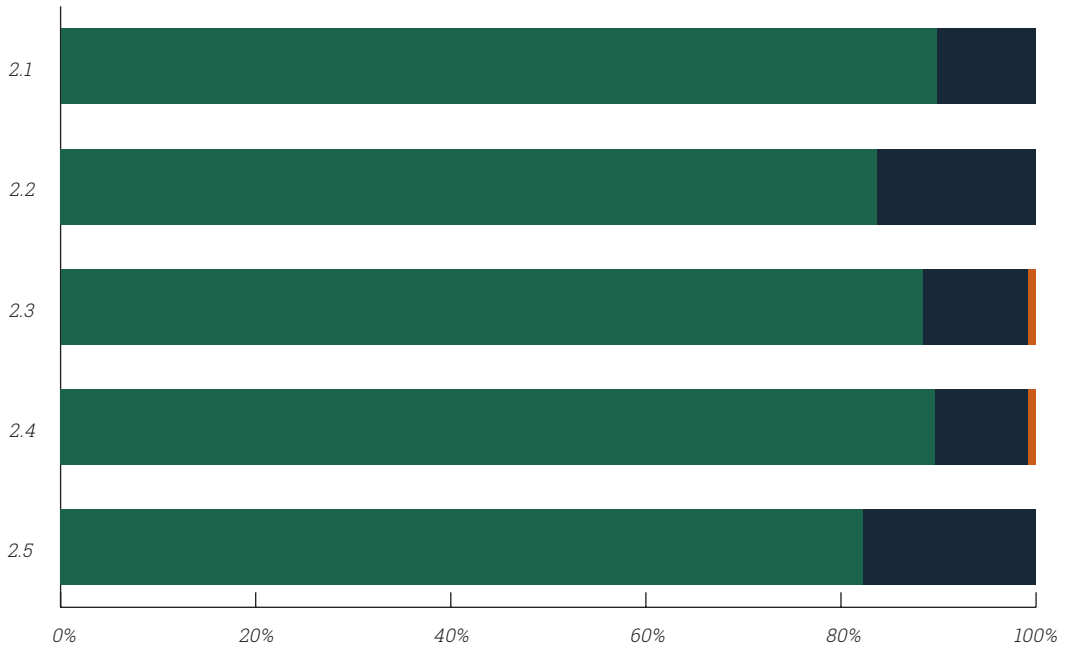
Each IAS project is required to report the level of employment of Aboriginal and Torres Strait Islander people in the delivery of the funded activity (as Mandatory KPI 'M1'). The 1,423 IAS projects that submitted performance reports were delivered by 12,490 employees, of which:

- 8,638 (69 per cent) were Aboriginal or Torres Strait Islander
- 3,852 (31 per cent) were non-Indigenous.

PM&C Agreement Managers, mostly based in the Regional Network, review the performance information that service providers submit. They verify reported progress, drawing on their extensive on-the-ground knowledge about the implementation of grant projects.

Graph 1

Self-assessed compliance with project agreement terms and conditions, by Indigenous Advancement Strategy program (Round 5)



2.1	<i>Jobs, Land and Economy</i>
2.2	<i>Children and Schooling</i>
2.3	<i>Safety and Wellbeing</i>
2.4	<i>Culture and Capability</i>
2.5	<i>Remote Australia Strategy</i>

■	<i>On track</i>
■	<i>Partly on track</i>
■	<i>Off track</i>

Case study

IMPROVING THE INDIGENOUS ADVANCEMENT STRATEGY PERFORMANCE FRAMEWORK—UPDATING THE IAS KEY PERFORMANCE INDICATORS

PM&C's Program Office has been leading a project focused on maturing the IAS approach to measuring and reporting on the performance of grants.

An independent research company was engaged to assist with the process. During the second half of 2017, 30 workshops were held with program areas to develop a suite of revised grant KPIs and identify potential data sources and associated data collection methodologies.

The revised KPIs have been progressively applied to new or varied IAS grant agreements during 2018.

The revised KPIs will give us a better understanding of what is being achieved from our current programmes. This is just one of several initiatives underway to strengthen our approach to monitoring and reporting on service provider and program performance.

Case study

THE INDIGENOUS HOME OWNERSHIP PROGRAM

In 2017–18, key areas of home ownership policy reform were delivered through close collaboration with Indigenous Business Australia (IBA).

This work followed the PM&C-commissioned review of IBA's Indigenous Home Ownership Program (IHOP), which identified key areas for reform. These areas addressed barriers to Indigenous home ownership, especially in remote Australia.

By working with IBA on its policy response to the IHOP review, IBA has focused on servicing low-income customers, modernised the IHOP application process and provided more relevant loan products, resulting in:

- 880 loans being written to 15 June for the 2017–18 financial year, more than 154 per cent of IBA's full year target of 580 loans. Approximately 920 loans are expected to be approved in 2017–18
- stricter eligibility conditions for the top two tiers of income eligibility, a reduced starting interest rate and lower deposit requirements, which ensured that 96 per cent of these loans were issued to customers in the lowest three income bands
- improved access through an online application process, which resulted in a 50 per cent increase to remote loans, with 35 approved in 2017
- the extension of the scope of the Remote Indigenous Home Loan program, including \$1.5 million to remote building projects in Hopevale, Queensland and the Tiwi Islands, Northern Territory.

Policy changes have led to a significant increase in demand. IBA has been researching opportunities to access non-government capital and potential new lending models to meet this increased demand. Over the second half of 2018, PM&C will continue to collaborate with IBA to address barriers to home ownership and assist IBA to develop new models to increase home lending outside of government appropriation and direct lending.

Case study

REGULATING AND SUPPORTING ABORIGINAL AND TORRES STRAIT ISLANDER CORPORATIONS

As at 30 June 2018, 3,046 Aboriginal and Torres Strait Islander corporations were registered under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act), including 186 registered native title bodies corporate. The Office of the Registrar of Indigenous Corporations (ORIC) supports and regulates corporations registered under the CATSI Act. During the year, ORIC registered 183 new corporations, including eight transfers of incorporation from other legislation. ORIC finalised deregistration for 41 corporations.

Corporations lodged 6,224 forms and documents with ORIC requiring changes to the Register of Aboriginal and Torres Strait Islander Corporations, including:

- 2,581 corporation reports
- 1,106 changes to directors, contact persons and secretaries
- 899 members lists
- 222 contact details
- 235 rule books.

Corporations requested 563 exemptions—ORIC granted 507 and rejected 56. There were 103,588 website sessions involving a search of the public register where anyone can access information about individual corporations.

ORIC delivered corporate governance training to 1,083 participants from 260 corporations. There were 64 workshops in total (one diploma; one Certificate IV; six Introduction to Corporate Governance workshops; seven two-day Governance workshops; two Building Strong Stores workshops; and 72 corporation-specific workshops). Ninety-seven per cent of participants reported they increased their understanding of corporate governance.

ORIC's website provides a range of guidance and information about corporate governance. In the first quarter there were 180,806 sessions on ORIC's website by 85,543 users. On average, users viewed 2.85 pages per session. In total there were 27,507 document downloads from the website.

ORIC started the financial year with 19 examinations in progress and has started a further 69. As at 30 June 2018, 53 examinations had been finalised. Of these, 25 corporations were operating well and were issued a management letter; 23 were required to improve standards outlined in a compliance notice; and five had serious issues and were asked to show cause why a special administrator should not be appointed.

The CATSI Act provides the Registrar with a unique form of regulatory assistance to support corporations with serious governance or financial problems. Six special administrations were in progress at the outset of the year and six were started during 2017–18. Eight were completed. All eight were handed back to members' control—one of these by order of the Court. The average duration of special administrations was 5.8 months.

Case study

SCHOOL BASED TRAINEESHIP WITH AFL SPORTSREADY

The Jobs, Land and Economy Program School Based Traineeship (SBT) provides a pathway to education or ongoing employment for Aboriginal and Torres Strait Islander students in years 10 to 12. Following successful completion of year 12, the SBT provides wrap-around servicing, including mentoring:

- Between December 2015 and June 2018, 156 (105 new places, 51 transition places) Aboriginal and Torres Strait Islander secondary school students were supported to successfully complete year 12 and transition to employment, higher education or training opportunities.
- Of the 105 new commencements, 89 completed the first year and commenced the second year of their SBT. Of those, all successfully completed secondary schooling, with approximately 85 participants now transitioning into higher education, employment or further training opportunities in 2018.



Indigenous rangers at the Nantawarrina Indigenous Protected Area, South Australia.

Case study

INDIGENOUS RANGERS AND INDIGENOUS PROTECTED AREAS

More than 2,900 jobs are provided for First Australians as a result of the Government's investment in Indigenous rangers. The Australian Government has provided more than \$640 million for Indigenous rangers over eight years to 2021 and more than \$180 million for Indigenous Protected Areas (IPAs) over 10 years to 2023.

Indigenous rangers undertake important work to protect and conserve threatened species, marine systems and cultural places, and address environmental threats caused by feral animals, invasive weeds, marine debris and wild fire. IPA and Indigenous ranger projects actively work within local communities to build capacity and strengthen the community.

A 2016 study measuring the social, cultural, environmental and economic outcomes generated by these land and sea management projects found that rangers reported having increased skills through training and experience, increased confidence, and better health and wellbeing.

IPAs are voluntarily established by Indigenous communities on Indigenous-owned or jointly managed land or sea country. IPAs combine traditional and contemporary knowledge into a framework to leverage partnerships with conservation and commercial organisations and provide employment, education and training opportunities for First Australians.

IPAs cover a total of 67,312,453 hectares, or 44.6 per cent of the National Reserve System (as at 30 June 2018).

Case study

INDIGENOUS PROCUREMENT POLICY

PM&C works closely with the Department of Finance and other Commonwealth parties to implement the Indigenous Procurement Policy (IPP). The IPP is intended to increase the number of Indigenous businesses in the Commonwealth's supply chain, stimulating Indigenous enterprise development and entrepreneurship.

In addition to directly working with Indigenous businesses to meet its own purchasing target, PM&C supports other agencies to engage with Indigenous businesses. PM&C monitors and reports on the Commonwealth's performance against the whole-of-government 3 per cent IPP target.

Since the IPP was launched in July 2015, the Commonwealth has purchased over \$1.084 billion worth of goods and services through 1,074 Indigenous businesses. This is made up of 6,849 contracts valued at \$871.9 million and a managing contract to deliver the \$213.4 million Garden Island (East) Critical Infrastructure Recovery Program (stage 1) for the Department of Defence. During the period commencing in July 2015, the PM&C portfolio has entered into 810 confirmed contracts with Indigenous businesses worth approximately \$75.4 million.

The Commonwealth, and the PM&C portfolio exceeded the target in 2016–17 and preliminary results indicate performance is on track to meet the target again in 2017–18. The final 2017–18 results are due to be released in October 2018.

PM&C's strong commitment to implementing the IPP through its own contracting practices was recognised in May 2017, when it was awarded the Supply Nation Government Member of the Year Award. For more information about how the IPP works, go to www.pmc.gov.au/ipp.



Minister for Indigenous Affairs, Senator the Hon Nigel Scullion speaks about the Indigenous Business Sector Strategy at the Supply Nation trade fair in Sydney.

PORTFOLIO BUDGET STATEMENTS

PM&C also measured our achievements in 2017–18 against criteria set down for Outcome 2 in the Portfolio Budget Statements:

Improve results for Indigenous Australians including in relation to school attendance, employment and community safety, through delivering services and programs, and through measures that recognise the place that Indigenous people hold in this Nation.

Performance results for Programs 2.1 to 2.7

PROGRAM	PERFORMANCE CRITERIA	TARGET	RESULT
2.1 Jobs, Land and Economy	Increased Indigenous employment, business and economic development.	Advice is provided to the Government and Commonwealth departments to support better outcomes for Indigenous Australians through mainstream employment programs.	Achieved
		Target of 3 per cent of Commonwealth Government contracts are awarded to Indigenous-owned business.	Achieved
2.2 Children and Schooling	Increased Indigenous school attendance and improved educational outcomes.	Meeting COAG education targets: halve the gap in reading, writing and numeracy achievements for Indigenous students by 2018. Close the gap in school attendance by the end of 2018. Halve the gap for Indigenous students in year 12 (or equivalent) attainment rates by 2020.	PM&C coordinates the report on achievement of COAG targets by all governments. For the education targets, Year 12 attainment is on track. The other two targets are not on track.
		At least 70 per cent of funded activities within this program met the mandatory KPI on the extent of compliance with Project Agreement terms and conditions.	Achieved

PROGRAM	PERFORMANCE CRITERIA	TARGET	RESULT
2.3 Safety and Wellbeing	Reduced levels of offending, violence and substance abuse.	At least 70 per cent of funded activities within this program met the mandatory KPI on the extent of compliance with Project Agreement terms and conditions.	Achieved
2.4 Culture and Capability	Increased participation of Indigenous people in Australian society and improved capability of Indigenous organisations.	At least 70 per cent of funded activities within this program met the mandatory KPI on the extent of compliance with Project Agreement terms and conditions.	Achieved
2.5 Remote Australia Strategies	Investment in local solutions based on community and government priorities.	At least 70 per cent of funded activities within this program met the mandatory KPI on the extent of compliance with Project Agreement terms and conditions.	Achieved
2.6 Evaluation and Research	Increased understanding of whether funding and policies are effective. Increase research and/or existing research made more usable.	At least 70 per cent of funded activities within this program met the mandatory KPI on the extent of compliance with Project Agreement terms and conditions.	There were no new 2017–18 funded grant activities in Program 2.6.
2.7 Program Support	Efficient department support to the six Indigenous Advancement Strategy programs.	At least 70 per cent of key performance measures in the Corporate Plan are met or are on track.	Achieved a result of 75 per cent against a target of 70.

CORPORATE SERVICES

Corporate services enable PM&C to be modern, inclusive and responsive. An indicator of success is that ministerial officers, the Executive, the Senior Executive Service (SES) and staff are satisfied with the quality, relevance and timeliness of corporate services.

Results

ACTIVITY	KPI	PERFORMANCE MEASUREMENTS	RESULT
Corporate services			Achieved
Corporate services enables the Department to be modern, inclusive and responsive.	Ministerial officers, the Executive, SES and staff are satisfied with the quality, relevance and timeliness of corporate services.	Independent feedback demonstrates high levels of satisfaction with the quality and timeliness of corporate services.	Achieved a result of 80 against a target of 71.
		Assessment of effectiveness of corporate services using case studies, benchmarking, independent panels or provider assessment.	Achieved
		Level of employee overall satisfaction, as indicated in the APS employee Census, is maintained or improved.	Achieved a result of 71 against a benchmark of 63.

The following case study supports the achievement of the activity.

Case study

DIGITAL FIRST PLATFORM

The Digital First System is a web application created as a collaborative space to 'bring the Department and the Prime Minister's Office closer together around briefs'. The Digital First System is now being used across PM&C and a number of agencies to host a range of business processes such as travel and event briefs, speeches, parliamentary processes, invitation tracking and policy announcement coordination.

The platform improves the quality, relevance and timeliness of advice provided to the Prime Minister on key policies. Allowing a fast feedback loop is core to the application, it greatly improves the relevance and timeliness of advice. The Prime Minister and the Office can easily request further details on the briefs. This automatically creates system notifications for officers in PM&C, prompting them to respond to the request. PM&C's responses are immediately available to the Prime Minister and the Office on any device (desktop, laptop, iPad/iPhone). All of this communication is managed within the application.

The application also integrates with other departmental applications, allowing officers to direct the Prime Minister to more detailed implementation data. Because the application facilitates such an immediate feedback loop, we can quickly and directly provide more refined advice to the Prime Minister and the Office.



PART THREE

MANAGEMENT AND ACCOUNTABILITY

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CORPORATE GOVERNANCE

PM&C promotes a culture that encourages and supports accountability, integrity, trust, honesty and respect. Underlying our culture is the PM&C corporate governance framework, which includes:

- a governance committee structure (*see Table 3.1*)
- business planning
- audit and assurance activities
- risk management
- fraud prevention and fraud control
- Secretary's Instructions
- business continuity
- performance agreements.

This corporate governance framework assists us in achieving our objectives.

COMMITTEES

PM&C has a number of committees that support the Secretary. These are outlined in Table 3.1.

Table 3.1

Departmental committees and their membership and purposes

Committee	Members	Purpose
Executive Board	<p>Chair: Dr Martin Parkinson</p> <p>Membership:</p> <ul style="list-style-type: none"> • Deputy Secretaries • First Assistant Secretary Corporate Division (monthly attendance) 	<p>PM&C's leadership group providing overall direction on PM&C's culture, capability and performance by:</p> <ul style="list-style-type: none"> • setting PM&C's strategic direction and ensuring delivery of its goals • driving PM&C's transformation agenda • ensuring effective operations, use of resources and risk engagement • advising on significant government priorities, including cross-portfolio and international or intergovernmental • providing a leadership role to the Australian Public Service (APS). <p>The Executive Board meets weekly.</p>
Operations Committee	<p>Co-chairs: Mr Andrew Tongue Ms Stephanie Foster</p> <p>Membership:</p> <ul style="list-style-type: none"> • Deputy Secretary Economic, First Assistant Secretary Programme Office • National Director Regional Network • First Assistant Secretary Economic Division • Assistant Secretary South and South East Asia Pacific, Europe and Africa Branch • Assistant Secretary Strategic Coordination and National Security Branch • Assistant Secretary Education and Immigration Branch • Assistant Secretary Policy and Evidence Branch 	<p>Assists the Secretary and Executive Board to embed PM&C's transformation agenda and improve PM&C's operations and performance through the development and delivery of strategies to:</p> <ul style="list-style-type: none"> • ensure PM&C's resources are well managed and support delivery of its goals • oversee and improve PM&C's enabling services • drive PM&C's performance and risk engagement. <p>The Operations Committee meets monthly.</p>

Committee	Members	Purpose
People Committee	<p>Co-chairs: Ms Lin Hatfield Dodds Ms Stephanie Foster</p> <p>Membership:</p> <ul style="list-style-type: none"> • First Assistant Secretary Ministerial Support Division • National Director Regional Network • First Assistant Secretary National Security Division • Assistant Secretary Tertiary Education and Policy Coordination • Assistant Secretary Social Services 	<p>Assists the Secretary and Executive Board to embed PM&C's transformation agenda and effective operations through the development and delivery of strategies to:</p> <ul style="list-style-type: none"> • ensure PM&C has the capability to deliver its goals • build a culture of inclusion, innovation and collaboration. <p>The People Committee meets quarterly.</p>
Audit Committee	<p>Independent Chair: Mr Jeff Lamond</p> <p>Membership: Internal and external members</p>	<p>Provides independent assurance and assistance to the Secretary and the Executive Board on PM&C's risk oversight, systems of internal control, and financial and performance reporting. The committee is established under section 45 of the <i>Public Governance, Performance and Accountability Act 2013</i>.</p> <p>Meetings are held quarterly, with an additional meeting for consideration of the annual financial statements and performance statement.</p>

RISK MANAGEMENT

PM&C operates in a complex and dynamic environment. We manage risk to maximise opportunity and innovation while protecting the interests of PM&C and its principal stakeholders.

In May 2018, the Executive Board endorsed a new risk management policy and framework, which will be implemented in 2018–19. The framework is an example of PM&C innovation—it is a more accessible, dynamic system that provides staff with the practical tools and guidance necessary to support them in taking measured risks.

The new framework assesses and manages risk at the strategic level in response to the purposes and priorities of the Corporate Plan and, at the enterprise level, operational risks that might affect the achievement of PM&C's objectives. To ensure a robust system, the Audit Committee and the Operations Committee monitor risks and the effectiveness of controls.

COMPLAINTS MANAGEMENT

PM&C manages complaints impartially and openly through our complaints and feedback system. Complaints and feedback are usually received through our complaints email address, complaints@pmc.gov.au, and/or via the complaints hotline (02 6271 5688).

During 2017–18, 50 complaints were received, compared with 18 complaints in 2016–17. This increase comes as a result of improved capture of data, including through complaints received in PM&C's Regional Network.

FRAUD PREVENTION AND CONTROL

PM&C's Fraud and Corruption Control Plan articulates how we prevent, detect, investigate and report on fraud. It links to our new risk management framework. PM&C takes a zero-tolerance approach to internal and external fraud and corruption. We encourage a culture characterised by the highest standards of ethical behaviour.

Our fraud awareness strategy includes induction training for new staff and refresher training every two years after that. The training is delivered in a number of ways, including through online e-learning and face-to-face delivery. Training can be tailored and is available on a needs basis.

Suspected fraud (both internal and external) can be reported to fraud@pmc.gov.au or our *fraud line* (02 6152 3598). All allegations, including those involving departmental funds, are assessed and, if appropriate, investigated. The fraud risks and lessons learned, identified throughout the investigation process, are recorded and communicated to the relevant program area, the Regional Network and the Compliance and Audit Committees.

EXTERNAL SCRUTINY

EXTERNAL AUDIT

During 2017–18, the Australian National Audit Office (ANAO) reported on two PM&C portfolio-specific performance audits:

- *Supporting good governance in Indigenous corporations* (tabled 12 July 2017)
- *Management of the Australian Government's Register of Lobbyists* (tabled 14 February 2018).

PM&C was involved in four multi-portfolio performance audits:

- *Design and monitoring of the National Science and Innovation Agenda* (tabled 27 September 2017)
- *The design and implementation of the Community Development Programme* (tabled 31 October 2017)
- *Design and governance of the National Water Infrastructure Development Fund* (tabled 28 February 2018)
- *Effectiveness of monitoring and payment arrangements under National Partnership Agreements* (tabled 24 May 2018).

JUDICIAL DECISIONS AND OTHER EXTERNAL SCRUTINY

PM&C has not been subject to any judicial decisions or decisions of administrative tribunals or the Information Commissioner in 2017–18 that have had, or may have, a significant effect on PM&C's operations.

OTHER EXTERNAL SCRUTINY

The Home Affairs and Integrity Agencies Legislation Amendment Bill was introduced into the Parliament by Prime Minister Malcolm Turnbull on 7 December 2017. On 8 December 2017, Prime Minister Malcolm Turnbull referred the Bill to the Parliamentary Joint Committee on Intelligence and Security (PJCIS) for inquiry and report. Together with the Department of Home Affairs and the Attorney-General's Department, PM&C provided two submissions to the committee, in January and March 2018, and attended a hearing on 9 February 2018.

The PJCIS made a number of recommendations in its two reports (tabled on 26 February and 28 March 2018), all of which were accepted by the Government in full. The Bill passed the Parliament on 9 May 2018. Further information and transcripts are available on the PJCIS web page: https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Intelligence_and_Security/Completed_inquiries

The Finance and Public Administration References Committee delivered its report on *Appropriateness and effectiveness of the objectives, design, implementation and evaluation of the Community Development Program (CDP)* on 14 December 2017. https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Finance_and_Public_Administration/CDP/Report.

Entities subject to the *Freedom of Information Act 1982* (FOI Act) are required, under Part II of the Act, to publish information as part of the Information Publication Scheme. Information including an Agency Plan showing what information is published, is available on the Department's website (www.pmc.gov.au/pmc/information-publication-scheme).

OUR PEOPLE

PM&C has a strong commitment to individual and organisational excellence. We work closely with communities and stakeholders and across all areas of government, to provide rigorous and collaborative policy development, implementation and program delivery.

Staff are supported to continue to build a diverse, collaborative, technologically savvy, and agile workforce. Our diversity and inclusion agenda is unlocking the full potential of our people. At the same time, our flexible, activity-based work arrangements, and widespread adoption of live briefing systemware are supporting new ways of working.

EMPLOYMENT PERFORMANCE

At 30 June 2018, PM&C had 2,188 employees, including inoperative staff. This is a decrease from 2,276 employees at 30 June 2017 (Table 3.2).

PM&C has a diverse and inclusive workforce. Two-thirds of our workforce are women (67 per cent), 59 per cent of staff are under 45 years old and 15 per cent identify as Aboriginal and/or Torres Strait Islander.

PM&C has staff working across Australia, with 27 per cent of staff located outside Canberra in other capital cities and regional and remote areas. Further information is provided in the human resources workforce profile at Table 3.3.

Table 3.2

Staff headcount, 2017 and 2018

PM&C ongoing functions	Number of staff at 30 June 2017	Number of staff at 30 June 2018
Operative staff	2,101	2,064
Inoperative staff	175	124
Total	2,276	2,188

Note: An employee is considered to be 'inoperative' where they are on long-term (paid or unpaid) leave or on temporary transfer to another agency for a period of 12 weeks or more.

Table 3.3

Workforce profile (based on substantive headcount), 2017 and 2018

	At 30 June 2017			At 30 June 2018		
	Ongoing	Non-ongoing	Total	Ongoing	Non-ongoing	Total
Substantive classification						
Secretary	1	-	1	1	-	1
SES Band 3	8	1	9	8	1	9
SES Band 2	26	1	27	22	1	23
SES Band 1	82	5	87	81	3	84
Executive Level 2	318	8	326	292	3	295
Executive Level 1	661	23	684	662	14	676

	At 30 June 2017			At 30 June 2018		
	Ongoing	Non-ongoing	Total	Ongoing	Non-ongoing	Total
APS 4-6	978	58	1,036	931	69	1,000
APS 1-3	44	9	53	42	9	51
Graduate	53	-	53	49	-	49
Total	2,171	105	2,276	2,088	100	2,188

Location

ACT	1,556	65	1621	1,528	70	1,598
NSW	99	7	106	95	4	99
NT	240	16	256	203	14	217
QLD	105	5	110	98	4	102
SA	52	2	54	50	2	52
TAS	5	-	5	6	-	6
VIC	29	2	31	26	1	27
WA	85	8	93	82	5	87
Overseas	-	-	-	-	-	-
Total	2,171	105	2,276	2,088	100	2,188

Staff age profile

Age < 25	60	14	74	56	14	70
Age 25-34	610	22	632	575	32	607
Age 35-44	607	26	633	605	16	621

	At 30 June 2017			At 30 June 2018		
	Ongoing	Non-ongoing	Total	Ongoing	Non-ongoing	Total
Age 45–54	540	26	566	524	18	542
Age 55–64	315	15	330	289	17	306
Age 65 +	39	2	41	39	3	42
Total	2,171	105	2,276	2,088	100	2,188

Equal employment opportunity group participation and workplace arrangements

Female	1,440	70	1,510	1,397	62	1,459
Non-English speaking background	115	8	123	117	4	121
Aboriginal and/or Torres Strait Islander	332	22	354	318	17	335
People with a disability	69	1	70	74	-	74
Working part-time	306	22	328	309	22	331

Note: Figures include staff employed in ongoing functions, inoperative staff and the Secretary.

INCLUSION AND DIVERSITY

PM&C has a holistic inclusion and diversity strategy that aims to foster a culture reflective of the diversity of the Australian community. PM&C's commitment to inclusion and diversity reflects the importance that we place on our people and creating a workplace culture within which every staff member is valued and respected for their contribution.

On Harmony Day 2018, Diversity Champion Dr David Gruen launched our Inclusion and Diversity Strategy. The strategy is designed to:

- communicate the rationale for becoming a more inclusive and diverse workplace
- set clear expectations of leadership behaviours to promote inclusion and diversity
- establish clear actions to be taken over the next two years to build on our progress.

The strategy is monitored by the PM&C Inclusion & Diversity Committee (IDC). Chaired by the Secretary, the IDC promotes inclusion and diversity initiatives within PM&C and includes members from the Executive Board, Diversity Champions, executive-level representatives from diverse backgrounds and two external representatives.

Within PM&C, diversity and inclusion initiatives are led by a Deputy Secretary Diversity Champion, supported by five SES champions and staff networks, for the following diversity groups:

- **Gender**—Women’s Network
- **Indigenous**—Aboriginal and Torres Strait Islander Employee Network (A&TSIEN)
- **Disability**—Disability Employee Network
- **Lesbian, Gay, Bisexual, Transgender, Intersex and Queer** (LGBTIQ+ Network)
- **Culturally and Linguistically Diverse** (CALD) Network.

The champions and staff networks support and celebrate difference and foster ideas for valuing diversity and optimising inclusion.

Case study

BRINGING OUR 'WHOLE SELVES' TO THE WORKPLACE

In December 2017, PM&C welcomed Ms Georgie Harman, CEO of beyondblue Australia, to present at two forums at the Department. Beyondblue is an independent non-profit organisation working to address issues associated with depression, suicide, anxiety disorders and other related mental disorders:

- The first forum was the Secretary's Equality and Diversity Council (SEDC) discussing the value of LGBTIQ+ specific inclusion initiatives and the value of supporting LGBTIQ+ staff to be 'out' at work. The SEDC comprises Secretaries from across the APS who meet quarterly and take responsibility for driving equality and diversity in the APS, including sharing ideas and overseeing the implementation of APS-wide equality and diversity strategies.
- The second forum was a broader engagement with PM&C staff on what it means to bring your 'whole self' to work and how doing so may promote employee wellbeing and productivity. Bringing your 'whole self' to work is a notion used to encourage all staff to bring all components of themselves, including modelling behaviours that truly represent who they are and believe in, into the workplace. This event was co-sponsored by the Disability and LGBTIQ+ Employee Networks and attended by the Secretary and Diversity Champions.

In February 2018, the SEDC agreed to focus on how the APS might develop more inclusive work practices to identify and dismantle barriers to the employment and progression of people from all backgrounds within the APS. Part of the value of inclusive workplace practices is that that businesses with a more diverse workforce and more inclusive work practices get better results.

RECONCILIATION

The development of PM&C's new Reconciliation Action Plan (RAP) 2018–2020 will contribute to the development of a more diverse workforce and more inclusive work practices. The RAP outlines a program of work designed to help us embed reconciliation as part of the fabric of PM&C and capitalise on the central role that we play in the Australian Government's Indigenous Affairs functions.

To commemorate National Reconciliation Week, PM&C hosted a number of events, including a 'Talking Circle'. In keeping with the theme of 'Don't Keep History a Mystery', Indigenous and non-Indigenous staff members came together and shared their personal histories in a story-telling event.

INDIGENOUS TALENT ATTRACTION AND DEVELOPMENT

During 2017–18 we maintained our commitment to retaining and growing our Aboriginal and Torres Strait Islander workforce. There has been a focus on fostering PM&C's Indigenous leadership pipeline through the delivery of the PM&C Indigenous Talent Management Program Pilot and participation in the APS excELerate Program Pilot run by the Australian Public Service Commission.

PM&C led a Senior Executive Affirmative Measures SES Band 1 and 2 recruitment process, attracting a large pool of highly skilled candidates to fill Senior Executive roles within PM&C and the broader APS. PM&C recognises the need for diverse leadership role models and the unique perspectives that Indigenous leaders bring to our workplace in shaping and delivering the Government agenda.

NAIDOC

PM&C acknowledges the history, culture and achievements of Aboriginal and Torres Strait Islander peoples. As part of this, our NAIDOC Week 2017 events reflect the celebration of Aboriginal and Torres Strait Islander peoples and communities through a range of events. NAIDOC Week 2017 internal events included a flag-raising ceremony, a staff awards ceremony and a block party hosted by the Aboriginal and Torres Strait Islander Employee Network.

CELEBRATING INTERNATIONAL WOMEN'S DAY

To celebrate International Women's Day (IWD), PM&C's Women's Network launched its ConnEXtions Mentoring Program. This platform provides access to a pool of senior APS mentors with a diverse set of skills and experiences, who can provide one-off advice or ongoing support for women in navigating their careers.

The Women's Network IWD celebrations spanned two weeks and featured 10 women from across the PM&C network who do out-of-the-ordinary things outside work. IWD celebrations also included peer learning workshops and a keynote speaker event featuring media commentator Tracey Spicer AM.

FLEXIBLE WORK

To further embed and support the transformation journey towards an inclusive and diverse workplace, we introduced a number of policies and programs:

- PM&C's Staying in Touch Policy gives staff who are on long-term leave the opportunity to remain in touch with us.
- All roles are supported by an If Not, Why Not flexible work strategy, which enables all employees to access mutually beneficial flexible working arrangements.
- We have implemented the Working your Way policy, which seeks to stimulate innovation, collaboration and thought via more flexible work environments.

WORKPLACE RESPONSE TO DOMESTIC AND FAMILY VIOLENCE POLICY

In 2017–18 we maintained a focus on supporting the Australian Government's National Plan to Reduce Violence against Women and their Children 2010–2022 by providing workplace responses to staff affected by domestic and family violence.

On 1 March 2018, Libby Davies, CEO of White Ribbon Australia—an organisation that works to prevent violence against women—announced that PM&C had been recognised as a White Ribbon Accredited Workplace. The accreditation recognises that PM&C is a leader in contributing to national cultural change to prevent and respond to domestic and family violence.

PM&C's accreditation journey began in May 2016 with the launch of the Domestic and Family Violence Policy. Since this time, we have demonstrated commitment to tackling domestic and family violence through leadership, resource allocation, communication, human resources (HR) policy development and training to create a safe, gender equal and respectful workplace.

In recognition of our leadership on workplace responses within the government sector, a representative of PM&C's People Branch is now an active participant in the White Ribbon Workplace Accreditation Program Reference Group.

RECRUITMENT

PM&C is committed to recruiting staff through a range of entry pathways. In 2017–18, we ran seven specialist recruitment programs:

- the 2017 PM&C Graduate Program
- the 2018 PM&C Graduate Program
- the Indigenous Australian Government Development Program
- the Indigenous Apprenticeship Program
- the one-year Australian Government ICT Graduate Program
- the PM&C Vacation Employment Program
- APSC Operation Free Range.

EMPLOYMENT ARRANGEMENTS

The PM&C Enterprise Agreement 2017–2020 took effect on 1 August 2017. It replaced the terms and conditions of the PM&C Enterprise Agreement 2011–2014 and the nine agreements preserved from the 2013 machinery of government changes. Data on employment arrangements for all departmental staff is provided at Table 3.4.

Table 3.4

Employment arrangements 2018

Section 24(1) determinations	
SES	116
Non-SES	36
Enterprise Agreement	
SES	–
Non-SES	1,961
Individual Flexibility Arrangements	
SES	–
Non-SES	74
Total¹	2,187

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

PM&C currently maintains multiple pay scales that result from the 2013 machinery of government changes. The PM&C Enterprise Agreement 2017–2020 also includes a pay scale for all staff who are new to PM&C. The 30 June 2018 minimum and maximum available rates by classification grouping across these pay scales are listed in Table 3.5. By 1 August 2020, all staff will be aligned to the new pay scale.

Table 3.5

Base salaries available at 30 June 2018 for APS and Executive Level (EL) staff

Level	Min	Max
APS 1-3	\$42,280	\$63,726
APS 4-6	\$62,241	\$91,335
EL1	\$96,794	\$119,039
EL2	\$115,027	\$144,685

Table 3.6

Base salaries available at 30 June 2018 for Senior Executive Service (SES) staff

Level	Min	Max
SES Band 1	\$169,906	\$202,241
SES Band 2	\$231,795	\$259,981
SES Band 3	\$315,180	\$367,102
Secretary – Remuneration is determined by the Remuneration Tribunal.		

PM&C publishes an annual update on executive remuneration on our website. For more information visit www.pmc.gov.au/who-we-are/accountability-and-reporting/executive-remuneration.

PERFORMANCE PAY AND OTHER BENEFITS

Employees may access a range of salary sacrifice benefits, including additional superannuation and leased motor vehicles.

In 2017–18, one employee received a performance bonus under a pre-existing Individual Flexibility Arrangement. To avoid disclosing personal information, this figure has not been published.

LEARNING AND DEVELOPMENT

In 2017–18, PM&C supported staff to attend face-to-face learning sessions based on the core themes of writing skills, policy skills, critical thinking, communication skills, digital skills and management capability. Leadership development continued to be a focus, and employees were encouraged to access departmental development programs, seminars and conferences, high-profile scholarships and coaching and mentoring partnerships.

PM&C also invested in continuous learning opportunities to support staff to gain in-depth skills and knowledge in areas aligned with key departmental outcomes. For example, staff are supported to participate in the Sir Roland Wilson Scholarship and Atlantic Fellows for Social Equity Program.

In 2017–18, 120 employees received study assistance via paid study leave and financial assistance to undertake tertiary education. Postgraduate study opportunities at international universities such as Harvard and Cambridge were also developed to complement PM&C's study assistance scheme, which allows employees to complete relevant tertiary study to improve their professional skills and knowledge.

WORK HEALTH AND SAFETY

PM&C is committed to maintaining the health, safety and wellbeing of our workforce. We take seriously our obligation to provide a safe working environment and to eliminate or minimise work health safety risks.

Strengthening our work health and safety management systems remains a key focus for us. In 2017–18, we delivered a number of work health and safety initiatives. For example, we:

- launched new work health and safety specific e-learning modules for workers, managers, officers and remote location workers
- conducted mental health first aid training across State Office based employees
- conducted mental health awareness activities, such as presentations from Black Dog Institute, aligned with National Safe Work Month and Mental Health Awareness Week
- revitalised the harassment contact officer network to promote and maintain a positive and supportive work environment
- refreshed our Bullying and Harassment Policy
- implemented a psychosocial risk assessment in relation to significant workplace change
- strengthened our work health and safety governance arrangements with a recalibration of work groups and associated Health and Safety Representatives and revised terms of reference for the National Health and Safety Committee.

Our Employee Assistance Program (EAP) offers our staff independent professional counselling services for personal or work related issues. In 2017–18 a new service provider was engaged to deliver our EAP, providing holistic wellbeing support to all staff rather than just traditional counselling. Our EAP services now include a dedicated hotline for staff experiencing domestic and family violence and/or at risk of vicarious trauma, and access to Aboriginal and Torres Strait Islander counsellors and coaches.

In 2017–18 Comcare undertook three workplace inspections. No contraventions of the *Work Health and Safety Act 2011* were reported. No notices were issued under the Act.

A total of 10 incidents were notified to Comcare in 2017–18. These include eight incidents of a serious injury or illness and two dangerous incidents.

ENVIRONMENTAL PERFORMANCE

PM&C has a responsibility to the Australian Government and the wider community to minimise the impact of our operations on the environment.

In 2017–18 we continued to mitigate the effects of our impact on the environment by:

- including environmental impacts in our purchasing policies where appropriate
- complying with all relevant Commonwealth, 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
- encouraging and supporting staff to utilise environmentally friendly modes of transport
- transitioning to a flexible, activity-based working environment in Centraplaza, 16 Bowes Place, Woden, and commencing the implementation of the same flexible, activity-based approach to working at 1 National Circuit, Barton, in order to consolidate the Canberra office accommodation from three to two properties
- co-locating with other agencies in regional locations as leases expire or when opportunities arise.

During 2017–18 we minimised our impacts on the environment in the areas of energy efficiency, waste and water use by:

- 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 1 National Circuit, Barton
- maintaining a 5-star base building NABERS rating for building energy at Centraplaza, 16 Bowes Place, Woden
- monitoring energy usage at our properties across Australia to identify potential savings
- regularly monitoring levels of waste recycling
- moving to a 'paper-light office' by supporting the use of electronic document management and collaboration as well as digital and mobile technology solutions for many staff (iPads, laptops)
- utilising a 70,000 litre rainwater tank to flush toilets and water the gardens at 1 National Circuit, Barton
- encouraging recycling by providing recycling bins as well as waste bins, with suitable waste composted by a recycling provider
- reducing the number of bins on each floor at Centraplaza by 85 per cent—from 92 bins to seven general waste bins and seven recycling bins—by introducing the new flexible work environment
- using drought tolerant plants in gardens at 1 National Circuit, Barton
- participating in Earth Hour across more than 100 sites
- maintaining an Environmental Management System (EMS) based on the Australian Standard AS/NZS ISO 14001
- defaulting office printers to black and white and two-sided printing
- using energy saver mode for most office equipment when not in use across Canberra office locations
- purchasing up to 10 per cent of the energy for tenant power from green power sources for Canberra offices.

FINANCIAL MANAGEMENT

PM&C's 2017–18 financial statements are presented in part four of this report. The ANAO issued an unmodified audit opinion of these statements, noting that PM&C has appropriate and effective financial controls.

ACTIVITIES ADMINISTERED ON BEHALF OF GOVERNMENT

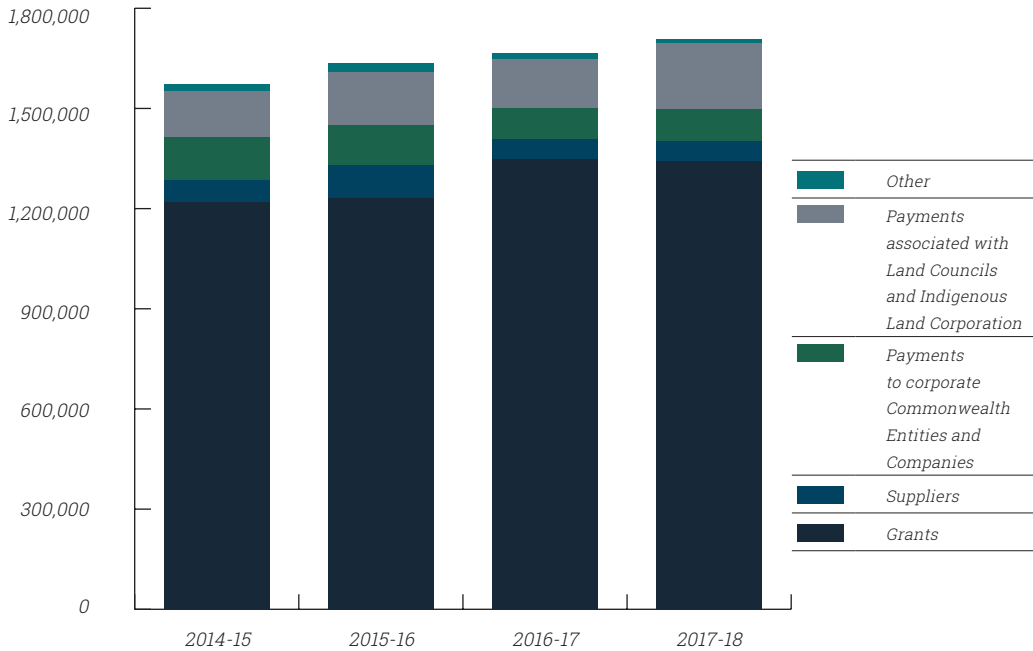
In 2017–18 PM&C administered seven programs on behalf of government. Administered expenses totalled \$1,707.6 million and comprised primarily grant payments (\$1,340.9 million, 78.5 per cent of the total).

Administered expenditure included:

- \$1,585.1 million for Indigenous Affairs programs
- \$183.6 million for payments in relation to the Aboriginals Benefit Account (ABA)
- \$52.7 million for payments in relation to the Aboriginal and Torres Strait Islander Land Account (ATSILA)
- \$3.0 million for Office for Women programs.

Graph 3.1

Breakdown of administered expenses

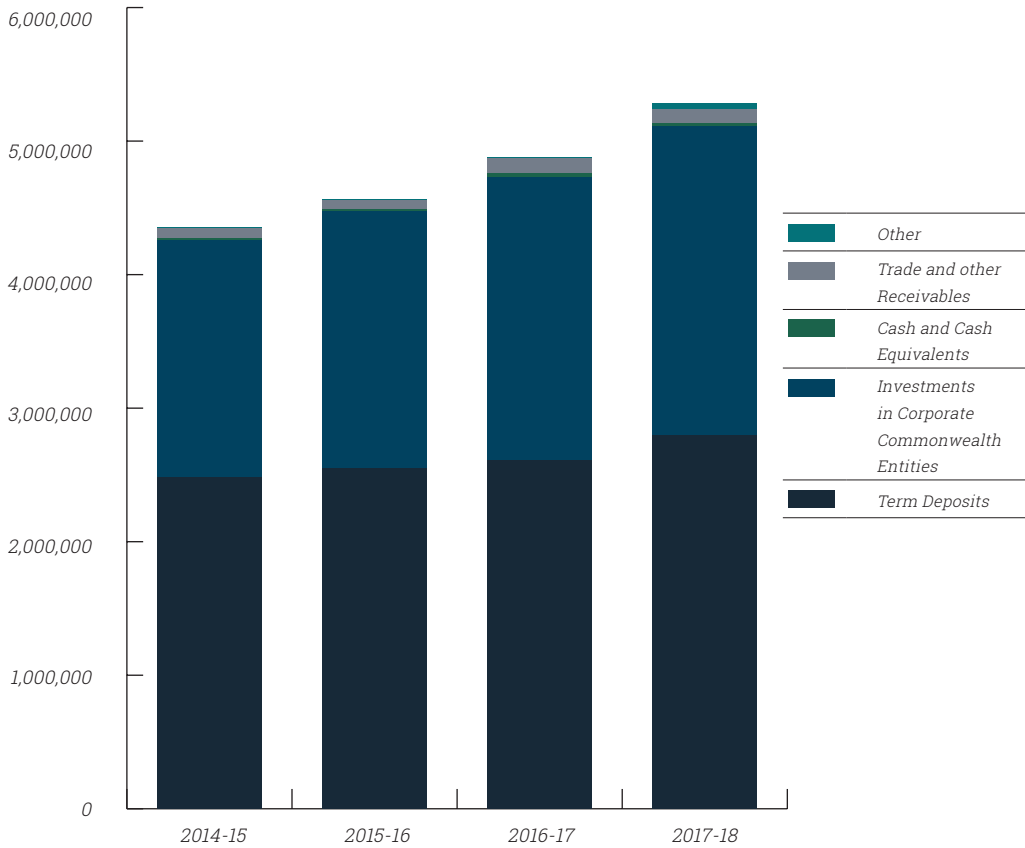


Administered revenue totalled \$91.1 million and comprised primarily interest earned on the investment of funds held by the ABA and the ATSILA special accounts (\$72.4 million, 79.5 per cent of the total).

As at 30 June 2018, PM&C's administered assets totalled \$5,288.1 million. Administered assets have increased from the prior year due to an increase in term deposit balances and an increase in investments in PM&C portfolio entities following increases to their net asset positions.

Graph 3.2

Breakdown of administered assets



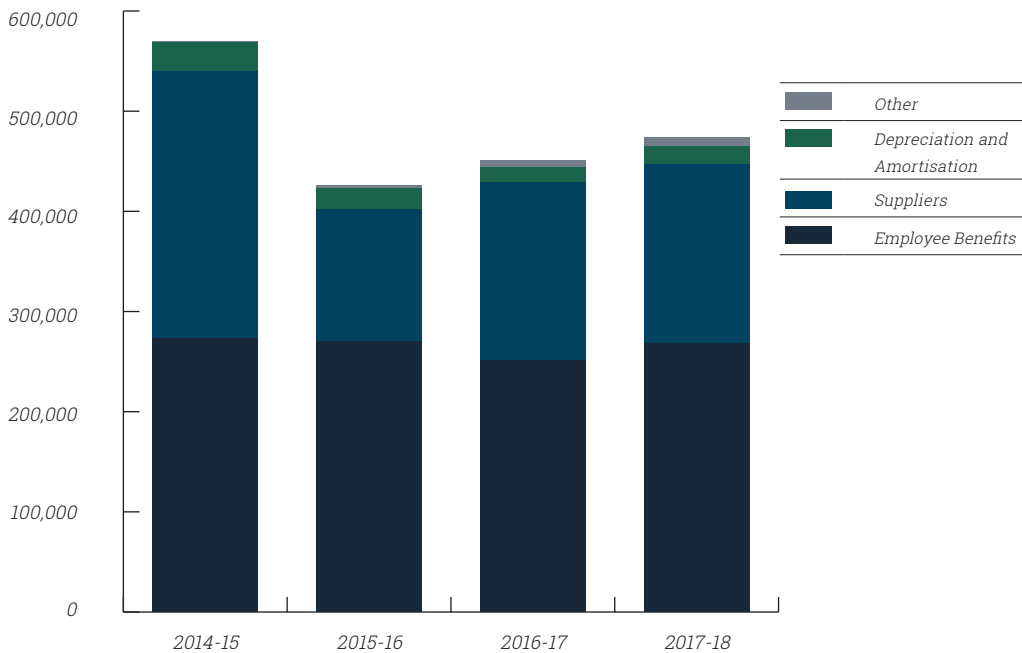
As at 30 June 2018, PM&C’s administered liabilities totalled \$67.2 million. This figure includes supplier and grant accruals and provision for future non-cash benefits to be provided to former Governors-General.

DEPARTMENTAL ACTIVITIES

PM&C reported a technical operating deficit of \$24.0 million. After adjusting for unfunded depreciation and amortisation expenses and non-cash asset write-downs and impairments, PM&C recorded an operating surplus of \$2.2 million. In 2017–18 departmental expenses totalled \$473.4 million.

Graph 3.3

Breakdown of expenses



Departmental income totalled \$31.9 million and comprised sale of goods/rendering of services, resources received free of charge and asset gains. Departmental income and expenses have increased from 2016–17 primarily due to a gain on early termination of leased accommodation.

As at 30 June 2018, PM&C had a positive net asset position of \$111.6 million. Assets totalled \$250.1 million. PM&C's liabilities totalled \$138.5 million as at 30 June 2018, including employee provisions, supplier accruals and lease liabilities. PM&C's assets and liabilities are in line with the prior year and budgeted position.

Graph 3.4

Breakdown of assets

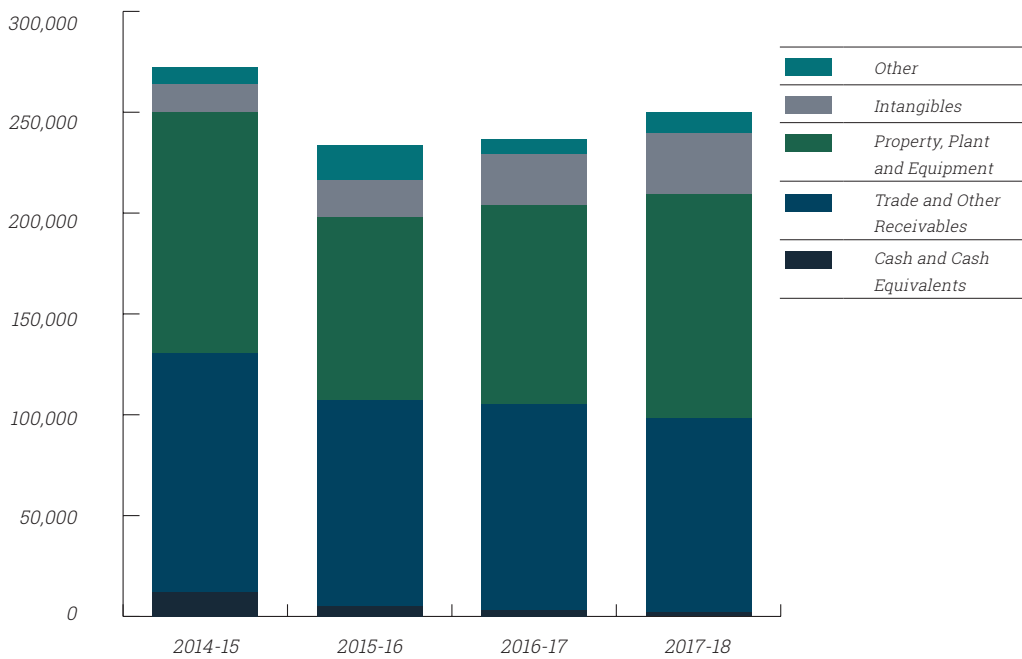


Table 3.7

Resourcing statement

	Actual available appropriation for 2017–18	Payments made 2017–18	Remaining balance 2017–18
	\$'000	\$'000	\$'000
	(a)	(b)	(a)–(b)
Departmental appropriation ^{1,2}	547,596	470,695	76,901
Total	547,596	470,695	76,901
Administered expenses³			
Prior year administered appropriation	47,384	47,384	
Outcome 1: Prime Minister and Cabinet	31,340	29,557	
Outcome 2: Indigenous	1,275,733	1,223,632	
Payments to corporate Commonwealth entities and companies ⁴	94,929	94,929	
Total	1,449,386	1,395,502	
Total ordinary annual services	1,996,982	1,866,197	

	Actual available appropriation for 2017-18	Payments made 2017-18	Remaining balance 2017-18
	\$'000	\$'000	\$'000
	(a)	(b)	(a)-(b)
Other services⁵			
Administered expenses			
Specific payments to states, ACT, NT and local government			
Outcome 2: Indigenous	7,762	7,762	
Total	7,762	7,762	
Departmental non-operating			
Equity injections ⁶	16,246	9,665	6,581
Total	16,246	9,665	6,581
Administered non-operating			
Administered assets and liabilities			
Payments to corporate Commonwealth entities and companies non-operating	23,850	23,850	
Total	23,850	23,850	
Total other services	B	47,858	41,277
Total available annual appropriations and payments	A+B	2,044,840	1,907,474

	Actual available appropriation for 2017–18	Payments made 2017–18	Remaining balance 2017–18
	\$'000	\$'000	\$'000
	(a)	(b)	(a)–(b)
Special appropriations			
Special appropriations limited by criteria/entitlement			
<i>Aboriginal Land Rights (Northern Territory) Act 1976</i>		338,702	
<i>Higher Education Support Act 2003</i>		67,979	
Special appropriations limited by amount			
<i>Public Governance, Performance and Accountability Act 2013</i>		50	
Total special appropriations	C	406,731	
Special accounts⁷			
Opening balance	35,768		
Appropriation receipts	347,951		
Non-appropriation receipts to special accounts	2,771,882		
Payments made		3,132,104	
Total special accounts	D	3,155,601	23,497

	Actual available appropriation for 2017–18	Payments made 2017–18	Remaining balance 2017–18
	\$'000	\$'000	\$'000
	(a)	(b)	(a)–(b)
Total resourcing and payments			
A+B+C+D	5,200,441	5,446,309	
Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or corporate Commonwealth entities and companies through annual appropriations	(466,730)	(466,730)	
Total net resourcing and payments for PM&C	4,733,711	4,979,579	

1. *Appropriation Act (No. 1) 2017–18 including prior year departmental appropriation and section 74 retained revenue receipts, less permanent quarantines of \$26.473 million and \$75 transfers of \$11.072 million. For further details refer to Note 5.1 to the financial statements.*
2. *Includes an amount of \$12.311 million in 2017–18 for the Departmental Capital Budget.*
3. *Includes \$0.3 million in 2017–18 for the Administered Capital Budget, and \$48.8 million of permanent quarantines pending formal repeal.*
4. *Corporate Commonwealth entities are corporate Commonwealth entities and Commonwealth companies as defined under the Public Governance, Performance and Accountability Act 2013 (PGPA Act).*
5. *Appropriation Act (No. 2) 2017–18.*
6. *Appropriation Act (No. 2) 2017–18 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).*

Table 3.8

Expenses by Outcome

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 program delivery.

	Budget*	Actual expenses	Variation
	2017–18 \$'000 (a)	2017–18 \$'000 (b)	2017–18 \$'000 (a)–(b)
Program 1.1: Prime Minister and Cabinet			
<i>Administered expenses</i>			
Ordinary annual services (Appropriation Acts Nos 1, 3 and 5)	28,934	26,754	2,175
Special appropriations	59	49	10
Expenses not requiring appropriation in the Budget year ²	(701)	821	(1,522)
<i>Departmental expenses</i>			
Departmental appropriation ¹	167,866	166,518	1,348
Expenses not requiring appropriation in the Budget year ²	12,599	17,743	(5,144)
Total for Program 1.1	208,757	211,885	(3,128)

	Budget*	Actual expenses	Variation
	2017–18 \$'000 (a)	2017–18 \$'000 (b)	2017–18 \$'000 (a)–(b)
Outcome 1 Totals by appropriation type			
<i>Administered expenses</i>			
Ordinary Annual Services (Appropriation Act No. 1)	28,934	26,754	2,175
Special appropriations	59	49	10
Expenses not requiring appropriation in the Budget year ²	(701)	821	(1,522)
<i>Departmental expenses</i>			
Departmental appropriation ¹	167,866	166,518	1,348
Expenses not requiring appropriation in the Budget year ²	12,599	17,743	(5,144)
Total expenses for Outcome 1	208,757	211,885	(3,128)
Average staffing level (number)	577	575	2

* Full year budget, including any subsequent adjustment made.

1. Departmental appropriation combines ordinary annual services (Appropriation Acts 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 are made up of depreciation and amortisation expenses, impairment of receivables, make-good expense, audit fees and services provided free of charge.

Outcome 2

Improve results for Indigenous Australians including in relation to school attendance, employment and community safety, through delivering services and programs, and through measures that recognise the special place that Indigenous people hold in this Nation.

	Budget*	Actual expenses	Variation
	2017–18 \$'000 (a)	2017–18 \$'000 (b)	2017–18 \$'000 (a)–(b)
Program 2.1: Jobs, Land and Economy			
<i>Administered expenses</i>			
Ordinary annual services (Appropriation Act No. 1) ³	646,286	634,498	11,788
Special appropriations	196,818	338,702	(141,884)
Special accounts	250,763	232,379	18,384
Payments to corporate entities	19,061	19,061	–
Less expenses made from appropriations credited to special accounts	(195,820)	(342,702)	146,882
Expenses not requiring appropriation in the Budget year ²	–	1,080	(1,080)
Total for Program 2.1	917,108	883,018	34,090

	Budget*	Actual expenses	Variation
	2017–18 \$'000 (a)	2017–18 \$'000 (b)	2017–18 \$'000 (a)–(b)

Program 2.2: Children and Schooling

Administered expenses

Ordinary annual services (Appropriation Act No. 1) ³	248,014	256,582	(8,568)
Other Services (Appropriation Act No. 2)	7,762	7,762	–
Special appropriations	70,588	66,972	3,616
Expenses not requiring appropriation in the Budget year ²	–	489	(489)
Total for Program 2.2	326,364	331,805	(5,441)

Program 2.3: Safety and Wellbeing

Administered expenses

Ordinary annual services (Appropriation Act No. 1) ³	264,620	271,920	(7,300)
Payments to corporate entities	36,563	36,563	–
Expenses not requiring appropriation in the Budget year ²	–	704	(704)
Total for Program 2.3	301,183	309,187	(8,004)

	Budget*	Actual expenses	Variation
	2017–18 \$'000 (a)	2017–18 \$'000 (b)	2017–18 \$'000 (a)–(b)

Program 2.4: Culture and Capability*Administered expenses*

Ordinary Annual Services (Appropriation Act No. 1) ³	47,442	49,938	(2,496)
Payments to corporate entities	3,175	3,249	(74)
Expenses not requiring appropriation in the Budget year	–	94	(94)
Total for Program 2.4	50,617	53,281	(2,664)

Program 2.5: Remote Australia Strategies*Administered expenses*

Ordinary Annual Services (Appropriation Act No. 1) ³	53,305	46,708	6,597
Special Accounts	1,373	11,916	(10,543)
Payments to corporate entities	36,056	36,056	–
Less expenses made from appropriations credited to special accounts	–	(5,250)	5,250
Expenses not requiring appropriation in the Budget year ²	–	305	(305)
Total for Program 2.5	90,734	89,735	999

	Budget*	Actual expenses	Variation
	2017-18 \$'000 (a)	2017-18 \$'000 (b)	2017-18 \$'000 (a)-(b)

Program 2.6: Evaluation and Research*Administered expenses*

Ordinary annual services (Appropriation Act No. 1) ³	13,000	12,995	5
Expenses not requiring appropriation in the Budget year ²	–	–	–
Total for Program 2.6	13,000	12,995	5

Program 2.7: Programme Support*Departmental expenses*

Departmental appropriation ¹	264,923	265,408	(485)
Expenses not requiring appropriation in the Budget year ³	6,651	23,700	(17,049)
Total for Program 2.7	271,574	289,108	(17,534)

	Budget*	Actual expenses	Variation
	2017–18 \$'000 (a)	2017–18 \$'000 (b)	2017–18 \$'000 (a)–(b)

Outcome 2 Totals by appropriation type

Administered expenses

Ordinary annual services (Appropriation Act No. 1)	1,272,667	1,272,641	26
Other Services (Appropriation Act No. 2)	7,762	7,762	–
Special appropriations	267,406	405,674	(138,268)
Special accounts	252,136	244,295	7,841
Payments to corporate entities	94,855	94,929	(74)
Expenses not requiring appropriation in the Budget year ²	–	2,672	(2,672)
Less expenses made from appropriations credited to special accounts	(195,820)	(347,952)	152,132
<i>Departmental expenses</i>			
Departmental appropriation ¹	264,923	265,408	(485)
Expenses not requiring appropriation in the Budget year ²	6,651	23,700	(17,049)
Total expenses for Outcome 2	1,970,580	1,969,129	1,451
Average staffing level (number)	1,456	1,432	24

* Full year budget, including any subsequent adjustment made.

1. Departmental appropriation combines ordinary annual services (Appropriation Acts Nos 1 and 3) and Retained Revenue Receipts under section 74 of the PGPA Act.
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.
3. The variances in Administered Outcome 2 programs in Ordinary Annual Services relates to the transfer of funding between programs. These transfers were approved by the Minister for Indigenous Affairs and the Minister for Finance (where required).

PROCUREMENT

PM&C undertook procurement and purchasing activities in 2017–18 in accordance with the principles set out in the Commonwealth Procurement Rules (CPRs) 2017 and CPRs 2018.

The CPRs are applied to PM&C's procurement activities through the Secretary's Instructions and Financial Rules and are supported by the provision of centralised advice on all procurement matters. This ensures that PM&C undertakes competitive, non-discriminatory procurement processes; uses resources efficiently, effectively, economically and ethically; and makes decisions in an accountable manner.

In 2017–18 PM&C exceeded its targets under both the Indigenous Procurement Policy and our refreshed Reconciliation Action Plan 2015–2018 by awarding over 60 new contracts to Indigenous businesses. This represents more than 6 per cent of the 985 PM&C contracts with a value over \$10,000 awarded in 2017–18. The total estimated contract value of contracts that PM&C awarded to Indigenous businesses in 2017–18 was \$16 million or around an estimated 8 per cent of contract value.

PM&C released its Indigenous Procurement Strategy in 2017–18, and the Department's procurement activity in support of small to medium Indigenous businesses was recognised in May 2018, when PM&C was awarded the Supply Nation Supplier Diversity Government Member of the Year Award.

PM&C's standard contract templates include provisions allowing the Auditor-General to have access to the relevant contractor's premises. All contracts of \$100,000 or greater (inclusive of GST) that were let during 2017–18 provided for the Auditor-General to have access to the relevant contractor's premises where appropriate.

There were no contracts in 2017–18 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*.

Information on expected procurements to be undertaken in 2018–19 through an open approach to market is published in PM&C's annual procurement plan, available on the AusTender website (www.tenders.gov.au).

CONSULTANTS

PM&C engages consultants for specialist expertise or when independent research, review or assessment is required. Decisions to engage consultants during 2017–18 were made in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and related regulations, including the CPRs and relevant internal policies.

During 2017–18, PM&C entered into 101 new consultancy contracts, with a total actual expenditure of \$4.30 million. In addition, 24 ongoing consultancy contracts were active during the 2017–18 financial year, incurring a total actual expenditure of \$2.74 million. Details of trends in consultancies are shown in Table 3.8. This annual report contains information about actual expenditure on contracts for consultancies of all values. Information on the value and categories of contracts and consultancies with a value of \$10,000 or greater is available on the AusTender website (www.tenders.gov.au).

Table 3.8

Trends in consultancies

Consultancies	2017–18	2016–17	2015–16
Number of existing consultancies	24	13	25
Number of new consultancies	101	91	86
Total consultancies	125	104	111
Total expenditure	\$7.05m	\$3.29m	\$2.94m

SMALL AND MEDIUM ENTERPRISES

PM&C recognises the importance of paying small businesses on time. The results of the Survey of Australian Government Payments to Small Business are available on the Department of the Treasury's website (www.treasury.gov.au).

PM&C supports small business participation in the government procurement market. Small and medium enterprises (SMEs) and small enterprise participation statistics are available on the Department of Finance website (www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts). PM&C'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.

ADVERTISING AND MARKET RESEARCH

Under section 311A of the *Commonwealth Electoral Act 1918*, PM&C is required to disclose payments of \$13,000 or more (inclusive of GST) for advertising and market research.

During 2017–18, PM&C conducted one advertising campaigns:

- ASEAN–Australia Special Summit 2008.

Further information on these advertising campaigns is available on the PM&C website (www.pmc.gov.au) and in the reports on Australian Government advertising prepared by the Department of Finance and located on their website (www.finance.gov.au).

Table 3.9

2017–18 Advertising and market research

Firm	Service provided	2017–18 payments made in \$ (incl GST)
JWS Research	Delivery of a survey to understand citizen's experiences of, engagement with and trust in the public services provided by the Commonwealth Government.	149,050
ARC Public	Conduct market research for an effective communication strategy for building trust in the Government's Data and Digital Agendas.	129,806
Dentsu Mitchell	State funeral newspaper notices.	26,547
Dentsu Mitchell Media Australia	Media communication of the APS Review calling for submissions; advertising inviting the public to make submissions on the current review that the Independent National Security Legislation Monitor is undertaking; advertising campaign for ASEAN–Australia Special Summit 2018; and recruitment advertising.	146,956
Mitchell Communication	Recruitment advertising and state funeral notices.	79,321
ESSENTIAL Media Communication	Market research activities to assist with testing the impact of a generic electricity bill with alternative hypothetical behaviourally informed electricity bills via 15-minute online experimental survey.	64,350
Access HQ	Market research to test the impact of different versions of electricity bills.	23,782
Australian Public Service Commission	Recruitment services.	34,431

ASSET MANAGEMENT

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

PM&C 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 Aboriginal 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. Moneys 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 in the Appendices.

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 2017–18.

GRANT PROGRAMS

Information on grants that PM&C has awarded during the period 1 July 2017 to 30 June 2018 is available on the PM&C website (www.pmc.gov.au).



PART FOUR

FINANCIAL STATEMENTS

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DEPARTMENT OF THE PRIME MINISTER AND CABINET

FINANCIAL STATEMENTS

For the period ended 30 June 2018



INDEPENDENT AUDITOR'S REPORT

To the Prime Minister

Opinion

In my opinion, the financial statements of the Department of the Prime Minister and Cabinet for the year ended 30 June 2018:

- (a) comply with the 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 Department of the Prime Minister and Cabinet, as at 30 June 2018, and its financial performance and cash flows for the year then ended.

The financial statements of the Department of the Prime Minister and Cabinet, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Secretary and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to and forming part of the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How the audit addressed the matter
<p data-bbox="287 464 669 491">Occurrence of Grants expenses</p> <p data-bbox="287 496 669 523"><i>Refer to Note 2.1C Grants</i></p> <p data-bbox="287 529 669 706">The Department of the Prime Minister and Cabinet administers Indigenous grants across five programs. I focused on the occurrence of grants expenses given the significant value of transactions involved, their diverse nature and the fact that these grants are delivered across a geographically dispersed operational environment.</p> <p data-bbox="287 712 669 795">For the year ended 30 June 2018, the Department of the Prime Minister and Cabinet reported Administered grants of \$1.34 billion.</p>	<p data-bbox="686 464 1068 515">To audit the occurrence of grants, I performed the following audit procedures:</p> <ul data-bbox="686 521 1068 738" style="list-style-type: none"> <li data-bbox="686 521 1068 643">• evaluated the control framework, including information technology controls, supporting grants management. This included mechanisms for the recording, disbursement and monitoring of grant expenses; and <li data-bbox="686 649 1068 738">• examined on a sample basis the supporting documentation to substantiate grant expenses and compliance with relevant legislation and/or grant agreements.

Secretary's Responsibility for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

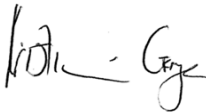
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;

- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Australian National Audit Office



Kristian Gage
Executive Director

Delegate of the Auditor-General

Canberra

3 September 2018

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
STATEMENT BY THE SECRETARY AND CHIEF FINANCIAL OFFICER**

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

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



Dr Martin Parkinson AC PSM
Secretary

3 September 2018



Charlotte Tressler
Chief Financial Officer

3 September 2018

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
STATEMENT OF COMPREHENSIVE INCOME**

for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	267,962	251,396	267,574
Suppliers	1.1B	178,927	177,303	181,971
Grants		1,224	903	402
Depreciation and amortisation	3.2	18,408	15,530	12,871
Finance costs		10	-	15
Write-down and impairment of assets	1.1C	6,721	5,313	-
Losses from asset sales	1.1D	117	755	-
Total expenses		473,369	451,200	462,833
Own-source income				
Own-source revenue				
Sale of goods and rendering of services	1.2A	16,726	14,124	9,261
Resources received free of charge	1.2B	9,566	7,539	2,014
Total own-source revenue		26,292	21,663	11,275
Gains				
Other gains	1.2C	5,633	2,575	-
Total gains		5,633	2,575	-
Total own-source income		31,925	24,238	11,275
Net cost of services		441,444	426,962	451,558
Revenue from Government - departmental appropriations		417,447	406,373	438,687
Deficit		(23,997)	(20,589)	(12,871)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserve		(823)	(304)	-
Total comprehensive loss		(24,820)	(20,893)	(12,871)

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

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
STATEMENT OF FINANCIAL POSITION**

as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents		1,910	2,976	5,031
Trade and other receivables	3.1	96,643	102,003	110,010
Accrued revenue - recovery of departmental costs		4,056	3,787	4,241
Total financial assets		102,609	108,766	119,282
Non-financial assets				
Property, plant and equipment	3.2	110,739	99,071	104,608
Intangibles	3.2	30,372	24,816	29,493
Prepayments		4,573	3,642	3,231
Total non-financial assets		145,684	127,529	137,332
Assets held for sale - land and buildings		1,825	250	9,455
Total assets		250,118	236,545	266,069
LIABILITIES				
Payables				
Trade creditors and accruals		22,709	22,673	27,362
Grants - non-profit organisations		232	303	-
Other payables	3.3	36,299	20,759	16,385
Total payables		59,240	43,735	43,747
Provisions				
Employee provisions	6.1A	78,629	77,660	77,258
Make good provisions	3.4	645	1,258	916
Total provisions		79,274	78,918	78,174
Total liabilities		138,514	122,653	121,921
Net assets		111,604	113,892	144,148
EQUITY				
Contributed equity		195,741	173,209	207,266
Accumulated deficit		(89,897)	(65,900)	(70,005)
Reserves		5,760	6,583	6,887
Total equity		111,604	113,892	144,148

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

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
STATEMENT OF CHANGES IN EQUITY**

for the period ended 30 June 2018

	2018	2017	Original
	\$'000	\$'000	budget
			\$'000
CONTRIBUTED EQUITY			
Opening balance			
Balance carried forward from previous period	173,209	152,923	186,657
Adjusted opening balance	173,209	152,923	186,657
Transactions with owners			
Distributions to owners			
Returns of capital:			
Restructuring ¹	127	-	-
Other ²	-	(57)	(5,591)
Contributions by owners			
Appropriation (equity injection)	11,694	8,611	11,694
Departmental Capital Budget (DCB)	10,711	11,732	14,506
Total transactions with owners	22,532	20,286	20,609
Closing balance as at 30 June	195,741	173,209	207,266
ACCUMULATED DEFICIT			
Opening balance			
Balance carried forward from previous period	(65,900)	(45,311)	(58,166)
Adjusted opening balance	(65,900)	(45,311)	(58,166)
Comprehensive income			
Deficit for the period	(23,997)	(20,589)	(12,871)
Total comprehensive income	(23,997)	(20,589)	(12,871)
Transactions with owners			
Distributions to owners			
Returns of capital:			
Distribution of equity	-	-	2,933
Other	-	-	(1,901)
Total transactions with owners	-	-	1,032
Closing balance as at 30 June	(89,897)	(65,900)	(70,005)

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

DEPARTMENT OF THE PRIME MINISTER AND CABINET STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2018

	2018 \$'000	2017 \$'000	Original budget \$'000
ASSET REVALUATION RESERVE			
Opening balance			
Balance carried forward from previous period	6,583	6,887	6,887
Adjusted opening balance	6,583	6,887	6,887
Comprehensive income			
Other comprehensive income	(823)	(304)	-
Total comprehensive income	(823)	(304)	-
Closing balance as at 30 June	5,760	6,583	6,887
TOTAL EQUITY			
Opening balance			
Balance carried forward from previous period	113,892	114,499	135,378
Adjusted opening balance	113,892	114,499	135,378
Comprehensive income			
Other comprehensive income	(823)	(304)	-
Deficit for the period	(23,997)	(20,589)	(12,871)
Total comprehensive income	(24,820)	(20,893)	(12,871)
Transactions with owners			
Distributions to owners			
Returns of capital:			
Distribution of equity	-	-	2,933
Restructuring ¹	127	-	-
Other ²	-	(57)	(7,492)
Contributions by owners			
Appropriation (equity injection)	11,694	8,611	11,694
Departmental Capital Budget (DCB)	10,711	11,732	14,506
Total transactions with owners	22,532	20,286	21,641
Closing balance as at 30 June	111,604	113,892	144,148

¹ Refer Note 8.1 Restructuring.

² Return of appropriation of \$0.057 million in 2016-17 reflects the repeal of *Annual Appropriation Act 2 2014-15*.

Accounting Policy

Equity injections

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

Restructuring of Administrative Arrangements

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

Other Distributions to/from Owners

The *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) requires that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

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

DEPARTMENT OF THE PRIME MINISTER AND CABINET
CASH FLOW STATEMENT
for the period ended 30 June 2018

	2018	2017	Original budget
	\$'000	\$'000	\$'000
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering of services	25,324	19,076	9,261
GST received	18,892	13,499	-
Appropriations	460,342	424,748	435,357
Total cash received	504,558	457,323	444,618
Cash used			
Employees	255,114	245,463	267,399
Suppliers	200,752	192,812	177,800
Grants	1,295	600	1,902
Retained receipts transferred to the Official Public Account	26,047	22,924	17
Total cash used	483,208	461,799	447,118
Net cash from/ (used by) operating activities	21,350	(4,476)	(2,500)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment	1,019	4,123	2,500
Total cash received	1,019	4,123	2,500
Cash used			
Purchase of property, plant and equipment	31,548	17,134	16,930
Purchase of intangibles	10,809	9,198	9,270
Other investing	31	178	-
Total cash used	42,388	26,510	26,200
Net cash used by investing activities	(41,369)	(22,387)	(23,700)
FINANCING ACTIVITIES			
Cash received			
Contributed equity			
Equity injections	9,665	12,334	11,694
Departmental capital budget	9,288	12,474	14,506
Total cash received	18,953	24,808	26,200
Net cash from financing activities	18,953	24,808	26,200
Net decrease in cash held	(1,066)	(2,055)	-
Cash and cash equivalents at the beginning of the reporting period	2,976	5,031	5,031
Cash and cash equivalents at the end of the reporting period	1,910	2,976	5,031

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

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
BUDGET COMMENTARY**

for the period ended 30 June 2018

Departmental Budget Variance Commentary:

The below table provides commentary for significant variances between PM&C's original budget estimates, as published in the 2017-18 Portfolio Budget Statements, and the actual expenditure and net asset position for the year.

Explanation of major variances	Affected line items (and statement)
<p>Taskforces: temporary taskforces contributed own-source revenue being higher than budget, due to seconded employees provided free of charge from other government entities.</p>	<p>Supplier expense - Statement of Comprehensive Income</p> <p>Resources received free of charge - Statement of Comprehensive Income</p>
<p>Office accommodation: renegotiated leases for office accommodation has contributed to a number of financial line items being higher than budget due to the write-back of terminated lease balances and recognition of new lease incentives received.</p>	<p>Other gains – Statement of Comprehensive Income</p> <p>Other payables – Statement of Financial Position</p> <p>Purchase of property, plant and equipment – Cash Flow Statement</p> <p>Sale of goods and rendering of services – Cash Flow Statement</p>

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

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME**

for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	2.1A	1,198	1,095	918
Suppliers	2.1B	60,648	59,457	73,520
Subsidies - Petrol Sniffing Prevention Strategy		300	484	1,826
Grants	2.1C	1,340,924	1,347,373	1,359,826
Depreciation and amortisation	4.2	318	169	131
Finance costs		348	305	284
Write-down and impairment of assets	2.1D	2,827	8,632	-
Payments associated with Land Councils	2.1E	147,325	97,673	114,523
Payments to Corporate Commonwealth entities and companies	2.1F	94,929	92,752	91,680
Payments to Indigenous Land Corporation ¹		52,296	51,422	52,296
Mining withholding tax		6,532	4,572	-
Total expenses		1,707,645	1,663,934	1,695,004
Income				
Revenue				
Non-taxation revenue				
Interest	2.2A	76,888	79,108	84,916
Other revenue	2.2B	13,264	27,564	2,311
Total non-taxation revenue		90,152	106,672	87,227
Total revenue		90,152	106,672	87,227
Gains				
Other gains		948	1,498	-
Total gains		948	1,498	-
Total income		91,100	108,170	87,227
Net cost of services		1,616,545	1,555,764	1,607,777
Deficit		(1,616,545)	(1,555,764)	(1,607,777)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserves		131,755	155,123	-
Items subject to subsequent reclassification to net cost of services				
Actuarial (loss)/ gains - former Governors-General entitlements	6.1C	(354)	1,112	-
Total other comprehensive income		131,401	156,235	-
Total comprehensive loss		(1,485,144)	(1,399,529)	(1,607,777)

¹ Payment made from the Aboriginal and Torres Strait Islander Land Account (Special Account). The original budget amount was published in the 2017-18 Portfolio Budget Statement as 'Other Expenses'.

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

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES**

as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	4.1A	23,576	36,072	20,094
Trade and other receivables	4.1B	102,507	110,884	113,859
Term deposits		2,798,741	2,612,110	2,674,970
Investments in Corporate Commonwealth entities	4.1C	2,309,766	2,113,984	2,073,684
Total financial assets		5,234,590	4,873,050	4,882,607
Non-financial assets				
Property, plant and equipment	4.2	50,342	1,065	1,344
Prepayments		3,147	2,711	9,860
Total non-financial assets		53,489	3,776	11,204
Total assets administered on behalf of Government		5,288,079	4,876,826	4,893,811
LIABILITIES				
Payables				
Trade creditors and accruals		3,967	6,505	421
Grants	4.3A	48,197	41,791	19,607
Other payables	4.3B	1,435	903	7,489
Total payables		53,599	49,199	27,517
Provisions				
Employee provisions	6.1B	293	251	360
Non-cash benefits - former Governors-General	6.1C	13,251	13,918	14,134
Other provisions		105	105	-
Total provisions		13,649	14,274	14,494
Total liabilities administered on behalf of Government		67,248	63,473	42,011
Net assets		5,220,831	4,813,353	4,851,800

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

DEPARTMENT OF THE PRIME MINISTER AND CABINET ADMINISTERED BUDGET COMMENTARY

as at 30 June 2018

Administered Budget Variance Commentary:

The below table provides commentary for significant variances between PM&C's original budget estimates for administered functions, as published in the 2017-18 Portfolio Budget Statements, and the actual expenditure and net asset position for the year.

Explanation of major variances	Affected line items (and statement)
<p>Royalty equivalent income: statutory payments to royalty associations were higher than the original budget due to additional mining royalty equivalent income received by the Aboriginals Benefit Account. 30% of royalty equivalent income received is distributed to relevant Land Councils.</p>	<p>Payments associated with Land Councils - Administered Schedule of Comprehensive Income</p>
<p>Corporate Commonwealth Entities: increases to the net asset positions of the Indigenous Land Corporation and the Indigenous Business Australia is the main reason for investments in Corporate Commonwealth entities being higher than budget.</p>	<p>Investments in Corporate Commonwealth entities – Statement of Financial Position</p> <p>Changes in asset revaluation reserves – Other comprehensive income</p>
<p>Official Establishments: ownership and property management of the Prime Minister's official residences was assumed from the Department of Finance (DoF) during the year following a restructure of administrative arrangements, effective 30 November 2017.</p>	<p>Property, plant and equipment – Administered Schedule of Assets and Liabilities</p> <p>Restructuring – Administered Reconciliation Schedule</p>

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

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
ADMINISTERED RECONCILIATION SCHEDULE**

for the period ended 30 June 2018

	2018 \$'000	2017 \$'000
Opening assets less liabilities as at 1 July	4,813,353	4,508,447
Net cost of services		
Income	91,100	108,170
Expenses		
Payments to entities other than Corporate Commonwealth entities and companies	(1,560,420)	(1,519,760)
Payments to Indigenous Land Corporation	(52,296)	(51,422)
Payments to Corporate Commonwealth entities and companies	(94,929)	(92,752)
Other comprehensive income		
Revaluations transferred to reserves	131,755	155,123
Actuarial (loss)/ gain through equity	(354)	1,112
Transfers (to)/from the Australian Government		
Appropriation transfers from Official Public Account		
Annual appropriation for administered expenses (non-Corporate Commonwealth entities and companies)	1,415,282	1,463,614
Annual appropriation for payment to Corporate Commonwealth entities and companies	94,929	92,752
Special appropriations (non-Corporate Commonwealth entities and companies)	406,731	237,538
Special account	1,617	19,344
Transfers to Official Public Account	(137,955)	(126,094)
Transfers to Official Public Account Special accounts	(1,617)	(19,269)
Equity injection to Corporate Commonwealth entities and companies	23,850	36,550
Restructuring ¹	89,785	-
Closing assets less liabilities as at 30 June	5,220,831	4,813,353

¹ Refer Note 8.1 Restructuring.

Accounting Policy

Administered cash transfers to and from the Official Public Account

Revenue collected by PM&C for use by the Government rather than for PM&C 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 PM&C on behalf of the Government and reported as such in the Administered Cash Flow Statement and in the Administered Reconciliation Schedule.

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
ADMINISTERED CASH FLOW STATEMENT**

for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
OPERATING ACTIVITIES			
Cash received			
GST received		120,323	98,713
Other		2,065	1,868
Total cash received		122,388	100,581
Cash used			
Employees		1,156	1,195
Suppliers		62,822	52,642
Subsidy payments		300	484
Grant payments		1,440,193	1,412,235
Payments to Corporate Commonwealth entities and companies		94,929	92,752
Payments associated with Land Councils		147,325	98,271
Payments to Indigenous Land Corporation		52,296	51,422
Other		6,528	4,572
Total cash used		1,805,549	1,713,573
Net cash used by operating activities		(1,683,161)	(1,612,992)
INVESTING ACTIVITIES			
Cash received			
Proceeds from realisation of investments		2,696,110	2,747,739
Interest on investments and loans		72,928	75,969
Repayment of loans		5,381	3,161
Total cash received		2,774,419	2,826,869
Cash used			
Purchase of property, plant and equipment		-	91
Payments to Corporate Commonwealth entities and companies		23,850	36,550
Purchase of investments		2,882,741	2,810,833
Loans made		-	65,000
Total cash used		2,906,591	2,912,474
Net cash used by investing activities		(132,172)	(85,605)
Net decrease in cash held		(1,815,333)	(1,698,597)
Cash and cash equivalents at the beginning of the reporting period		36,072	30,234
Cash from Official Public Account			
Appropriations		1,940,792	1,830,454
Special Accounts		1,617	19,344
Total cash from the Official Public Account		1,942,409	1,849,798
Cash to Official Public Account			
Appropriations		(137,955)	(126,094)
Special Accounts		(1,617)	(19,269)
Total cash to the Official Public Account		(139,572)	(145,363)
Cash and cash equivalents at the end of the reporting period	4.1A	23,576	36,072

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the period ended 30 June 2018

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DEPARTMENT OF THE PRIME MINISTER AND CABINET NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

Overview

Basis of preparation of the financial statements

The financial statements are general purpose financial statements and are required by section 42 of the PGPA Act.

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 2017.
- 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 where certain assets and liabilities are recorded at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars, and are rounded to the nearest thousand dollars unless otherwise specified.

Except where stated below, 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.

Taxation

The Department of the Prime Minister and Cabinet (PM&C) is exempt from all forms of taxation except Fringe Benefits Tax (FBT), the Goods and Services Tax (GST) and Mining Withholding Tax (WHT).

New Australian accounting standards

No accounting standard has been adopted earlier than the application date as stated in the standard.

Other new standards, 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 financial impact, and are not expected to have a future material financial impact on PM&C.

Compliance with statutory conditions for payments from the consolidated revenue fund

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth [2014] HCA 23*, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

During 2017-18 PM&C reviewed its exposure to the risk of not complying with statutory conditions on payments from appropriations, namely section 83 of the Constitution.

The review identified the following technical breach:

- The Aboriginals Benefit Account (ABA) special account – testing of transactions revealed that three payments made from the ABA under section 64(3) of the *Aboriginal Land Rights (Northern Territory) Act 1976* (the ALRA), contravened section 83 of the Constitution totalling \$0.594 million. The payments were a technical contravention, despite the payments having been made in accordance with the requirements of section 64(3) of the ALRA. Of the overpayments, \$0.129 million has been recovered through reduction of subsequent payments and the remaining \$0.465 million will be offset against future payments. Overpayments from previous years of \$0.680 million were partially recovered during the year and the remaining \$0.041 million will be offset against future payments.

Payments are required to be made out of the ABA based on royalties received by the Northern Territory and Australian Governments. The contraventions occur when the royalties upon which the payments were based had been estimated at a value greater than the eventual actual. Legislation has been prepared, and is awaiting presentation to Parliament, to reduce the risks of non-compliance associated with these payments to an acceptably low level.

PM&C will continue to monitor its level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible. Where possible, amendments to legislation will continue to be progressed.

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the period ended 30 June 2018

Events after the reporting period

Departmental

There are no known events occurring after the reporting period that could impact on the financial statements.

Administered

On 12 February 2018, the Minister for Indigenous Affairs announced that the Government will introduce new Bills into Parliament to ensure the long-term sustainability of the new Indigenous Land and Sea Corporation which acquires and manages assets for Indigenous Australians, and allow the entity to invest in sea country and water assets. The Bill will establish a new special account, 'Aboriginal and Torres Strait Islander Land and Sea Future Fund Special Account' and transfer all assets of the Aboriginal and Torres Strait Islander Land Account to this account. As at date of signing the financial statements, this Bill had not been passed.

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the period ended 30 June 2018

1. Departmental Financial Performance

This section analyses the financial performance of the Department of the Prime Minister and Cabinet for the year ended 30 June 2018.

1.1. Expenses

	2018	2017
	\$'000	\$'000
Note 1.1A: Employee benefits		
Wages and salaries	191,968	182,817
Superannuation		
Defined contribution plans	18,016	16,711
Defined benefit plans	18,515	19,436
Leave and other entitlements	30,252	27,245
Separation and redundancies	5,576	1,566
Other	3,635	3,621
Total employee benefits	267,962	251,396
Note 1.1B: Suppliers		
Goods and services supplied or rendered		
Consultants, legal, contractors and secondees	53,304	57,538
Equipment, repairs and maintenance	10,929	7,062
General expenses ¹	14,268	13,619
Venue hire	2,774	762
Office accommodation, facility management and security	5,879	5,365
Information, communication and technology	40,615	40,310
Travel	14,250	11,216
Total goods and services supplied or rendered	142,019	135,872
Goods supplied	13,422	11,386
Services rendered	128,597	124,486
Total goods and services supplied or rendered	142,019	135,872
Other suppliers		
Operating lease rentals	34,074	28,658
Workers compensation expenses	2,834	2,773
Payments to related entities	-	10,000
Total other supplier expenses	36,908	41,431
Total suppliers	178,927	177,303
Leasing commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	25,755	28,031
Between 1 to 5 years	92,166	90,134
More than 5 years	221,175	11,202
Total operating lease commitments	339,096	129,367

Note: Commitments are GST inclusive where relevant.

Operating lease commitments - leases for office accommodation

Office accommodation lease payments are subject to periodic increases in accordance with the rent review provisions in the lease agreements.

Operating leases comprise 80 leases for office accommodation (2017: 77).

¹ Includes \$0.029 million audit fees to the ANAO for the financial statements audit of the Aboriginal and Torres Strait Islander Land Account (ATSILA) (2017: \$0.029 million), which is not a resource received free of charge.

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the period ended 30 June 2018

Accounting Policy

Leases

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

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease.

Lease payments are allocated between the principal component and the interest expense.

PM&C currently has five (2017: seven) agreements for the leasing of premises which have provisions requiring the premises to be restored to their original condition at the conclusion of the lease. PM&C has recognised a make good provision to reflect the present value of this obligation.

	2018	2017
	\$'000	\$'000
<u>Note 1.1C: Write-down and impairment of assets</u>		
Asset write-downs and impairments from:		
Impairment and write-down of property, plant and equipment and intangibles	6,705	5,160
Impairment of receivables	16	153
Total write-down and impairment of assets	6,721	5,313

Note 1.1D: Losses from asset sales

Property, plant and equipment

Proceeds from sale	1,019	4,123
Carrying value of asset sold	(1,105)	(4,700)
Selling expense	(31)	(178)
Total losses from asset sales	117	755

Accounting Policy

Gains or losses from disposal of assets are recognised when control of the asset has passed to the buyer.

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

1.2. Own-Source Revenue and Gains

	2018	2017
	\$'000	\$'000

Own-source revenue

Note 1.2A: Sale of goods and rendering of services

Sale of goods	-	15
Rendering of services	<u>16,726</u>	<u>14,109</u>
Total sale of goods and rendering of services	<u>16,726</u>	<u>14,124</u>

Accounting Policy

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- The amount of revenue, stage of completion and transaction costs incurred can be reliably measured.
- The probable economic benefits associated with the transaction will flow to PM&C.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

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 the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Note 1.2B: Resources received free of charge

Seconded staff	9,092	7,065
Other	<u>474</u>	<u>474</u>
Total resources received free of charge	<u>9,566</u>	<u>7,539</u>

Accounting Policy

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

Note 1.2C: Other gains

Gain on early termination of lease	4,944	-
Reversal of previous asset write-down	76	1,379
Reversal of make good provision	613	593
Asset first recognised	<u>-</u>	<u>603</u>
Total other gains	<u>5,633</u>	<u>2,575</u>

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the period ended 30 June 2018

2. Income and Expenses Administered on Behalf of Government

This section analyses the activities that the Department of the Prime Minister and Cabinet 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.

2.1. Administered – Expenses

	2018	2017
	\$'000	\$'000
Note 2.1A: Employee benefits		
Wages and salaries	851	818
Superannuation		
Defined contribution plans	40	37
Defined benefit plans	93	146
Leave and other entitlements	152	51
Separation and redundancies	62	43
Total employee benefits	1,198	1,095
Note 2.1B: Suppliers		
Goods and services supplied or rendered		
Outsourced providers, contractors and consultants	47,934	47,677
Equipment, repairs and maintenance	830	607
General expenses	7,707	8,198
Travel	3,004	2,703
Information, communication and technology	1,159	257
Total goods and services supplied or rendered	60,634	59,442
Goods supplied	626	529
Services rendered	60,008	58,913
Total goods and services supplied or rendered	60,634	59,442
Other suppliers		
Operating lease rentals	3	3
Workers compensation expenses	11	12
Total other supplier expenses	14	15
Total suppliers	60,648	59,457
Leasing commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	380	570
Between 1 to 5 years	576	719
More than 5 years	1,415	1,538
Total operating lease commitments	2,371	2,827

Note: Commitments are GST inclusive where relevant.

Operating leases comprise 14 leases, five for office accommodation for the former Governors-General, one relating to the Indigenous Education (Northern Territory Facilities) program and eight relating to the Children and Schooling program. Lease payments are subject to periodic increase in accordance with the rent review provisions of the lease.

Accounting Policy

Leases

PM&C administers four (2017: four) agreements for the leasing of premises which have provisions requiring the premises to be restored to their original condition at the conclusion of the lease. A make good provision has been raised to reflect the present value of this obligation.

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the period ended 30 June 2018

	2018 \$'000	2017 \$'000
Note 2.1C: Grants		
Public sector		
Australian Government entities	100,676	90,278
Local Governments	87,893	70,103
State and Territory Governments	70,156	60,378
Private sector		
Non-profit organisations	883,412	940,224
Commercial entities	198,787	186,390
Total grants	1,340,924	1,347,373
Program 2.1 - Jobs, Land and Economy	646,114	639,175
Program 2.2 - Children and Schooling	330,840	356,011
Program 2.3 - Safety and Wellbeing	258,133	236,612
Program 2.4 - Culture and Capability	47,756	63,955
Program 2.5 - Remote Australia Strategy	43,332	44,564
Program 1.1 - Prime Minister and Cabinet	14,749	7,056
Total grants	1,340,924	1,347,373

Accounting Policy

PM&C administers a number of grants and subsidy schemes on behalf of the Government. Grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed; or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made. Where grant moneys are paid in advance of performance or eligibility, a prepayment is recognised.

Settlement is usually made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.

Note 2.1D: Write-down and impairment of assets

Impairment of receivables	2,814	8,632
Write-down of non-financial assets	13	-
Total write-down and impairment of assets	2,827	8,632

Note 2.1E: Payments associated with Land Councils

Payments associated with Land Councils administration	49,843	46,798
Land Councils distributions	97,482	50,875
Total payments associated with Land Councils	147,325	97,673

Note 2.1F: Payments to Corporate Commonwealth entities and companies

Aboriginal Hostels Limited	36,563	37,075
Australian Institute of Aboriginal and Torres Strait Islander Studies	3,249	-
Indigenous Business Australia	10,133	10,602
Indigenous Land Corporation	8,928	9,156
Torres Strait Regional Authority	36,056	35,919
Total payments to Corporate Commonwealth entities and companies	94,929	92,752

Accounting Policy

Payments to Corporate Commonwealth entities and companies from amounts appropriated for that purpose are classified as administered expenses, equity injections or loans of PM&C. The appropriation to PM&C is disclosed in section 5 Funding.

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the period ended 30 June 2018

2.2. Administered – Income

Note 2.2A: Interest

Interest on investments	72,412	74,488
Interest on loans	1,513	1,644
Unwinding of discount on concessional loans	<u>2,963</u>	<u>2,976</u>
Total interest	<u>76,888</u>	<u>79,108</u>

Note 2.2B: Other revenue

Return of grant funding	11,372	25,176
Lease rental income	1,848	2,280
Other	<u>44</u>	<u>108</u>
Total other revenue	<u>13,264</u>	<u>27,564</u>

Accounting Policy

All administered revenues relate to ordinary activities performed by PM&C on behalf of the Australian Government. As such, administered appropriations are not revenues of the individual entity. PM&C oversees distribution or expenditure of the funds as directed.

Interest revenue is recognised using the effective interest method.

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

3. Departmental Financial Position

This section analyses the Department of the Prime Minister and Cabinet's assets used to generate financial performance and the operating liabilities incurred as a result. Employee related information is disclosed in the People section.

3.1. Financial Assets

	2018	2017
	\$'000	\$'000
Note 3.1: Trade and other receivables		
Goods and services receivables		
Goods and services	11,729	3,615
Total goods and services receivables	11,729	3,615
Appropriations receivables		
Existing programs	81,571	81,768
Total appropriations receivable	81,571	81,768
Other receivables		
Statutory receivables	3,449	3,588
Other	-	13,199
Total other receivables	3,449	16,787
Total trade and other receivables (gross)	96,749	102,170
Less impairment allowance		
Goods and services	(106)	(167)
Total impairment allowance	(106)	(167)
Total trade and other receivables (net)	96,643	102,003

Reconciliation of the impairment allowance

	2018	2017
	\$'000	\$'000
As at 1 July	(167)	(112)
Amounts written off	-	24
Amounts recovered and reversed	76	74
Increases	(15)	(153)
Total as at 30 June	(106)	(167)

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the period ended 30 June 2018

3.2. Non-Financial Assets

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

	Land ¹ \$'000	Buildings ¹ \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2017							
Gross book value	-	-	-	-	24,986	3,764	28,750
Fair value	14,107	41,540	31,221	13,626	-	-	100,494
Work in progress	-	9,053	760	1,242	2,929	60	14,044
Accumulated depreciation/amortisation and impairment	-	(2,103)	(5,988)	(4,387)	(4,550)	(2,373)	(19,401)
Total as at 1 July 2017	14,107	48,490	25,993	10,481	23,365	1,451	123,887
Additions							
Purchase	-	462	25,285	7,935	11,625	533	45,840
Revaluations and impairments recognised in other comprehensive income	-	(823)	-	-	-	-	(823)
Reclassifications	(1,160)	(4,130)	2,882	(364)	-	92	(2,680)
Depreciation and amortisation	-	(1,546)	(6,791)	(3,377)	(5,763)	(931)	(18,408)
Write-down and impairments recognised in net cost of services (expense)	(2,331)	(2,697)	(1,245)	(432)	-	-	(6,705)
Total as at 30 June 2018	10,616	39,756	46,124	14,243	29,227	1,145	141,111
Total as at 30 June 2018 represented by							
Gross book value	-	-	-	-	32,283	4,292	36,575
Fair value	10,616	43,111	54,577	18,848	-	-	127,152
Work in progress	-	103	4,002	2,483	7,247	99	13,934
Accumulated depreciation, amortisation and impairment	-	(3,458)	(12,455)	(7,088)	(10,303)	(3,246)	(36,550)
Total as at 30 June 2018	10,616	39,756	46,124	14,243	29,227	1,145	141,111

¹ PM&C has a property portfolio divestment strategy that will result in properties throughout Australia being sold within the next 12 months.

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

Contractual commitments for the acquisition of IT equipment and other capital works of \$6,529 million are payable within one year. (2017: \$11.624 million).

DEPARTMENT OF THE PRIME MINISTER AND CABINET NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

Accounting Policy

Asset recognition threshold

Purchases of property, plant and equipment and intangibles are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$5,000, which are expensed in the year of acquisition (other than IT assets 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 'make good' provisions in property leases taken up by PM&C where there exists an obligation to restore the asset to its original condition. These costs are included in the value of PM&C's property, plant and equipment with a corresponding provision for the 'make good' recognised.

Property, plant and equipment are subsequently measured at fair value.

Revaluations

Fair values for each class of asset are determined as shown below:

<i>Asset class</i>	<i>Fair value measurement</i>
Land	Market selling price
Buildings excluding leasehold improvements	Market selling price and depreciated replacement cost
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price and depreciated replacement cost

PM&C procured valuation services from independent valuation experts and relied on the valuations made by these experts. The experts provided written assurance that the models developed to value assets are in compliance with accounting standards. PM&C tests the procedures of the valuation model as an internal management review at least once every 12 months. PM&C has a rolling revaluation plan in place which ensures all assets are formally revalued at least once every three years. If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation.

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured using the cost (Depreciated Replacement Cost or DRC) approach. Professional judgement has been applied in calculating the consumed economic benefit/asset obsolescence relevant to the asset under construction.

All property, plant and equipment assets are valued on a recurring basis except for assets held for sale.

Upon revaluation, any accumulated depreciation is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Assets held for sale

Assets held for sale are measured at the lesser of their carrying amount and fair value less cost to sell and are valued at a non-recurring basis. PM&C is currently marketing five residential properties (staff housing) that are no longer essential for operational requirements. 2018: \$1.825 million (2017: \$0.250 million).

Intangibles

PM&C's intangibles comprise internally developed and purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Impairment

All assets were assessed for impairment during 2018.

Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

Accounting Policy (continued)

Depreciation/Amortisation

Depreciable assets are written-off to their estimated residual values over their estimated useful lives to PM&C using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of asset are based on the following total useful lives for the current and prior reporting periods:

Buildings excluding leasehold improvements	3 to 50 years (2017: 3 to 50 years)
Leasehold improvements	Lease term (2017: Lease term)
Plant and equipment	1 to 25 years (2017: 1 to 24 years)
Intangibles	1 to 5 years (2017: 1 to 5 years)

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.

3.3. Payables

	2018	2017
	\$'000	\$'000
Note 3.3: Other payables		
Salaries, wages and superannuation	1,704	1,763
Separation and redundancies payable	3,314	601
Unearned income	2,435	2,725
Lease liability	10,666	10,980
Lease incentive	15,154	1,631
Other	3,026	3,059
Total other payables	36,299	20,759

3.4. Other Provisions

	Make good provision	Total
	\$'000	\$'000
As at 1 July 2017	1,258	1,258
Additional provisions made	121	121
Finance cost	10	10
Amounts used	(131)	(131)
Gain on reversal of provision	(613)	(613)
Total as at 30 June 2018	645	645

Significant accounting judgements and estimates

Provision for the restoration of leased premises (make good) is based on future obligations relating to the underlying assets and is supported by independent qualified valuers' opinions.

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

4. Assets and Liabilities Administered on Behalf of Government

This section analyses assets used to generate financial performance and the operating liabilities incurred as a result which the Department of the Prime Minister and Cabinet 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.

4.1. Administered – Financial Assets

	2018	2017
	\$'000	\$'000
Note 4.1A: Cash and cash equivalents		
Cash on hand or on deposit	79	304
Aboriginals Benefit Account - Special Account	11,212	24,334
Aboriginal and Torres Strait Islander Land Account - Special Account	1	1
Cash held in the Official Public Account - Special Account	12,284	11,433
Total cash and cash equivalents	23,576	36,072
Note 4.1B: Trade and other receivables		
Goods and services receivables		
Goods and services receivable	17	7
Total goods and services receivables	17	7
Advances and loans		
Loans to Australian Government entities	48,549	50,967
Total advances and loans	48,549	50,967
Other receivables		
Statutory receivables	14,707	23,393
Interest receivable	34,243	32,829
Grants receivable	21,516	18,358
Other	322	743
Total other receivables	70,788	75,323
Total trade and other receivables (gross)	119,354	126,297
Less impairment allowance		
Other receivables	(16,847)	(15,413)
Total impairment allowance	(16,847)	(15,413)
Total trade and other receivables (net)	102,507	110,884

Accounting Policy

Loans

Concessional loans are initially recognised at their fair value. If the rate of interest charged is lower than the government bond rate (for government/public sector loans) or the counterparty's borrowing rate (for non-government loans), the difference between the amortised cost and the fair value of the loan is treated as an expense.

Loans to Australian Government entities are made for the period up to 7 years based on current interest rates. Interest is variable and is paid quarterly.

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the period ended 30 June 2018

Reconciliation of the impairment allowance

Movements in relation to 2018

	2018	2017
	\$'000	\$'000
As at 1 July	(15,413)	(8,606)
Amounts written off	-	591
Amounts recovered and reversed	1,651	2,043
Increases	(3,085)	(9,441)
Total as at 30 June	(16,847)	(15,413)

	2018	2017
	\$'000	\$'000
Note 4.1C: Investments in Corporate Commonwealth entities and companies		
Equity interest in		
Aboriginal Hostels Limited	149,556	146,332
Anindilyakwa Land Council	15,945	14,607
Australian Institute of Aboriginal and Torres Strait Islander Studies	37,919	-
Central Land Council	41,665	39,598
Indigenous Land Corporation	452,005	371,367
Indigenous Business Australia	1,415,737	1,334,810
National Australia Day Council Limited	790	1,137
Northern Land Council	11,346	21,966
Outback Stores Pty Ltd	41,617	41,686
Tiwi Land Council	2,796	1,283
Torres Strait Regional Authority	83,600	79,821
Wreck Bay Aboriginal Community Council	56,790	61,377
Total investments in Corporate Commonwealth entities and companies	2,309,766	2,113,984

All investments in Corporate Commonwealth entities and companies are expected to be recovered in more than 12 months.

Investment in Corporate Commonwealth Entities

The Australian Government holds a 100% equity interest in the following administered investments:

Aboriginal Hostels Limited

Provides temporary accommodation to Aboriginal and Torres Strait Islander people through a national network of hostels.

Australian Institute of Aboriginal and Torres Strait Islander Studies

The Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS) is a research, collections and publishing organisation that promotes knowledge and understanding of Aboriginal and Torres Strait Islander cultures, traditions, languages and stories, past and present.

AIATSIS transferred from the Education portfolio into the PM&C portfolio during the year. Refer Note 8.1 Restructuring.

DEPARTMENT OF THE PRIME MINISTER AND CABINET NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

Investment in Commonwealth Entities (continued)

Land Councils

The Land Councils include:

- Anindilyakwa Land Council
- Central Land Council
- Northern Land Council
- Tiwi Land Council; and
- Wreck Bay Aboriginal Community Council

The Land Councils represent the Aboriginal people living in the area of the Land Council in the management of Aboriginal land in the area, and in relation to legislation concerning that land. The Land Councils also consult and protect the interests of traditional owners and take measures to assist in the protection of sacred sites in the area of the Land Council. Wreck Bay Aboriginal Community Council holds title to land and provides services to the Aboriginal community of Jervis Bay.

Indigenous Land Corporation

The Indigenous Land Corporation provides economic, environmental, social and cultural benefits for Aboriginal persons and Torres Strait Islanders by assisting in the acquisition and management of an Indigenous land base.

Indigenous Business Australia

Indigenous Business Australia creates opportunities for Aboriginal and Torres Strait Islander people and communities to build assets and gain wealth.

National Australia Day Council Limited

Promotes national pride, active citizenship and the observance and celebration of Australia Day; administration of the Australian of the Year awards, which includes awards for the Young Australian of the Year, the Senior Australian of the Year and Australia's Local Hero; distribution of grants to State and Territory Australia Day Councils; and provision of recommendations and advice to the Australian Government on all matters relating to year-round national pride activities.

Outback Stores Pty Ltd.

Outback Stores Pty Ltd improves access to affordable, healthy food for Indigenous communities, particularly in remote areas, through providing food supply and store management and support services.

Torres Strait Regional Authority

The Torres Strait Regional Authority formulates, implements and monitors the effectiveness of programs for Aboriginal and Torres Strait Islander people living in the Torres Strait and Northern Peninsula Area.

Accounting Policy

Administered investments

Administered investments in subsidiaries are not consolidated because their consolidation is relevant only at the whole-of-government level.

Administered investments other than those held for sale are classified as available for sale and are measured at their fair value as at 30 June 2018. Fair value has been taken to be the Australian Government's proportional interest in the net assets as advised by the entities as at the end of the reporting period recorded in the latest management accounts or unaudited financial statements provided.

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the period ended 30 June 2018

4.2. Administered – Non-Financial Assets

Note 4.2: Reconciliation of the opening and closing balances of property, plant and equipment

	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
As at 1 July 2017					
Fair value	-	-	97	1,990	2,087
Accumulated depreciation and impairment	-	-	(23)	(999)	(1,022)
Total as at 1 July 2017	-	-	74	991	1,065
Additions					
Acquisition of entities or operations (including restructuring)	44,000	5,811	-	-	49,811
Revaluations recognised in other comprehensive income	-	-	-	(203)	(203)
Depreciation expense	-	(126)	(49)	(143)	(318)
Write-down and impairments recognised in net cost of services (expense)	-	-	-	(13)	(13)
Total as at 30 June 2018	44,000	5,685	25	632	50,342
Total as at 30 June 2018 represented by					
Fair value	44,000	5,811	97	1,095	51,003
Accumulated depreciation and impairment	-	(126)	(72)	(463)	(661)
Total as at 30 June 2018	44,000	5,685	25	632	50,342
Accounting Policy					
Revaluation	All leasehold improvements, plant and equipment assets were formally valued during the year by independent qualified valuers and were assessed for impairment.				
Depreciation	Depreciation rates applying to each class of depreciable asset are based on the following useful lives for the current and prior reporting periods:				
Buildings excluding leasehold improvements	22 to 30 years (2017: n/a)				
Leasehold improvements	Lease term (2017: Lease term)				
Plant and equipment	5 to 114 years (2017: 1 to 115 years)				

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the period ended 30 June 2018

4.3. Administered – Payables

	2018	2017
	\$'000	\$'000
Note 4.3A: Grants		
Public sector		
Australian Government entities (related parties)	17,064	1,979
Local Governments	22	60
State and Territory Governments	21,327	7,105
Private sector		
Commercial entities	860	857
Non-profit organisations	8,924	31,790
Total grants	48,197	41,791
All grant payables are expected to be settled in no more than 12 months.		
Note 4.3B: Other payables		
Office of Township Leasing payables	1,094	160
Other	341	743
Total other payables	1,435	903
All other payables are expected to be settled in no more than 12 months.		

DEPARTMENT OF THE PRIME MINISTER AND CABINET NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

5. Funding

This section identifies the Department of the Prime Minister and Cabinet funding structure.

5.1. Appropriations

Note 5.1A: Departmental annual and unspent appropriations ('recoverable GST exclusive')

	2018	2017
	\$'000	\$'000
Ordinary annual services		
Annual Appropriation		
Operating	451,886	404,494
Capital budget	14,506	11,732
Section 74 receipts	26,047	22,924
Section 75 transfers	(11,072)	-
Total available appropriation	481,367	439,150
Appropriation applied (current and prior years)	(470,695)	(439,277)
Variance	10,672	(127)
Opening unspent appropriation balance	143,464	143,591
Repeal of <i>Annual Appropriation Acts 2013-14, 2014-15</i>	(50,762)	-
Closing unspent appropriation balance	103,374	143,464
Balance comprises appropriations as follows^{1,2}:		
<i>Appropriation Act (No. 1) 2013-14</i>	-	5,000
<i>Appropriation Act (No.1) 2014-15</i>	-	43,446
<i>Appropriation Act (No.1) 2014-15 - Capital Budget (DCB)</i>	-	2,316
<i>Appropriation Act (No.1) 2015-16</i>	1,190	1,190
<i>Appropriation Act (No.1) 2016-17</i>	13,128	86,770
<i>Appropriation Act (No.1) 2016-17 cash held by the department</i>	-	2,976
<i>Appropriation Act (No.3) 2016-17</i>	-	305
<i>Appropriation Act (No.3) 2016-17 - Capital Budget (DCB) - Non Operating</i>	-	1,461
<i>Appropriation Act (No.1) 2017-18</i>	78,867	-
<i>Appropriation Act (No.1) 2017-18 cash held by the department</i>	1,910	-
<i>Appropriation Act (No.1) 2017-18 - Capital Budget (DCB) - Non Operating</i>	8,279	-
Total unspent appropriation - ordinary annual services	103,374	143,464
Other services		
Annual Appropriation		
Equity injections	11,694	8,611
Total available appropriation	11,694	8,611
Appropriation applied (current and prior years)	(9,665)	(12,334)
Variance	2,029	(3,723)
Opening unspent appropriation balance	4,609	8,332
Repeal of <i>Annual Appropriation Act 1 (No.2) 2014-15</i>	(57)	-
Closing unspent appropriation balance	6,581	4,609
Balance comprises appropriations as follows :		
<i>Appropriation Act (No 2) 2014-15 - Non Operating - Equity Injection</i>	-	57
<i>Appropriation Act (No.2) 2016-17 - Non Operating - Equity Injection</i>	-	4,552
<i>Appropriation Act (No.2) 2017-18 - Non Operating - Equity Injection</i>	6,581	-
Total unspent appropriation - other services	6,581	4,609
Total unspent appropriation	109,955	148,073

¹ The current year unspent appropriation balance is shown inclusive of Section 51 permanent quarantines against *Appropriation Act (No.1) 2017-18* of \$10.168 million, *Appropriation Act (No.1) 2017-18 – Capital Budget(DCB) – Non Operating* of \$3.795 million, *Appropriation Act (No.1) 2015-16* of \$1.190 million and *Appropriation Act (No.1) 2016-17* of \$11.320 million.

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² The current year unspent appropriation balance is shown inclusive of re-allocations of amounts from *Appropriation Act (No. 1) 2017-18* to *Appropriation Act (No. 1) 2017-18 – Capital Budget (DCB)* of \$1.600 million that was approved by the Finance Minister during 2017-18.

Accounting Policy

Revenue from Government - Departmental

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue from Government when PM&C 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.

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Note 5.1B: Administered annual and unspent appropriations ('recoverable GST exclusive')		
	2018	2017
	\$'000	\$'000
Ordinary annual services		
Annual Appropriation		
Operating	1,320,644	1,408,961
Capital budget	253	250
Payments to corporate Commonwealth entities/companies	94,929	92,752
Section 74 receipts	5,213	2,131
Section 75 transfers	(19,037)	-
Total available appropriation	1,402,002	1,504,094
Appropriation applied (current and prior years)	(1,395,502)	(1,437,686)
Variance	6,500	66,408
Opening unspent appropriation balance	122,651	56,243
Repeal of <i>Annual Appropriation Acts 2012-13, 2013-14 and 2014-15</i>	(26,897)	-
Closing unspent appropriation balance	102,254	122,651
Balance comprises appropriations as follows¹:		
<i>Appropriation Act (No. 1) - Capital Budget (DCB) - - Non Operating 2012-13</i>	-	240
<i>Appropriation Act (No. 1) 2013-14</i>	-	10
<i>Appropriation Act (No. 5) 2013-14</i>	-	10
<i>Appropriation Act (No. 1) 2014-15</i>	-	26,497
<i>Appropriation Act (No. 1) - Capital Budget (DCB) - - Non Operating 2014-15</i>	-	140
<i>Appropriation Act (No. 3) 2015-16</i>	8,902	8,902
<i>Appropriation Act (No. 1) - Capital Budget (DCB) - - Non Operating 2015-16</i>	252	252
<i>Appropriation Act (No. 1) 2016-17</i>	39,058	86,442
<i>Appropriation Act (No. 1) - Capital Budget (DCB) - - Non Operating 2016-17</i>	146	146
<i>Supply Act (No. 1) - Capital Budget (DCB) - - Non Operating 2016-17</i>	12	12
<i>Appropriation Act (No. 1) 2017-18</i>	53,631	-
<i>Appropriation Act (No. 1) - Capital Budget (DCB) - - Non Operating 2017-18</i>	253	-
Total unspent appropriation - ordinary annual services	102,254	122,651
Other services		
Annual Appropriation		
States, ACT, NT and Local government	7,762	7,648
Payments to corporate Commonwealth entities/companies	23,850	36,550
Total available appropriation	31,612	44,198
Appropriation applied (current and prior years)	(31,612)	(45,257)
Variance	-	(1,059)
Opening unspent appropriation balance	23,838	24,897
Repeal of <i>Annual Appropriation Acts 2013-14 and 2014-15</i>	(23,838)	-
Closing unspent appropriation balance	-	23,838
Balance comprises appropriations as follows:		
<i>Appropriation Act 6 - SPP 2013-14</i>	-	23,837
<i>Appropriation Act 2 - SPP 2014-15</i>	-	1
Total unspent appropriation - other services	-	23,838
Total unspent appropriation	102,254	146,489

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Note 5.1C: Special appropriations ('recoverable GST exclusive')		
Authority	Appropriation applied	
	2018	2017
	\$'000	\$'000
<i>Aboriginal Land Rights (Northern Territory) Act 1976</i>	338,702	178,948
<i>Public Governance, Performance and Accountability Act 2013 s.77</i>	50	6
<i>Higher Education Support Act 2003</i>	67,979	58,584
Total	406,731	237,538

There were no transactions during 2017 and 2018 for special appropriations *Indigenous Education (Targeted Assistance) Act 2000*, s.13 and *Native Title Act 1993*, s.54(2).

¹ The prior year administered unspent annual appropriation is shown inclusive of Section 51 permanent quarantines against *Appropriation Act (No.3) 2015-16* of \$8.902 million, *Appropriation Act (No.1) Capital Budget (DCB) 2015-16* of \$0.252 million, *Appropriation Act (No.1) 2016-17* of \$39.058 million, *Appropriation Act (No.1) Capital Budget (DCB) 2016-17* of \$0.146 million and *Supply Appropriation Act (No.1) Capital Budget (DCB) 2016-17* of \$0.012 million.

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5.2. Special Accounts

	Services for Other Entities and Trust Moneys ¹		Aboriginals and Torres Strait Islander Corporations Unclaimed Money Account ²		Aboriginal Tutorial Assistance Superannuation Special Account ³		Indigenous Remote Services Delivery Special Account ⁴		Australian New Zealand Land Information Special Account ⁵	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	-	58	787	887	-	960	10,646	8,083	-	77
Increases										
Administered										
Other receipts	1,418	140	196	34	-	-	11,190	2,782	-	-
Total increases	1,418	140	196	34	-	-	11,190	2,782	-	-
Available for payments	1,418	198	983	921	-	960	21,836	10,865	-	77
Administered										
Transfers to OPA	-	(58)	-	-	-	(960)	-	-	-	(49)
Payments made to suppliers	-	(140)	(2)	(134)	-	-	(11,951)	(219)	-	(28)
Total administered decreases	-	(198)	(2)	(134)	-	(960)	(11,951)	(219)	-	(77)
Total decreases	-	(198)	(2)	(134)	-	(960)	(11,951)	(219)	-	(77)
Total balance carried to the next period	1,418	-	981	787	-	-	9,885	10,646	-	-
Balance represented by:										
Cash held in the OPA	1,418	-	981	787	-	-	9,885	10,646	-	-
Total balance carried to the next period	1,418	-	981	787	-	-	9,885	10,646	-	-

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	Aboriginals Benefit Account ^f		Aboriginals and Torres Strait Islander Land Account ^g	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	24,334	19,560	1	3
Increases				
Administered				
Appropriation credited to special account	337,701	177,965	-	-
Investments realised	691,500	729,500	2,004,610	2,018,239
Other receipts	20,123	17,683	53,095	58,812
Total increase	1,049,324	925,148	2,057,705	2,077,051
Available for payments	1,073,658	944,708	2,057,706	2,077,054
Decreases				
Administered				
PGPA Act section 58 investments	(877,746)	(785,500)	(2,004,995)	(2,025,333)
Payments made	(184,700)	(134,874)	(52,710)	(51,720)
Total administered decreases	(1,062,446)	(920,374)	(2,057,705)	(2,077,053)
Total decreases	(1,062,446)	(920,374)	(2,057,705)	(2,077,053)
Total balance carried to the next period	11,212	24,334	1	1
Balance represented by:				
Cash held in entity bank accounts	11,212	24,334	1	1
Total balance carried to the next period	11,212	24,334	1	1

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¹*Appropriation: Public Governance, Performance and Accountability Act 2013; section 78*
Establishing Instrument: PGPA Act Determination (DPM&C SOETM Special Account 2018).
PGPA Act Determination (DPM&C SOETM Special Account 2018) replaces Determination 2008/13, which was repealed on 30 June 2018.
Purpose: This account was created to disburse amounts held on trust or otherwise for the benefit of a person other than the Commonwealth.
This account is non-interest bearing.

²*Appropriation: Public Governance, Performance and Accountability Act 2013; section 80*
Establishing Instrument: Corporations (Aboriginal and Torres Strait Islander) Act 2006; section 551-20
Purpose: To administer unclaimed moneys received by the Registrar of Aboriginal and Torres Strait Islander Corporations.
This account is non-interest bearing.

³*Appropriation: Public Governance, Performance and Accountability Act 2013; section 78*
Establishing Instrument: Determination 2003/05
Purpose: To provide a source of finance for the liability for the Superannuation Productivity Benefit entitlements owing to tutors contracted under the Aboriginal Tutorial Assistance Scheme (ATAS).
This account is non-interest bearing. The Determination sunset on 1 April 2017.

⁴*Appropriation: Public Governance, Performance and Accountability Act 2013; section 78*
Establishing Instrument: Determination 2010/06
Purpose: To support the implementation of the Remote Service Delivery National Partnership Agreement. It will provide the Australian Government with the capacity to address high priority projects in a timely way and support projects identified through the local implementation planning process.
This account is non-interest bearing.

⁵*Appropriation: Public Governance, Performance and Accountability Act 2013; section 78*
Establishing Instrument: Determination 2001/11 (amended by Determination 2006/10)
Purpose: To develop best practice policies and guidelines in spatial data management in Australia and New Zealand and to assist the growth of a spatial information industry in Australia and New Zealand.
This account is non-interest bearing. The Determination sunset on 1 April 2017.

⁶*Appropriation: Public Governance, Performance and Accountability Act 2013; section 80*
Establishing Instrument: Aboriginal Land Rights (Northern Territory) Act 1976; sections 62, 63, 64 and 65
Purpose: For the receipt and disbursement of the equivalent of mining royalty moneys derived from mining operations on Aboriginal land in the Northern Territory.
This account is interest bearing.

⁷*Appropriation: Public Governance, Performance and Accountability Act 2013; section 80*
Establishing Instrument: Section 192W of the Aboriginal and Torres Strait Islander Act 2005
Purpose: To provide a secure stream of income to the Indigenous Land Corporation in perpetuity to provide economic, environmental, social and cultural benefits for Aboriginal people and Torres Strait Islanders by assisting in the acquisition and management of an Indigenous land base.
This account is interest bearing.

Aboriginal Advancement Account

The Aboriginal Advancement Account was established under section 80 of the PGPA Act.
The purpose of the account is for furthering the social and economic advancement of Aboriginal people living in Victoria. There were no transactions credited or debited to the special account during 2017 and 2018.

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6. People

This section describes a range of employment and post-employment benefits provided to our people.

6.1. Employee Provisions

	2018	2017
	\$'000	\$'000
Note 6.1A: Employee provisions		
Annual leave	26,445	26,163
Long service leave	52,184	51,497
Total employee provisions	78,629	77,660

Accounting policy and significant accounting judgements

Employee benefits

Liabilities for 'short-term employee benefits' and termination benefits due within 12 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 PM&C 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 the leave is taken, including PM&C'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 reference to the work of an actuary during 2018. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

A liability is made for separation and redundancy benefit payments. PM&C recognises a liability for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

PM&C's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or another fund of their choice.

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.

PM&C makes employer contributions to the employees' superannuation scheme. For Commonwealth defined benefits schemes, these rates are determined by an actuary to be sufficient to meet the current cost to the Government. PM&C accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

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	2018	2017
	\$'000	\$'000
Note 6.1B: Administered employee provisions		
Annual leave	113	107
Long service leave	180	144
Total employee provisions	293	251

Accounting Policy

The expense and liabilities for services rendered by staff employed in the Prime Minister's Official Establishments and in support of former Governors-General are recognised as administered items. Accounting policies are consistent with those applied to departmental items.

Note 6.1C: Non-cash benefits - former Governors-General benefits

Non-cash benefits - former Governors-General	13,251	13,918
Total non-cash benefits - former Governors-General benefits	13,251	13,918

Changes in the value of the defined benefit obligations are as follows:

Net liability at 1 July	13,918	16,037
Finance costs	348	305
Actuarial losses/(gains)	354	(1,112)
Benefits paid	(1,369)	(1,312)
Net liability at 30 June	13,251	13,918

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

Discount rate at 30 June	2.50%	2.50%
Future salary increases	3.50%	3.50%
Inflation rate	2.50%	2.50%
Rate of expenditure slow down with age	3.00%	3.00%

Accounting Policy

Former Governors-General benefits

PM&C has responsibility for the administration of non-cash benefits provided to former Governors-General. These entitlements are regarded as post-employment benefits and represent the provision of office facilities, administrative support and transport.

The liability for these benefits is calculated annually as the present value of future benefit obligations. Actuarial gains or losses are recognised in equity in the year in which they occur. Interest on the liability is recognised in the surplus/(deficit).

Significant accounting judgements and estimates

The provision for non-cash former Governors-General entitlements relate to post-employment benefits such as office facilities, administrative support and transport. The future liability for these benefits is based on the actuarial assessment determined by the Australian Government Actuary.

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6.2. Key Management Personnel Remuneration

	2018	2017
	\$'000	\$'000
Short-term employee benefits	3,979	3,807
Post-employment benefits	582	569
Other long-term employee benefits	406	388
Total key management personnel remuneration expenses	4,967	4,764

The total number of key management personnel included in the above table is 17 (2017: 13). Included in that number is six staff who worked for the full-year and 11 staff who worked a part-year (2017: seven and six). Key management personnel on acting arrangements are included where the length of the arrangement is longer than two months.

¹ Excludes remuneration and other benefits of the PM&C Portfolio Ministers as these are set by the Remuneration Tribunal and are not paid by PM&C.

6.3. Related Party Disclosures

PM&C is an Australian Government controlled entity. Related parties to PM&C are Key Management Personnel including the Portfolio Ministers, and other Australian Government entities.

Significant transactions with related parties can include:

- the payments of grants or loans;
- purchases of goods and services;
- asset purchases, sales transfers or leases;
- debts forgiven; and
- guarantees.

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

Giving consideration to relationships with related entities, and transactions entered into during the reporting period (including comparative year) by PM&C, it has been determined that there are no related party transactions to be separately disclosed.

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7. Managing Uncertainties

This section analyses how the Department of the Prime Minister and Cabinet manages financial risks within its operating environment.

7.1. Contingent Assets and Liabilities

Note 7.1A: Contingent assets and liabilities

Unquantifiable contingent liabilities - claims for damages and costs

Claims have been made against the Australian Government by former residents of the Retta Dixon Home in the Northern Territory. These claims are currently being assessed.

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when the probability of settlement is greater than remote.

Note 7.1B: Administered contingent assets and liabilities

PM&C is not aware of any material administered quantifiable or unquantifiable contingent assets or liabilities as at 30 June 2018.

7.2. Financial Instruments

	2018	2017
	\$'000	\$'000
Note 7.2A: Categories of financial instruments		
Financial assets		
Loans and receivables		
Cash and cash equivalents	1,910	2,976
Goods and services receivables (net)	11,623	3,448
Accrued revenue	4,056	3,787
Total loans and receivables	17,589	10,211
Total financial assets	17,589	10,211
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	22,709	22,673
Grants	232	303
Total financial liabilities measured at amortised cost	22,941	22,976
Total financial liabilities	22,941	22,976
Note 7.2B: Net gains or losses on financial assets		
Loans and receivables		
Impairment	(16)	(153)
Reversal of impairment	76	-
Net gains/ (losses) on loans and receivables	60	(153)
Net gain/ (loss) on financial assets	60	(153)

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Accounting Policy**Financial Assets**

PM&C classifies its financial assets in the following categories:

- (a) Held-to-maturity investments
- (b) Available for sale financial assets
- (c) Loans and receivables.

All financial assets are expected to be recovered within 12 months except where indicated.

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial liabilities

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).

Financial liabilities are recognised and derecognised upon 'trade date'.

Settlement of supplier payables is usually made within 30 days.

Significant accounting judgements and estimates

The relevant government bond rate has been used to discount non-current liabilities.

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7.3. Administered – Financial Instruments

	2018	2017
	\$'000	\$'000
Note 7.3A: Categories of financial instruments		
Financial assets		
Held-to-maturity investments		
Bank term deposits	2,798,741	2,612,110
Total held-to-maturity investments	2,798,741	2,612,110
Loans and receivables		
Cash and cash equivalents	23,576	36,072
Loans to Australian Government entities	48,549	50,967
Goods and services receivable	17	7
Interest receivable	34,243	32,829
Grants receivable (net)	4,669	2,945
Total loans and receivables	111,054	122,820
Available for sale financial assets		
Aboriginal Hostels Limited	149,556	146,332
Anindilyakwa Land Council	15,945	14,607
Australian Institute of Aboriginal and Torres Strait Islander Studies	37,919	-
Central Land Council	41,665	39,598
Indigenous Land Corporation	452,005	371,367
Indigenous Business Australia	1,415,737	1,334,810
National Australia Day Council Limited	790	1,137
Northern Land Council	11,346	21,966
Outback Stores Pty Ltd	41,617	41,686
Tiwi Land Council	2,796	1,283
Torres Strait Regional Authority	83,600	79,821
Wreck Bay Aboriginal Community Council	56,790	61,377
Total available for sale financial assets	2,309,766	2,113,984
Total financial assets	5,219,561	4,848,914
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	3,967	6,505
Grants	48,197	41,791
Other payables	1,094	845
Total financial liabilities measured at amortised cost	53,258	49,141
Total financial liabilities	53,258	49,141

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	2018	2017
	\$000	\$000
Note 7.3B: Net gains or losses on financial instruments		
Financial assets		
Held-to-maturity investments		
Interest revenue	72,200	74,244
Net gains on held-to-maturity investments	72,200	74,244
Loans and receivables		
Interest revenue	4,688	4,864
Reversal of impairment	948	1,498
Impairment	(2,814)	(8,632)
Net gains/ (losses) on loans and receivables	2,822	(2,270)
Net gain on financial assets	75,022	71,974

Accounting Policy

Financial assets

Investments

Investment activities are conducted in accordance with the requirements of section 58 of the PGPA Act. Investments are typically low risk and take the form of term deposits. The duration of the term deposits are usually for a term of three to 12 months.

The investment objective of PM&C is to comply with legislative obligations under the PGPA Act, the ALRA and the *Aboriginal and Torres Strait Islander Act 2005*. Investment practices are also governed by the investment policy of PM&C, which requires the management of the portfolio to respond to positive investment opportunities in the market so as to achieve the best possible returns for the account within the legislative framework.

The investment portfolio and bank accounts are managed to ensure sufficient funds are available for payments as required.

The asset allocation of the portfolio as at 30 June 2018 is 100% (2017: 100%) term deposits with Australian banks.

Loans and receivables

Where loans and receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Gains and losses due to impairment, derecognition and amortisation are recognised through the Administered Schedule of Comprehensive Income.

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8. Other Information

8.1. Restructuring

Restructuring 2017

PM&C had no restructuring activity during 2017.

Restructuring 2018

	AIATSIS ¹ Education \$'000	Official Establishments ²	
		Finance \$'000	Finance \$'000
FUNCTION ASSUMED			
Assets recognised			
Investment in Corporate Commonwealth entities	39,974	-	-
Appropriation receivable	-	28	-
Property, plant and equipment	-	-	49,811
Total assets recognised	39,974	28	49,811
Liabilities recognised			
Employee provisions	-	28	-
Total liabilities recognised	-	28	-
Net assets assumed	39,974	-	49,811
Expenses			
Recognised by the receiving entity	-	-	126
Recognised by the losing entity	-	50	219
Total expenses	-	50	345

¹ The Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS) was transferred into the PM&C Portfolio following the Administrative Arrangements Order of 19 April 2018. As a result, an investment in AIATSIS was transferred from the Department of Education and Training (Education).

² Official Establishments, ownership and property management of the Prime Minister's official residences was assumed from the Department of Finance (Finance) during the year following the Administrative Arrangements Order of 30 November 2017.

**DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**
for the period ended 30 June 2018

	National policy on cities ¹ DIRDC \$'000	Cyber policy and counter terrorism coordination ² DoHA \$'000	Intelligence policy ³ ONI \$'000	Reducing the burden of Government regulation ⁴ DJSB \$'000	Spatial data ⁵ DIIS \$'000
FUNCTION RELINQUISHED					
Assets relinquished					
Appropriation receivable	1,192	1,261	430	148	161
Total assets relinquished	1,192	1,261	430	148	161
Liabilities relinquished					
Employee provisions	1,192	1,345	459	162	161
Total liabilities relinquished	1,192	1,345	459	162	161
Net assets relinquished	-	(84)	(29)	(14)	-

¹ Responsibility for National policy on cities and population was relinquished to the Department of Infrastructure, Regional Development and Cities (DIRDC) following the Administrative Arrangements Order of 20 December 2017.

² Responsibility for Cyber policy and Counter terrorism co-ordination was relinquished to the Department of Home Affairs (DoHA) following the Administrative Arrangements Order of 20 December 2017.

³ Responsibility for Intelligence Policy was relinquished to the Office of National Intelligence (ONI) following a decision of the Prime Minister, effective 21 August 2017.

⁴ Reducing the burden of Government regulation was relinquished to the Department of Jobs and Small Business (DJSB) following the Administrative Arrangements Order of 20 December 2017.

⁵ Responsibility for the spatial data function was transferred to the Department of Industry, Innovation and Science (DIIS) following a decision of the Prime Minister, effective January 2018.

Other functions relinquished

Responsibility for the APS Data Skills and Capability Framework and data platforms was relinquished to the Digital Transformation Agency following a decision of the Prime Minister, effective 31 October 2017. No assets or liabilities were transferred.

Responsibility for the Independent National Security Legislation Monitor was relinquished to the Attorney General's Department following the Administrative Arrangements Order of 10 May 2018. Funding transfers for this function had not been finalised as at 30 June 2018.

Responsibility for the Cyber Security Advisor was relinquished to the Australian Signals Directorate following the Administrative Arrangements Order of 10 May 2018. Funding transfers for this function had not been finalised as at 30 June 2018.

ABORIGINAL BENEFIT ACCOUNT

FINANCIAL STATEMENTS

For the period ended 30 June 2018



INDEPENDENT AUDITOR'S REPORT

To the Minister for Indigenous Affairs

Opinion

In my opinion, the financial statements of the Aboriginals Benefit Account for the year ended 30 June 2018:

- (a) comply with:
- a.* Australian Accounting Standards – Reduced Disclosure Requirements; and
 - b.* the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*, except for the specified requirements for which the Finance Minister has granted a written exemption; and
- (b) present fairly the financial position of the Aboriginals Benefit Account as at 30 June 2018, and its financial performance and cash flows for the year then ended.

The financial statements of the Aboriginals Benefit Account, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Secretary and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; 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 Aboriginals Benefit Account in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code), to the extent that they

are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Secretary's Responsibility for the Financial Statements

As the Accountable Authority of the Aboriginals Benefit Account, the Secretary of the Department of the Prime Minister and Cabinet 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. Under section 64B(4) of the *Aboriginal Land Rights (Northern Territory) Act 1976*, sections 42 and 43 (other than subsection 43(4)) of the *Public Governance, Performance and Accountability Act 2013* (which deal with annual financial statements for Commonwealth entities and audits of those statements), and rules made for the purposes of those sections, apply in relation to the Aboriginals Benefit Account as if the Account were a Commonwealth entity and the Secretary were the accountable authority of that Commonwealth entity.

The Secretary is also responsible for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Aboriginals Benefit Account's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary;
- conclude on the appropriateness of the Secretary'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 Aboriginals Benefit Account'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



Kristian Gage
Executive Director

Delegate of the Auditor-General
Canberra

3 September 2018

ABORIGINALS BENEFIT ACCOUNT STATEMENT BY THE SECRETARY AND CHIEF FINANCIAL OFFICER

The accompanying financial statements of the Aboriginals Benefit Account (ABA) for the year ended 30 June 2018 have been prepared in accordance with section 64B of the *Aboriginal Land Rights (Northern Territory) Act 1976*, which requires the financial statements to be prepared in accordance with section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The Minister for Finance has granted ABA an exemption under the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR). The exemption applies to the following requirements of the FRR:

- (a) Sections 9, 32 and 33 of the FRR. The ABA is required to present its administered activities in departmental format, in accordance with current practice.
- (b) Divisions 2, 3, 4 and 5 of Part 6 of the FRR to the extent that ABA has no appropriation transactions and balances other than through its special account.

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the 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 ABA will be able to pay its debts as and when they fall due.



Dr Martin Parkinson AC PSM
Secretary

3 September 2018



Charlotte Tressler
Chief Financial Officer

3 September 2018

ABORIGINALS BENEFIT ACCOUNT
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
NET COST OF SERVICES			
Expenses			
Payments to advisory committee members		102	124
Suppliers - services rendered		40	60
Grants	1.1A	20,240	33,742
Payments for township leases	1.1B	5,899	6,210
Payments to Land Councils for administrative purposes	1.1C	51,920	48,671
Distribution to Land Councils	1.1D	101,544	52,994
Other expenses	1.1E	3,876	3,006
Total expenses		183,621	144,807
Own-Source Income			
Own-source revenue			
Interest	1.2A	19,496	16,906
Lease rental income	1.2B	1,847	2,280
Resources received free of charge	1.2C	3,298	2,944
Return of grant funding		621	73
Total own-source revenue		25,262	22,203
Gains			
Gain on realisation of investment	1.2D	-	-
Other gains		3	-
Total gains		3	-
Total own-source income		25,265	22,203
Net cost of services		158,356	122,604
Revenue from Government	1.2E	338,474	176,651
Surplus		180,118	54,047
Total comprehensive income		180,118	54,047

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

ABORIGINALS BENEFIT ACCOUNT STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	3.1	11,212	24,334
Trade and other receivables	2.1	10,440	8,993
Investments - term deposits		<u>793,746</u>	<u>607,500</u>
Total financial assets		<u>815,398</u>	<u>640,827</u>
Non-Financial Assets			
Other non-financial assets	2.2	<u>3,102</u>	<u>2,670</u>
Total non-financial assets		<u>3,102</u>	<u>2,670</u>
Total assets		<u>818,500</u>	<u>643,497</u>
LIABILITIES			
Payables			
Office of township leasing administrative liabilities		1,095	464
Grants - non-profit organisations		295	6,427
Other payables	2.3	<u>2,909</u>	<u>2,523</u>
Total payables		<u>4,299</u>	<u>9,414</u>
Total liabilities		<u>4,299</u>	<u>9,414</u>
Net assets		<u>814,201</u>	<u>634,083</u>
EQUITY			
Retained surplus		<u>814,201</u>	<u>634,083</u>
Total equity		<u>814,201</u>	<u>634,083</u>

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

**ABORIGINALS BENEFIT ACCOUNT
STATEMENT OF CHANGES IN EQUITY**

for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
TOTAL EQUITY - RETAINED EARNINGS			
Opening balance			
Balance carried forward from previous period		634,083	580,036
Adjusted opening balance		634,083	580,036
Comprehensive income			
Surplus for the period		180,118	54,047
Total comprehensive income		180,118	54,047
Closing balance as at 30 June		814,201	634,083

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

ABORIGINALS BENEFIT ACCOUNT CASH FLOW STATEMENT

for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		337,701	177,965
Net GST received		2,647	2,743
Lease rental receipts		2,222	2,170
Total cash received		342,570	182,878
Cash used			
Committee members		102	124
Suppliers		40	384
Grants		28,908	30,564
Payments for township leases		4,947	4,282
Payments to Land Councils for administrative purposes		51,920	48,874
Distributions to Land Councils		101,430	53,389
Total cash used		187,347	137,617
Net cash from operating activities		155,223	45,261
INVESTING ACTIVITIES			
Cash received			
Proceeds from realisation of investments		691,500	729,500
Interest on investments		17,901	15,513
Total cash received		709,401	745,013
Cash used			
Investments		877,746	785,500
Total cash used		877,746	785,500
Net cash used by investing activities		(168,345)	(40,487)
Net increase / (decrease) in cash held		(13,122)	4,774
Cash and cash equivalents at the beginning of the reporting period		24,334	19,560
Cash and cash equivalents at the end of the reporting period	3.1	11,212	24,334

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

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

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ABORIGINALS BENEFIT ACCOUNT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

Overview

Basis of preparation of the financial statements

The Aboriginals Benefit Account's (ABA) activities are classified as administered activities carried out by the Department of the Prime Minister and Cabinet (PM&C) on behalf of the Australian Government and are reported in PM&C's administered financial statements for the period 1 July 2017 to 30 June 2018. In addition to being consolidated into PM&C's financial statements, the ABA prepares separate audited financial statements as required by the *Aboriginal Land Rights (Northern Territory) Act 1976* (ALRA).

The Minister for Finance has granted ABA an exemption under the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR). The exemption applies to the following requirements of the FRR:

- (a) Sections 9, 32 and 33 of the FRR. The ABA is required to present its administered activities in departmental format, in accordance with current practice.
- (b) Divisions 2, 3, 4 and 5 of Part 6 of the FRR to the extent that ABA has no appropriation transactions and balances other than through its special account.

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 results or financial position. The financial statements are presented in Australian dollars.

New Australian Accounting Standards

No accounting standard has been adopted earlier than the application date as stated in the standard. There are no new standards, revised standards, amended standards or interpretations that were issued by the Australian Accounting Standards Board (AASB) prior to the sign off date that are applicable to the current reporting period and have a material financial impact on the ABA.

Taxation

The ABA is exempt from all forms of taxation except Mining Withholding Tax (MWT), Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

MWT is payable in respect of payments made from royalty equivalents credited to the ABA pursuant to section 63 of the ALRA. In accordance with the *Taxation Laws Amendment Act (No. 3) 1994*, the rate of MWT payable in respect of the payments made from royalty equivalents credited to the ABA pursuant to section 63 of the ALRA, is 4% (2017: 4%).

GST is payable on purchases made by the ABA under subsection 64(4) and 64(6) of the ALRA. These amounts are recoverable from the Australian Taxation Office (ATO).

ABORIGINALS BENEFIT ACCOUNT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

Compliance with statutory conditions for payments from the consolidated revenue fund

The Australian Government continues to have regard to developments in case law, including the High Court's decision on Commonwealth expenditure in *Williams v Commonwealth [2014] HCA 23*, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

During 2017-18 PM&C reviewed the ABA's exposure to the risk of not complying with statutory conditions on payments from appropriations, namely section 83 of the Constitution. The risk profile and internal controls to manage this risk continue to remain appropriate.

Total ABA cash expenditure for 2017-18 was \$187.35 million. Three payments totalling \$0.594 million made in 2017-18 from the ABA under section 64(3) of the ALRA contravened section 83 of the Constitution due to difficulties precisely estimating mining royalties.

Payments are required to be made out of the ABA based on royalties received by the Northern Territory or Australian Governments. The contraventions occurred when the royalties upon which the payments were based had been estimated at a value greater than the eventual actual. Legislation has been prepared, and is awaiting presentation to Parliament, to reduce the risks of non-compliance associated with these payments to an acceptably low level.

The payments were a technical contravention of section 83, despite the payments having been made in accordance with the requirements of section 64(3) of the ALRA. Of the overpayments, \$0.129 million has been recovered through reduction of subsequent payments and the remaining \$0.465 million will be offset against future payments. Overpayments from previous years of \$0.680 million were partially recovered during the year with the remaining \$0.041 million to be offset against future payments.

Significant 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.

Events after the reporting period

There are no known events occurring after the reporting period that could impact on the financial statements.

Related party disclosures

Related parties to the ABA are Key Management Personnel including the Minister for Indigenous Affairs, and other Australian Government entities. Given consideration to relationships with related entities, and transactions entered into during the reporting period by ABA, there are no related party transactions to be separately disclosed.

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2018

1. Financial Performance

This section analyses the financial performance of the Aboriginals Benefit Account for the year ended 30 June 2018.

1.1. Expenses

	2018	2017
	\$'000	\$'000
Note 1.1A: Grants		
Public sector		
State and Territory Governments	-	225
Private sector		
Non-profit organisations	19,720	29,113
Stores Infrastructure Project	127	3,823
Mining Withholding Tax	393	581
Total grants	20,240	33,742

Accounting Policy

The ABA makes payments to or for the benefit of Aboriginals living in the Northern Territory under subsection 64(4) of the ALRA. MWT is payable on grant payments made from royalty equivalents credited to the ABA pursuant to section 63 of the ALRA.

MWT is not payable on grant payments made from other income.

Note 1.1B: Payments for township leases

Office of township leasing administrative expenses	2,787	3,305
Community entity administrative expenses	328	-
Amortisation of township introductory payments	1,387	2,128
Township revenue returned	1,397	777
Total payments for township leases	5,899	6,210

Office of the Executive Director Township Leasing

The Office of Township Leasing (OTL) is headed by the Executive Director of Township Leasing, a statutory appointment under the ALRA. The Executive Director of Township Leasing is responsible for managing, on behalf of the Australian Government, any township leases entered into with Indigenous communities in the Northern Territory as specified under section 19A of the ALRA. The OTL manages the head lease over the specified township and negotiates any sub-leasing to commercial entities, government agencies, community organisations and others.

Community Entity Township Leasing

Under section 3AAA of the ALRA the Minister is able to approve any organisation as a Commonwealth entity to hold a township lease. Government policy allows for a community entity representative of traditional owners and community members to be approved to hold and administer a section 19A township lease. Community entities may be provided with funding from the ABA at the direction of the Minister for the purpose of acquiring and administering a township lease under section 64(4A) of the ALRA.

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2018

	2018	2017
	\$'000	\$'000
Note 1.1C: Payments to land councils for administrative purposes		
Subsection 64(1) payments:		
Northern Land Council	23,793	21,636
Mining Withholding Tax	991	865
Sub-total Northern Land Council	24,784	22,501
Central Land Council	18,376	18,027
Mining Withholding Tax	766	721
Sub-total Central Land Council	19,142	18,748
Tiwi Land Council	3,469	3,215
Mining Withholding Tax	145	129
Sub-total Tiwi Land Council	3,614	3,344
Anindilyakwa Land Council	4,205	3,921
Mining Withholding Tax	175	157
Sub-total Anindilyakwa Land Council	4,380	4,078
Total payments associated with land councils administration	51,920	48,671

Accounting Policy

Land Councils obtain funding on a workload basis in accordance with subsection 64(1) of the ALRA. Estimates for funding are submitted to the Minister for Indigenous Affairs for approval and are distributed to Land Councils on a quarterly basis during the year.

Note 1.1D: Distribution to land councils

Subsection 64(3) payments:

Northern Land Council	17,329	14,674
Mining Withholding Tax	722	611
Sub-total Northern Land Council	18,051	15,285
Central Land Council	15,037	21,822
Mining Withholding Tax	627	909
Sub-total Central Land Council	15,664	22,731
Anindilyakwa Land Council	65,116	14,379
Mining Withholding Tax	2,713	599
Sub-total Anindilyakwa Land Council	67,829	14,978
Total land councils distributions	101,544	52,994

Accounting Policy

In accordance with subsection 64(3) and 35(2) of the ALRA, 30% of the royalty equivalents are paid to the Land Councils for distribution to Aboriginal associations, communities or groups, for the benefit of those Aboriginal people who are affected by mining operations.

ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

	2018	2017
	\$'000	\$'000
Note 1.1E: Other expenses		
Salaries and operating expenses ¹	3,298	2,944
Impairment of financial assets	578	62
Total other expenses	3,876	3,006

¹ Expenses associated with the administration of the ABA were received from PM&C as resources received free of charge.

1.2. Own-Source Revenue and Gains

OWN-SOURCE REVENUE

Note 1.2A: Interest

Term deposits	19,284	16,662
Interest bearing bank account	212	244
Total interest	19,496	16,906

Accounting Policy

Interest revenue is recognised using the effective interest method.

Note 1.2B: Lease rental income

Revenue lease receipt - Wurrumiyanga	797	944
Revenue lease receipt - Groote	723	894
Revenue lease receipt - Milikapiti	255	278
Revenue lease receipt - Wurankuwu	16	15
Revenue lease receipt - Pirlangimpi	56	-
Other	-	149
Total lease rental income	1,847	2,280

Accounting Policy

The ABA receives lease rental income for Township Head Leases in the Northern Territory. Lease rental income is recognised when received by the ABA (refer to Note 1.1B Payments for township leases).

Note 1.2C: Resources received free of charge

Salaries	3,234	2,880
Remuneration of auditors - financial statements audit	64	64
Total resources received free of charge	3,298	2,944

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.

The ABA reports a number of resources received free of charge in relation to PM&C expenses associated with management of the ABA account, oversight of ABA grants and the ABA Advisory Committee secretariat.

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

GAINS	2018	2017
	\$'000	\$'000

Note 1.2D: Gain on realisation of investment

Investments		
Proceeds from sale	691,500	729,500
Carrying value of assets sold	(691,500)	(729,500)
Total gain from sale of assets	-	-

REVENUE FROM GOVERNMENT

Note 1.2E: Revenue from Government

Appropriations		
Special appropriations	338,474	176,651
Total revenue from Government	338,474	176,651

Accounting Policy

Amounts appropriated are recognised as revenue. Revenue from Government is not typically recognised by administered entities, however, the determination provided by the Minister for Finance in relation to the ABA enables disclosure of such amounts as revenue.

Royalties in respect of uranium and non-uranium mining on Aboriginal land are paid to the Australian Government, the Department of Industry, Innovation & Science and the Northern Territory Treasury (Royalty Branch), respectively. Following advice from these entities, drawdowns are made from the Official Public Account (OPA) to enable royalty equivalents to be credited to the ABA, in accordance with section 63 of the ALRA.

These receipts are credited to the ABA shortly after receipt of advice from the respective entity, which usually occurs in the week following the payment of the royalties by mining companies to the entity.

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2018

2. Financial Position

This section analyses the Aboriginals Benefit Account's assets used to conduct its operations and the operating liabilities incurred as a result.

2.1. Financial Assets

	2018	2017
	\$'000	\$'000
Note 2.1: Trade and other receivables		
Other receivables		
Interest	9,935	8,340
GST receivable from the ATO	209	326
Other	1,220	619
Total other receivables	<u>11,364</u>	<u>9,285</u>
Less impairment allowance		
Other receivables	(924)	(292)
Total impairment allowance	<u>(924)</u>	<u>(292)</u>
Total trade and other receivables (net)	<u>10,440</u>	<u>8,993</u>

2.2. Non-Financial Assets

Note 2.2: Other non-financial assets		
Prepayments – subsection 64(3)	528	709
Prepayments – subsection 64(4A)	2,574	1,961
Total other non-financial assets	<u>3,102</u>	<u>2,670</u>

No indicators of impairment were found for other non-financial assets.

2.3. Payables

Note 2.3: Other payables		
Royalty equivalent overpayment	1,760	2,363
Township leasing payable	1,094	160
Other	55	-
Total other payables	<u>2,909</u>	<u>2,523</u>

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2018

3. Funding

This section identifies the Aboriginals Benefit Account funding structure.

3.1. Special Accounts

Note 3.1A: Special accounts ('recoverable GST exclusive')

	Aboriginals Benefit Account ¹	
	2018 \$'000	2017 \$'000
Balance brought forward from previous period	24,334	19,560
Increases		
Appropriation credited to special account	337,701	177,965
Investments realised	691,500	729,500
Other receipts	20,123	17,683
Total increases	1,049,324	925,148
Available for payments	1,073,658	944,708
Decreases		
Payments made	(184,700)	(134,874)
PGPA Act section 58 investments	(877,746)	(785,500)
Total decreases	(1,062,446)	(920,374)
Total balance carried to the next period	11,212	24,334
Balance represented by:		
Cash held in entity bank account	11,212	24,334
Total balance carried to the next period	11,212	24,334

¹Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

Establishing instrument: *Aboriginal Land Rights (Northern Territory) Act 1976*, sections 62, 63, 64 and 65.

Purpose: For the receipt and disbursement of the equivalent of mining royalty monies derived from mining operations on Aboriginal land in the Northern Territory.

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2018

4. Managing Uncertainties

This section analyses how the Aboriginals Benefit Account manages financial risks within its operating environment.

4.1. Quantifiable Contingent Assets and Liabilities

PM&C, on behalf of ABA, is not aware of any material quantifiable or unquantifiable contingent assets or liabilities as at the signing date that would require disclosure in the financial statements.

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

4.2. Financial Instruments

	2018	2017
	\$'000	\$'000
Note 4.2A: Categories of financial instruments		
Financial assets		
Held-to-maturity investments:		
Term deposits	793,746	607,500
Total held-to-maturity investments	793,746	607,500
Loans and receivables		
Cash and cash equivalents	11,212	24,334
Interest receivable	9,935	8,340
Other receivables (net)	296	327
Total loans and receivables	21,443	33,001
Total financial assets	815,189	640,501
Financial liabilities		
Financial liabilities measured at amortised cost:		
Office of township leasing administrative liabilities	1,095	464
Grants payables – non-profit organisations	295	6,427
Other payables	1,094	160
Total financial liabilities measured at amortised cost	2,484	7,051
Total financial liabilities	2,484	7,051

Settlement is usually made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.

Settlement of supplier and other payables is usually made within 30 days.

ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

Accounting Policy

Financial Assets

The ABA classifies its financial assets in the following categories:

- (a) Held-to-maturity investments.
- (b) Loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Investments

Investment activities are conducted in accordance with the requirements of section 58 of the PGPA Act. Investments are typically low risk and take the form of term deposits. The duration of the term deposits are usually for a term of three to 12 months.

The investment objective of PM&C as administrators for ABA is to ensure that ABA complies with legislative obligations under the PGPA Act and the ALRA; and that ABA maintains and preserves its capital base.

The investment portfolio and bank accounts are managed to ensure sufficient funds are available for payments as required.

Investment practices are also governed by the investment policy of PM&C, which requires the management of the portfolio to respond to positive investment opportunities in the market so as to achieve the best possible returns for the account within the legislative framework.

The asset allocation of the portfolio as at 30 June 2018 is 100% (2017: 100%) with Australian banks.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit and loss.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the ABA has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

If there is objective evidence that an impairment loss has been incurred for loans and receivables or held-to-maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Financial Liabilities

Other Financial Liabilities (at amortised cost)

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2018

	2018	2017
	\$'000	\$'000
Note 4.2B: Net gains or losses on financial assets		
Held-to-maturity investments		
Interest revenue	19,284	16,662
Net gain on held-to-maturity investments	19,284	16,662
Loans and receivables		
Interest revenue	212	244
Other gain	3	-
Impairment	(578)	(62)
Net gain/(loss) on loans and receivables	(363)	182
Net gain/(loss) on financial assets	18,921	16,844

The above net gain is from financial assets not recognised at fair value through profit and loss.

Accounting Policy

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT

FINANCIAL STATEMENTS

For the period ended 30 June 2018



INDEPENDENT AUDITOR'S REPORT

To the Minister for Indigenous Affairs

Opinion

In my opinion, the financial statements of the Aboriginal and Torres Strait Islander Land Account:

- (a) have been prepared in accordance with the form approved by the Minister for Finance, pursuant to sub-section 193H of the *Aboriginal and Torres Strait Islander Act 2005*;
- (b) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*, except for the specified requirements for which the Finance Minister has granted a written exemption; and
- (c) present fairly the financial position of the Aboriginal and Torres Strait Islander Land Account, as at 30 June 2018, and its financial performance and cash flows for the year then ended.

The financial statements of the Aboriginal and Torres Strait Islander Land Account, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Secretary and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; 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 Aboriginal and Torres Strait Islander Land Account, in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code), to

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Secretary's Responsibility for the Financial Statements

As the Accountable Authority of the Aboriginal and Torres Strait Islander Land Account, the Secretary of the Department of the Prime Minister and Cabinet is responsible for the preparation of annual financial statements in the form determined by the Finance Minister, pursuant to section 193H of the *Aboriginal and Torres Strait Islander Act 2005*. The form determined by the Finance Minister pursuant to section 193H of the *Aboriginal and Torres Strait Islander Act 2005* is the Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*, except for the specified requirements for which the Finance Minister has granted a written exemption. The Secretary is also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Aboriginal and Torres Strait Islander Land Account's ability to continue as a going concern, taking into account whether the Aboriginal and Torres Strait Islander Land Account's operations will cease as a result of an administrative restructure, or for any other reason. The Secretary is also responsible for disclosing matters related to going concern, as applicable, and using the going concern basis of accounting, unless the assessment indicated 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 Aboriginal and Torres Strait Island Land Account's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary;
- conclude on the appropriateness of the Secretary'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 Aboriginal and Torres Strait Island Land Account'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 Aboriginal and Torres Strait Islander Land Account 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



Kristian Gage
Executive Director

Delegate of the Auditor-General
Canberra

3 September 2018

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT STATEMENT BY THE SECRETARY AND CHIEF FINANCIAL OFFICER

The accompanying financial statements of the Aboriginal and Torres Strait Islander Land Account (ATSILA) for the year ended 30 June 2018 have been prepared in accordance with section 193H of the *Aboriginal and Torres Strait Islander Act 2005*, which requires the financial statements to be prepared in such a form as determined by the Minister for Finance.

The Minister for Finance has granted ATSIILA an exemption under the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR). The exemption applies to the following requirements of the FRR:

- (a) Sections 9, 32 and 33 of the FRR. ATSIILA is required to present its administered activities in departmental format, in accordance with current practice.
- (b) Divisions 2,3,4 and 5 of Part 6 of the FRR to the extent that ATSIILA has no appropriation transactions and balances other than through its special account.

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

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



Dr Martin Parkinson AC PSM
Secretary

3 September 2018



Charlotte Tressler
Chief Financial Officer

3 September 2018

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
STATEMENT OF COMPREHENSIVE INCOME**

for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
NET COST OF SERVICES			
Expenses			
Payments to the Indigenous Land Corporation	1.1A	52,296	51,422
Investment costs	1.1B	338	375
Audit fees		29	29
Total expenses		<u>52,663</u>	<u>51,826</u>
Own-source Income			
Own-source revenue			
Interest	1.2A	52,915	57,582
Resources received free of charge - audit fees		29	29
Total own-source revenue		<u>52,944</u>	<u>57,611</u>
Gains			
Gain on realisation of investments	1.2B	-	-
Total gains		<u>-</u>	<u>-</u>
Total own-source income		<u>52,944</u>	<u>57,611</u>
Net contribution by services		<u>281</u>	<u>5,785</u>
Total comprehensive income		<u>281</u>	<u>5,785</u>

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

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	2.1	1	1
Interest receivable		24,309	24,491
Investments		2,004,996	2,004,610
Total financial assets		2,029,306	2,029,102
Total assets		2,029,306	2,029,102
LIABILITIES			
Payables			
Suppliers		-	77
Total payables		-	77
Total liabilities		-	77
Net assets		2,029,306	2,029,025
EQUITY			
Contributed equity		433,932	433,932
Retained surplus		1,595,374	1,595,093
Total equity		2,029,306	2,029,025

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

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2018

	Retained earnings		Contributed equity/capital		Total equity	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Opening balance						
Balance carried forward from previous period	1,595,093	1,589,308	433,932	433,932	2,029,025	2,023,240
Adjusted opening balance	1,595,093	1,589,308	433,932	433,932	2,029,025	2,023,240
Comprehensive income						
Surplus for the period	281	5,785	-	-	281	5,785
Total comprehensive income	281	5,785	-	-	281	5,785
Closing balance as at 30 June	1,595,374	1,595,093	433,932	433,932	2,029,306	2,029,025

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

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
CASH FLOW STATEMENT**

for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
OPERATING ACTIVITIES			
Cash used			
Payments to the Indigenous Land Corporation		52,296	51,422
Consultant fees		211	176
Investment management costs		203	122
Total cash used		<u>52,710</u>	<u>51,720</u>
Net cash used by operating activities		<u>(52,710)</u>	<u>(51,720)</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from realisation of investments		2,004,610	2,018,239
Interest on investments		53,095	58,812
Total cash received		<u>2,057,705</u>	<u>2,077,051</u>
Cash used			
Investments		2,004,995	2,025,333
Total cash used		<u>2,004,995</u>	<u>2,025,333</u>
Net cash from investing activities		<u>52,710</u>	<u>51,718</u>
Net increase/(decrease) in cash held		<u>-</u>	<u>(2)</u>
Cash and cash equivalents at the beginning of the reporting period		<u>1</u>	<u>3</u>
Cash and cash equivalents at the end of the reporting period	2.1	<u>1</u>	<u>1</u>

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

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2018

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ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2018

Overview

Basis of preparation of the financial statements

Aboriginal and Torres Strait Islander Land Account's (ATSILA) activities are classified as administered activities carried out by the Department of the Prime Minister and Cabinet (PM&C) on behalf of the Australian Government and are reported in PM&C's administered financial statements for the period 1 July 2017 to 30 June 2018.

In addition to being consolidated into PM&C's financial statements, separate audited financial statements are prepared for ATSILA as required by subsection 193H of the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act).

The Minister for Finance has granted ATSILA an exemption under the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR). The exemption applies to the following requirements of the FRR:

- (a) Sections 9, 32 and 33 of the FRR. ATSILA is required to present its administered activities in departmental format, in accordance with current practice.
- (b) Divisions 2,3,4 and 5 of Part 6 of the FRR to the extent that ATSILA has no appropriation transactions and balances other than through its special account.

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 results or the financial position. The financial statements are presented in Australian dollars.

New Australian Accounting Standards

No accounting standard has been adopted earlier than the application date as stated in the standard. There are no new standards, revised standards, amended standards or interpretations that were issued by the Australian Accounting Standards Board (AASB) prior to the signing date that are applicable to the current reporting period and have a material financial impact on ATSILA.

Taxation

ATSILA is exempt from all forms of taxation except the Goods and Services Tax (GST).

Compliance with statutory conditions for payments from the consolidated revenue fund

The Australian Government continues to have regard to developments in case law, including the High Court's decision on Commonwealth expenditure in *Williams v Commonwealth [2014] HCA 23*, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

During 2017-18 PM&C reviewed ATSILA's exposure to the risk of not complying with statutory conditions on payments from appropriations, namely section 83 of the Constitution. Payments in 2017-18 subject to statutory conditions have been reviewed and there are no issues of non-compliance. ATSILA will continue to monitor its level of compliance with section 83 of the Constitution.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2018

Significant 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.

Events after the reporting period

On 12 February 2018, the Minister for Indigenous Affairs announced that the Government will introduce new Bills into Parliament to ensure the long-term sustainability of the new Indigenous Land and Sea Corporation which acquires and manages assets for Indigenous Australians, and allow the entity to invest in sea country and water assets. The Bill will establish a new special account, 'Aboriginal and Torres Strait Islander Land and Sea Future Fund Special Account' and transfer all assets of ATSILA to this account. As at the date of signing the ATSILA financial statements, this Bill had not been passed.

Related party disclosures

Related parties to ATSILA are Key Management Personnel including the Minister for Indigenous Affairs, and other Australian Government entities. Given consideration to relationships with related entities, and transactions entered into during the reporting period by ATSILA, there are no related party transactions to be separately disclosed.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2018

1. Financial Performance

This section analyses the financial performance of the Aboriginal and Torres Strait Islander Land Account for the year ended 30 June 2018.

1.1. Expenses

	2018	2017
	\$'000	\$'000
Note 1.1A: Payments to the Indigenous Land Corporation		
Annual payment to the Indigenous Land Corporation (ILC)	<u>52,296</u>	<u>51,422</u>
Total payments to the Indigenous Land Corporation	<u>52,296</u>	<u>51,422</u>

Accounting Policy

The ATSI Act provides a minimum guaranteed annual payment of \$45.000 million to the ILC, payable on the first business day in October. This annual payment is required to be indexed each year by the Consumer Price Index. The indexation factor for the payment in 2018 was 1.0% (2017: 1.4%).

An additional payment is paid to the ILC if the actual capital value of ATSILA exceeds the indexed capital value. No additional payment was made during the year (2017: Nil).

Note 1.1B: Investment costs

Consultants	175	213
Investment management expenses	<u>163</u>	<u>162</u>
Total investment costs	<u>338</u>	<u>375</u>

Accounting Policy

Expenditure directly related to the management of ATSILA's investments can be debited from ATSILA under section 58(4) of the PGPA Act. These costs represent the services provided by the Investment Unit and by specialist investment advisors.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2018

1.2. Own-Source Revenue and Gains

OWN-SOURCE REVENUE	2018	2017
	\$'000	\$'000
Note 1.2A: Interest		
Term deposits	<u>52,915</u>	<u>57,582</u>
Total interest	<u>52,915</u>	<u>57,582</u>

Accounting Policy

Interest revenue is recognised using the effective interest rate method.

GAINS

Note 1.2B: Gain on realisation of investments

Investments:		
Proceeds from realisation	2,004,610	2,018,239
Net book value of assets realised	<u>(2,004,610)</u>	<u>(2,018,239)</u>
Net gain from realisation of investments	<u>-</u>	<u>-</u>

Accounting Policy

A gain or loss on realisation is recognised when the market value of the investment is different from that of the purchase value.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2018

2. Funding

This section identifies the Aboriginal and Torres Strait Islander Land Account funding structure.

2.1. Special Accounts

Note 2.1: Special accounts ('recoverable GST exclusive')

	Aboriginal and Torres Strait Islander Land Account¹	
	2018 \$'000	2017 \$'000
Balance brought forward from previous period	1	3
Increases		
Investments realised	2,004,610	2,018,239
Interest receipts	53,095	58,812
Total increases	2,057,705	2,077,051
Available for payments	2,057,706	2,077,054
Decreases		
Payments made	(52,710)	(51,720)
PGPA Act section 58 investments	(2,004,995)	(2,025,333)
Total decreases	(2,057,705)	(2,077,053)
Total balance carried to the next period	1	1
Balance Represented by:		
Cash held in entity bank account	1	1
Total balance carried to the next period	1	1

¹Appropriation: *Public Governance, Performance and Accountability Act 2013; section 80.*

Establishing Instrument: *Aboriginal and Torres Strait Islander Act 2005; section 192W.*

Purpose: to provide a secure stream of income to the Indigenous Land Corporation in perpetuity to provide economic, environmental, social and cultural benefits for Aboriginal people and Torres Strait Islanders by assisting in the acquisition and management of land.

This account is interest bearing.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2018

3. Managing Uncertainties

This section analyses how the Aboriginal and Torres Strait Islander Land Account manages financial risks within its operating environment.

3.1. Contingent Assets and Liabilities

PM&C, on behalf of ATSILA, is not aware of any material quantifiable or unquantifiable contingent assets or liabilities as at the signing date that would require disclosure in the financial statements (2017: Nil).

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

3.2. Financial Instruments

	2018	2017
	\$'000	\$'000
Note 3.2A: Categories of financial instruments		
Financial Assets		
Held-to-maturity investments		
Term deposits	<u>2,004,996</u>	<u>2,004,610</u>
Total held-to-maturity investments	<u>2,004,996</u>	<u>2,004,610</u>
Loans and receivables		
Cash and cash equivalents	1	1
Interest receivable - term deposits	<u>24,309</u>	<u>24,491</u>
Total loans and receivables	<u>24,310</u>	<u>24,492</u>
Total financial assets	<u>2,029,306</u>	<u>2,029,102</u>
No receivables are overdue or impaired.		
Financial Liabilities		
At amortised cost		
Trade creditors and accruals	-	<u>77</u>
Total financial liabilities at amortised costs	<u>-</u>	<u>77</u>

Accounting Policy

PM&C has classified ATSILA's financial assets in the following categories:

- (a) Held-to-maturity investments.
- (b) Loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2018

Accounting Policy (continued)

Investments

Investment activities are conducted in accordance with the requirements of section 58 of the PGPA Act. Investments are typically low risk and take the form of term deposits. The duration of the term deposits are usually for a term of 3 to 12 months.

The investment objective of PM&C as administrators for ATSILA, is to ensure that ATSILA complies with legislative obligations under the PGPA Act and the ATSI Act; and that ATSILA maintains and preserves its capital base.

The investment portfolio and bank accounts are managed to ensure sufficient funds are available for payments to the ILC when due. Investment practices are also governed by the investment policy of PM&C which requires the management of the portfolio to respond to positive investment opportunities in the market so as to achieve the best possible returns for the account within the legislative framework.

The asset allocation of the portfolio as at 30 June 2018 is 100% (2017: 100%) in term deposits with Australian banks.

Effective Interest Method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit and loss.

Held-to-Maturity Investments

Non derivative financial assets with fixed or determinable payments and fixed maturity dates that ATSILA has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest rate method less impairment, with revenue recognised on an effective yield basis.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

If there is objective evidence that an impairment loss has been incurred for loans and receivables or held-to-maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

	2018	2017
	\$'000	\$'000
Note 3.2B: Net gains or losses on financial assets		
Held-to-maturity investments		
Interest revenue		
Term deposits	52,915	57,582
Net gain on held-to-maturity investments	52,915	57,582
Net gains on financial assets	52,915	57,582

The above net gain is from financial assets not recognised at fair value through profit and loss.



PART FIVE

APPENDICES

ABORIGINALS BENEFIT ACCOUNT ANNUAL REPORT 2017-18	246
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APPENDIX A:

ABORIGINALS BENEFIT ACCOUNT ANNUAL REPORT 2017–18

ABORIGINALS BENEFIT ACCOUNT OVERVIEW

The Aboriginals Benefit Account (ABA) is legislated under the *Aboriginal Land Rights (Northern Territory) Act 1976* (Land Rights Act). It is a special account for the purposes of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The ABA receives and distributes moneys generated from mining on Aboriginal land in the Northern Territory. Payments into the ABA are based on royalty equivalents that are determined by the estimated value of the statutory royalty payments.

The Minister for Indigenous Affairs allocates funds from the ABA to the four Northern Territory land councils (Northern Land Council, Central Land Council, Anindilyakwa Land Council and Tiwi Land Council) for operational purposes. The Minister also approves grants for the benefit of Aboriginal people living in the Northern Territory, taking into consideration advice provided by the ABA Advisory

Committee. The Committee is established under subsection 65(1) of the Land Rights Act to advise the Minister on beneficial payments under subsection 64(4). As at 30 June 2018, the Committee was chaired by Ms Donna Ah Chee and consisted of 14 members elected by the four land councils. In 2017–18, the Committee provided advice in relation to beneficial payments on 167 applications.

At 30 June 2018, the net assets of the ABA were \$814.2 million (excluding future commitments). This represents a 28.4 per cent increase from \$634.1 million at 30 June 2017. The variation is largely explained by a significant increase in annual ABA royalty equivalent receipts, which was \$338.5 million at 30 June 2018—a 91.6 per cent increase from \$176.7 million at 30 June 2017.

Funds from the ABA are distributed to Royalty Associations in areas affected by mining. In addition, the Land Rights Act provides for lease administration costs of approved Commonwealth entities and other leases administered by the Executive Director of Township Leasing.

PM&C is responsible for advising the Minister on the overall policy and financial management of the ABA. The Regional Network in the Northern Territory is responsible for providing secretariat support to the committee, managing the ABA Community Stores Infrastructure Project and the ABA Homelands Project, assessing ABA subsection 64(4) grant applications and managing the ABA subsection 64(4) grants.

PM&C administers the ABA in accordance with the requirements of the Land Rights Act and the PGPA Act. The ABA is part of Outcome 2: Indigenous within PM&C's 2017–18 outcome and program reporting structure.

PM&C is responsible for ensuring the ABA complies with the Land Rights Act and relevant financial legislation. Section 64B of the Land Rights Act requires PM&C to keep accounts and prepare financial statements in respect of the ABA, as determined by the Minister for Finance. Section 64B also requires the Auditor-General to report on the financial statements to the Minister for Indigenous Affairs.

ABORIGINALS BENEFIT ACCOUNT PERFORMANCE 2017–18

Mining royalty equivalent receipts of \$338.474 million were credited to the ABA in 2017–18. This represents a 91.6 per cent increase on the level of 2016–17 receipts. The significant increase in royalty receipts largely reflects positive market conditions such as commodity prices, exchange rates and world demand. Tables 5.1 and 5.2 summarise the ABA income and expenditure.

Table 5.1

Summary of Aboriginals Benefit Account income, 2016–17 and 2017–18

	2016–17 \$'000	2017–18 \$'000
Royalty equivalents	176,651	338,474
Interest	16,906	19,496
Resources received free of charge	2,944	3,298
Lease rental income	2,280	1,847
Other income	73	621
Total ABA income	198,854	363,736

Table 5.2

**Summary of Aboriginals Benefit Account expenditure
(inclusive of Mining Withholding Tax) 2016–17 and 2017–18**

	2016–17 \$'000	2017–18 \$'000
Payments to land councils for administrative purposes— Land Rights Act, subsection 64(1)	48,671	51,920
Payments to land councils for distribution to Royalty Associations—Land Rights Act, subsection 64(3)	52,994	101,544
Grant payments to or for the benefit of Aboriginal people in the Northern Territory—Land Rights Act, subsection 64(4)	33,742	20,240
Payments in relation to township leases and subleases— Land Rights Act, subsection 64(4A)	6,210	5,899
Administration (suppliers and employees including resources received free-of-charge)—Land Rights Act, subsection 64(6)	3,190	4,018
Total expenditure	144,807	183,621

CREDITS INTO THE ABORIGINALS BENEFIT ACCOUNT

The ABA is credited with moneys that are equivalent to the royalties received by the Commonwealth or the Northern Territory for mining on Aboriginal land in the Northern Territory (royalty equivalent receipts).

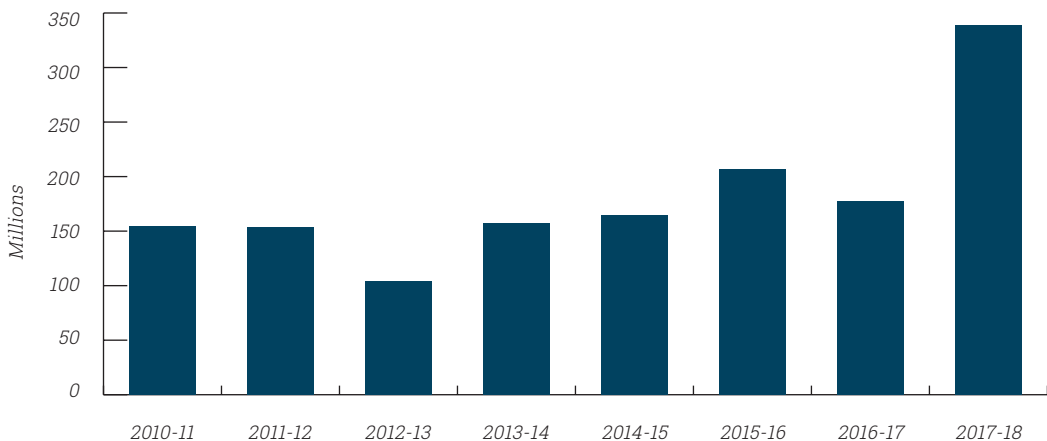
Interest received from the investment of ABA funds is credited directly into the ABA's bank account. Table 5.1 details interest earned for the year, as well as royalty equivalent income, resources received free-of-charge and lease rental income.

PM&C provides staff support free of charge to manage the ABA. These costs are included as revenue in Table 5.1 and expenses in Table 5.5.

ABA royalty equivalent income is volatile, as it is subject to profits recorded by individual mines that are influenced by global commodity markets and other factors.

Graph 5.1 shows royalty equivalent receipts transferred to the ABA since 2010–11.

Graph 5.1



DEBITS OUT OF THE ABORIGINALS BENEFIT ACCOUNT

A summary of total ABA expenditure in 2016–17 and 2017–18 is provided at Table 5.2.

PAYMENTS TO LAND COUNCILS FOR ADMINISTRATIVE EXPENSES

Table 5.3

ABA moneys paid in 2016–17 and 2017–18 to the four Northern Territory Land Councils (net of Mining Withholding Tax)

Land Councils	2016–17 \$'000	2017–18 \$'000
Northern Land Council	21,636	23,793
Central Land Council	18,027	18,376
Tiwi Land Council	3,215	3,469
Anindilyakwa Land Council	3,921	4,205
Total	46,799	49,843

Note: Further details can be found in Part 4, financial statements.

PAYMENTS TO ROYALTY ASSOCIATIONS

Under the Land Rights Act, 30 per cent of the royalty equivalent moneys must be paid to each land council in the area in which a mining operation is situated. These moneys are distributed to Aboriginal organisations (Royalty Associations) in those areas affected by mining operations. Table 5.4 lists payments made in 2016–17 and 2017–18 to land councils for distribution to Royalty Associations (net of Mining Withholding Tax). Further detail can be found in Part 4.

BENEFICIAL PAYMENTS

Under subsection 64(4) of the Land Rights Act, payments totalling \$20.2 million were provided for the benefit of Aboriginal and Torres Strait Islander people living in the Northern Territory during 2017–18. This compared to \$33.7 million made in 2016–17 (inclusive of Mining Withholding Tax).

ABA beneficial grant funding in 2017–18 went to projects supporting employment, training and cultural activities in the Northern Territory. For example:

- Gurindji Aboriginal Corporation in the Victoria River region was provided with \$128,960 to purchase mobile solar light towers. The towers will enable evening sporting events and construction works at night as well as provide lighting to support public safety when needed. The towers will be available for use in Kalkarindji and Daguragu.
- Rurrangala Bush Produce was provided with \$785,927 in grant funding to develop the infrastructure required to support the establishment of a water bottling factory in Rurrangala homeland in East Arnhem Land. The factory will be Indigenous owned and operated by a local Indigenous workforce.

PM&C manages two projects funded from subsection 64(4) of the Land Rights Act:

- The Community Stores Infrastructure Project has completed the construction and upgrade of the last 18 stores. The project has improved the supply of healthy, fresh foods and provided additional business and local employment opportunities.
- The ABA Homelands Project is a one-off investment of \$40 million to improve communal infrastructure in homelands across the Northern Territory. The project commenced in early 2018, with the Northern Territory land councils assisting residents of selected homelands to develop proposals. PM&C will work with suitable Indigenous organisations on the delivery of successful proposals.

OFFICE OF TOWNSHIP LEASING AND ABA ADMINISTRATIVE PAYMENTS

Administration costs of township leases and other leases administered by the Executive Director Township Leasing are captured under ABA 64(4A) of the Land Rights Act. Costs associated with the administration of the ABA are captured under subsections 64(6) of the Land Rights Act. Table 5.5 provides a breakdown of township leasing administration expenses for 2016–17 and 2017–18, including services provided free of charge.

MINING WITHHOLDING TAX

Under the *Income Tax Assessment Act 1936*, payments made from royalty equivalents credited to the ABA are subject to Mining Withholding Tax at a rate specified in the *Income Tax (Mining Withholding Tax) Act 1979*. In accordance with the *Taxation Laws Amendment Act (No. 3) 1994*, the current rate of tax applied to payments of Mining Withholding Tax is 4 per cent.

From 1 July 2003, the Australian Taxation Office determined the ABA to be a large pay-as-you-go (PAYG) withholder. Mining Withholding Tax liabilities on payments made are paid on or before due dates in accordance with the Taxation Office PAYG withholding requirements. The total Mining Withholding Tax for 2017–18 was \$6.5 million compared with \$4.6 million in 2016–17.

Table 5.4

Payments to land councils for distribution to Royalty Associations

Land Council	2016–17 \$'000	2017–18 \$'000
Northern Land Council	14,674	17,329
Central Land Council	21,822	15,037
Anindilyakwa Land Council	14,379	65,116
Tiwi Land Council	0	0
Total	50,875	97,482

Table 5.5

Departmental administration and expenditure (exclusive of GST)

Administration expenditure	2016-17 \$'000	2017-18 \$'000
Departmental administration expenditure		
Resources provided free of charge	2,944	3,298
Subsection 64(6) payments		
Committee members sitting fees/superannuation	124	102
Travel and other administrative costs	60	40
Subsection 64(4A) payments		
Office of township leasing administrative expenses	3,305	2,787
Payments for township leases	2,128	1,387
Township rent returned to owners under Head Lease agreement	777	1,397
Community entity administrative expenses	0	328
Total administrative costs of the ABA	9,338	9,339

MANAGEMENT OF THE ABORIGINALS BENEFIT ACCOUNT AND ITS INVESTMENT PORTFOLIO

The ABA investment strategy is focused on cash-flow requirements, preservation of the fund and management of risk. Moneys that are surplus to immediate requirements are invested under section 58 of the PGPA Act. To minimise the risk of loss, section 58 restricts the investment of public money to a limited number of specific, low-risk investments such as government bonds, state and territory bonds, term deposits and negotiable cash deposits with a bank.

At 30 June 2018 the ABA held \$793.7 million in term deposits with Australian banks. This compares with \$607.5 million at 30 June 2017.

APPENDIX B

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT ANNUAL REPORT 2017–18

ROLE AND FUNCTIONS

The Aboriginal and Torres Strait Islander Land Account (ATSILA) was established by subsection 5(3) of the *Financial Management Legislation Amendment Act 1999*. It is continued in existence by section 192W(1) of the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act). The ATSILA is a special account for the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

ATSILA was established to recognise that many Indigenous people will be unable to assert native title rights because they were dispossessed of their lands and therefore cannot demonstrate the continuous connection with land necessary to prove native title.

The ATSILA was credited over a 10-year period from 1994 with direct appropriations and became a self-sustaining capital fund from 30 June 2004. ATSILA had a balance of \$2 billion as at 30 June 2018. Full details of the ATSILA 2017–18 financial statements are included in Part 4.

The purpose of ATSILA is to provide a secure income stream to the Indigenous Land Corporation (ILC)—an independent statutory authority established under the ATSI Act to assist Aboriginal and Torres Strait Islander people to acquire and manage land.

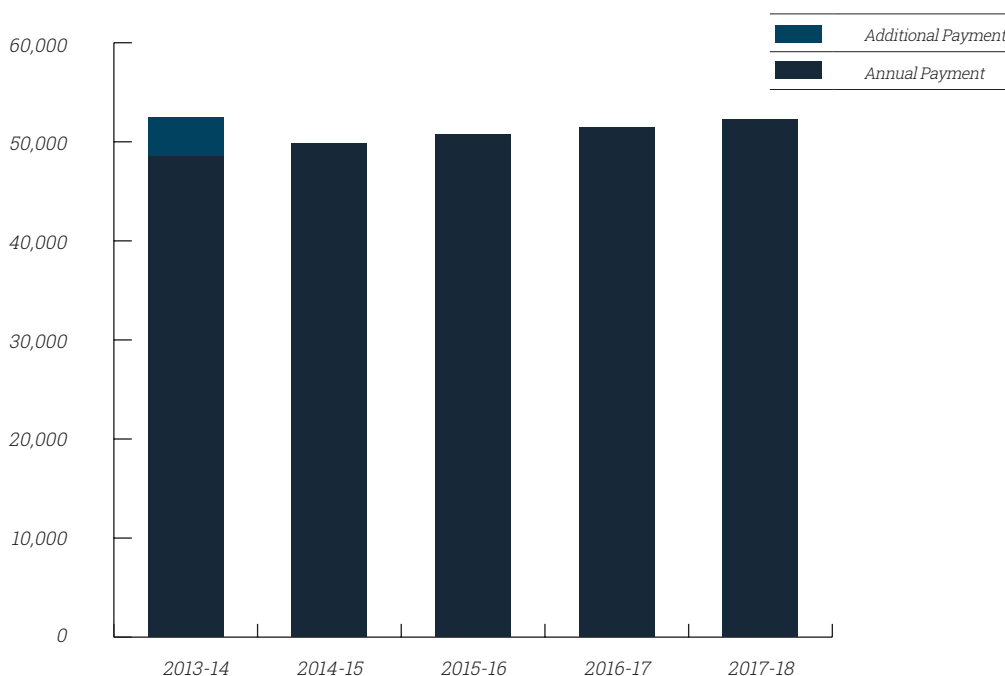
OPERATING ENVIRONMENT

The ATSI Act requires that a minimum annual payment of \$45 million be made to the ILC, indexed in each subsequent year according to the Consumer Price Index. The minimum payment will be made in all years, even if the amount paid would reduce the real capital value of ATSILA. This is to ensure a certain and regular funding stream for the ILC to allow it to perform its legislated functions.

In addition to the minimum amount, the ATSI Act allows for the payment of additional amounts to the ILC from ATSILA in years where the actual balance of ATSILA is greater than that required to maintain its real capital value.

Graph 5.2

Summary of payments to ILC, 2014–2018



CONSULTATIVE FORUM

The ATSI Act requires the establishment of a consultative forum on investment policy for the ATSILA. The forum must meet at least twice each financial year (section 193G). The ATSILA Consultative Forum comprises the PM&C Chief Financial Officer and two ILC Directors elected by the ILC Board. Two meetings of the Consultative Forum were held in 2017–18, the first on 13 November 2017 and the second on 21 March 2018.

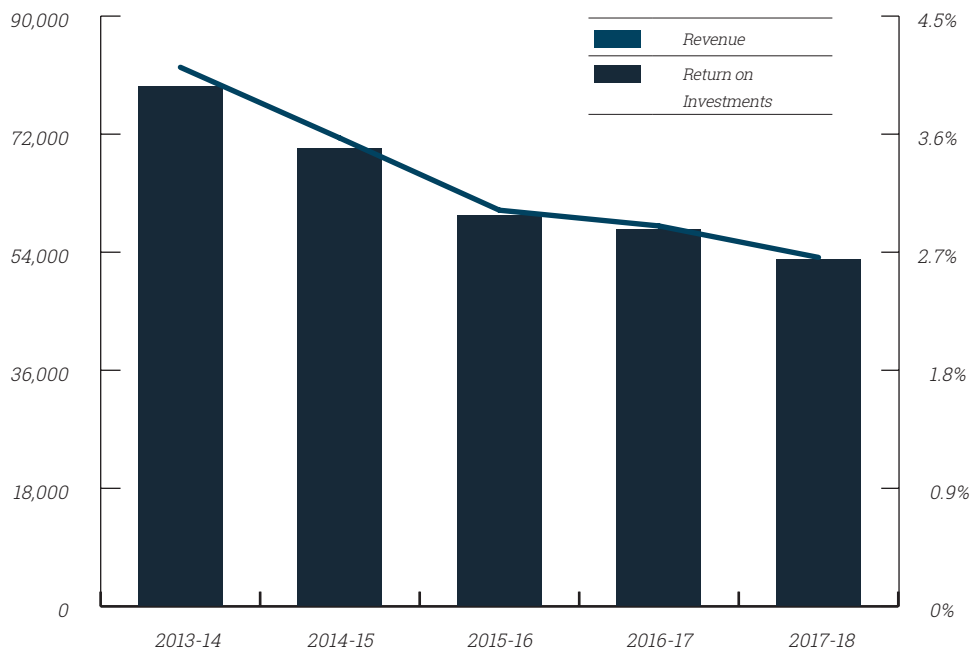
INVESTMENTS OF THE LAND ACCOUNT

In 2017–18, investment activities were undertaken in accordance with section 58 of the PGPA Act as required by section 192W(3) of the ATSI Act. Activities complied with the Investment Policy agreed between the ATSIILA Consultative Forum and the PM&C Chief Financial Officer (the Finance Minister’s Delegate for the purpose of the PGPA Act).

Allowable investments under section 58 of the PGPA Act include conservative low-risk investments such as government bonds, semi-government bonds (state or territory) and term deposits with a bank. At 30 June 2018, ATSIILA investments are comprised of term deposits with Australian banks.

Graph 5.3

Return on investments, 2014–2018



APPENDIX C

REGISTRAR OF INDIGENOUS CORPORATIONS REPORT 2017–18

The Registrar of Indigenous Corporations is an independent statutory office holder who registers and regulates Aboriginal and Torres Strait Islander corporations under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act). The Registrar is supported to do this work by the Office of the Registrar of Indigenous Corporations (ORIC).

The performance of the Registrar and ORIC is reported in Outcome 2 on page 98.

As at 30 June 2018, the Registrar's functions were delivered by 44.9 full-time equivalent staff. Of these, 49 per cent identified as Aboriginal or Torres Strait Islander.

Table 5.6

Funding and expenditure figures for the Office of the Registrar of Indigenous Corporations, 2017–18

Type of funding	Total 2017–18 Budget (\$m)	Total 2017–18 expenditure (\$m)	2017–18 Variance surplus/(deficit) (\$m)
Departmental	8.508	8.547	(0.039)
Administered	0.985	0.985	N.A.

APPENDIX D

THE UNITED NATIONS AGENDA FOR SUSTAINABLE DEVELOPMENT

The 2030 Agenda for Sustainable Development was adopted in September 2015, setting down 17 Sustainable Development Goals (SDGs) covering social, economic and environmental targets for both developed and developing countries. These goals reflect issues that Australia values and seeks to protect, like a healthy environment, access to opportunity and services, human rights, inclusive economies, diverse and supportive communities and Aboriginal and Torres Strait Islander cultures and heritage.

PM&C and DFAT co-chaired the Deputy Secretary led Interdepartmental Committee, which played an important role in producing the Voluntary National Review (VNR) of Australia's progress towards the 2030 Agenda. The VNR was successfully presented at the UN High Level Political Forum in July. Domestically, many government initiatives work towards the 2030 Agenda. The VNR provided a good opportunity to showcase the work we are doing to give effect to the 2030 Agenda.

PM&C has direct responsibility for the Australian Government's response to the goals related to gender equality and Aboriginal and Torres Strait Islander issues.

The Office for Women is acting on the Australian Government's commitment to the 2030 Sustainable Development Goal agenda by embedding Goal 5: Gender, in both existing and emerging plans, policies, strategies and activities aimed at advancing women's empowerment and gender equality and the operational business of the Office. Goal 5 is implemented in a range of pragmatic ways, both internal and external to government, including through the Women's Leadership Development Programme (WLDP) which targets key areas under Goal 5 such as leadership and safety and through directly funding the National Women's Alliance Network to undertake targeted SDG activities for their members.

The Indigenous Affairs Group has also participated in discussions on the SDGs at UN forums on Indigenous issues, and supported Aboriginal and Torres Strait Islander participation at the High Level Political Forum in July.

Over the past year, PM&C conducted an extensive national consultation process with Aboriginal and Torres Strait Islander communities and organisations to inform the new Closing the Gap framework. Many of the issues raised during these consultations aligned with the themes and principles of the SDGs, including health, education, culture, economic empowerment and justice.



PART SIX

GLOSSARY AND INDEXES

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COMPLIANCE INDEX

Below is the table set out in Schedule 2 of the Public Governance, Performance and Accountability Rule. Section 17AJ(d) requires this table to be included in entities' annual reports as an aid to access.

PGPA Rule reference	Part of report	Description	Requirement	PM&C compliance as at 6/8/18
17AD(g)	Letter of transmittal			
17AI	vii	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	Compliant
17AD(h)	Aids to access			
17AJ(a)	vii-xi	Table of contents.	Mandatory	Compliant
17AJ(b)	281	Alphabetical index.	Mandatory	Compliant.
17AJ(c)	278-280	Glossary of abbreviations and acronyms.	Mandatory	Compliant
17AJ(d)	266-277	List of requirements.	Mandatory	Compliant
17AJ(e)	283	Details of contact officer.	Mandatory	Compliant
17AJ(f)	283	Entity's website address.	Mandatory	Compliant

PGPA Rule reference	Part of report	Description	Requirement	PM&C compliance as at 6/8/18
17AJ(g)	282	Electronic address of report.	Mandatory	Compliant
17AD(a)	Review by accountable authority			
17AD(a)	2-9	A review by the accountable authority of the entity.	Mandatory	Compliant
17AD(b)	Overview of the entity			
17AE(1)(a)(i)	10	A description of the role and functions of the entity.	Mandatory	Compliant
17AE(1)(a)(ii)	12-19	A description of the organisational structure of the entity.	Mandatory	Compliant
17AE(1)(a)(iii)	35	A description of the outcomes and programmes administered by the entity.	Mandatory	Compliant
17AE(1)(a)(iv)	47	A description of the purposes of the entity as included in corporate plan.	Mandatory	Compliant
17AE(1)(b)	30-31	An outline of the structure of the portfolio of the entity.	Portfolio departments – mandatory	Compliant

PGPA Rule reference	Part of report	Description	Requirement	PM&C compliance as at 6/8/18
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	Not applicable
17AD(c)	Report on the Performance of the entity			
	Annual performance Statements			
17AD(c)(i); 16F	45-108	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory	Compliant
17AD(c)(ii)	Report on Financial Performance			
17AF(1)(a)	133	A discussion and analysis of the entity's financial performance.		Compliant
17AF(1)(b)	138-148	A table summarising the total resources and total payments of the entity.	Mandatory	To be provided

PGPA Rule reference	Part of report	Description	Requirement	PM&C compliance as at 6/8/18
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.	Not applicable
17AD(d)	Management and Accountability			
	Corporate Governance			
17AG(2)(a)	114	Information on compliance with section 10 (fraud systems)	Mandatory	Compliant
17AG(2)(b)(i)	vii	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	Compliant
17AG(2)(b)(ii)	vii	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	Compliant

PGPA Rule reference	Part of report	Description	Requirement	PM&C compliance as at 6/8/18
17AG(2)(b)(iii)	vii	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	Compliant
17AG(2)(c)	110-112	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	Compliant
17AG(2)(d) – (e)	153	A statement of significant issues reported to Minister under paragraph 19(1) (e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, Mandatory	Compliant (statement reporting nil significant issues)
External Scrutiny				
17AG(3)	115-116	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	Compliant
17AG(3)(a)	115	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	Compliant

PGPA Rule reference	Part of report	Description	Requirement	PM&C compliance as at 6/8/18
17AG(3)(b)	115-116	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	Compliant
17AG(3)(c)		Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory	Not applicable
Management of Human Resources				
17AG(4)(a)	117	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	Compliant
17AG(4)(b)	118-120	Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: <ul style="list-style-type: none"> • Statistics on staffing classification level; • Statistics on full-time employees; • Statistics on part-time employees; • Statistics on gender; • Statistics on staff location; • Statistics on employees who identify as Indigenous. 	Mandatory	Compliant

PGPA Rule reference	Part of report	Description	Requirement	PM&C compliance as at 6/8/18
17AG(4)(c)	126	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory	Compliant
17AG(4)(c)(i)	127	Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory	Compliant
17AG(4)(c)(ii)	128	The salary ranges available for APS employees by classification level.	Mandatory	Compliant
17AG(4)(c)(iii)	129	A description of non-salary benefits provided to employees.	Mandatory	Compliant
17AG(4)(d)(i)	129	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory	Compliant
17AG(4)(d)(ii)	129	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory	Compliant
17AG(4)(d)(iii)	129	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory	Compliant
17AG(4)(d)(iv)	129	Information on aggregate amount of performance payments.	If applicable, Mandatory	Compliant

PGPA Rule reference	Part of report	Description	Requirement	PM&C compliance as at 6/8/18
Assets Management				
17AG(5)	153	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities	If applicable, mandatory	Compliant
Purchasing				
17AG(6)	149	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory	Compliant
Consultants				
17AG(7)(a)	150	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	Compliant

PGPA Rule reference	Part of report	Description	Requirement	PM&C compliance as at 6/8/18
17AG(7)(b)	158	A statement that During 2017-18, 101 new consultancy contracts were entered into involving total actual expenditure of \$4.30 million. In addition, 24 ongoing consultancy contracts were active during the period, involving total actual expenditure of \$2.74 million.	Mandatory	Compliant
17AG(7)(c)	150	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	Compliant
17AG(7)(d)	150	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	Compliant
Australian National Audit Office Access Clauses				
17AG(8)	149	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, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory	Compliant

PGPA Rule reference	Part of report	Description	Requirement	PM&C compliance as at 6/8/18
Exempt contracts				
17AG(9)	149	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 FOI 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	Compliant
Small business				
17AG(10)(a)	151	A statement that PM&C supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website.	Mandatory	Compliant
17AG(10)(b)	151	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	Compliant

PGPA Rule reference	Part of report	Description	Requirement	PM&C compliance as at 6/8/18
17AG(10)(c)	151	If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that PM&C 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	Compliant
Financial Statements				
17AD(e)	156-243	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	To be inserted
17AD(f)	Other Mandatory Information			
17AH(1)(a)(i)	151	If the entity conducted advertising campaigns, a statement that During 2017-18, PM&C conducted the following advertising campaigns: ASEAN-Australia Special Summit 2008. Further information on those advertising campaigns is available at www.pmc.gov.au 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	Compliant

PGPA Rule reference	Part of report	Description	Requirement	PM&C compliance as at 6/8/18
17AH(1)(a)(ii)		If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory	Not applicable
17AH(1)(b)	153	A statement that "Information on grants awarded by PM&C during 2017-18 is available at www.pmc.gov.au .	If applicable, Mandatory	Compliant
17AH(1)(c)	121	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	Compliant
17AH(1)(d)	116	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	Compliant
17AH(1)(e)		Correction of material errors in previous annual report.	If applicable, mandatory	Not applicable as at 6/8/18
17AH(2)	130-132	Information required by other legislation.	Mandatory	Compliant

ABBREVIATIONS

APS	Australian Public Service
APSC	Australian Public Service Commission
AS	Assistant Secretary
ASEAN	Association of Southeast Asian Nations
ATSILA	Aboriginal and Torres Strait Islander Land Account
CDP	Community Development Programme
CFO	Chief Financial Officer
COO	Chief Operating Officer
COAG	Council of Australian Governments
FAS	First Assistant Secretary
FOI	Freedom of information
G20	Group of Twenty
IAG	Indigenous Affairs Group
IAS	Indigenous Advancement Strategy
ISO	International standard
IDC	Inclusion and Diversity Committee
ILC	Indigenous Land Corporation
LGBTIQ+	Lesbian, Gay, Bisexual, Transgender, Intersex and Queer

KPI	Key performance indicator
MP	Member of Parliament
OECD	Organisation for Economic Co-Operation and Development
ORIC	Office of the Registrar of Indigenous Corporations
PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>

GLOSSARY OF TERMS

Administrative Arrangements Order	An order, issued by the Governor-General on advice from the Prime Minister, which indicates the principal matters dealt with by each Department of State and the legislation administered within each portfolio.
Agency	A Department of State, Department of Parliament or prescribed agency under the <i>Public Governance, Performance and Accountability Act 2013</i> (PGPA Act).
Budget	The Australian Government Budget sets out the fiscal and economic outlook for Australia, and includes expenditure and revenue estimates for the current financial year, the Budget year and the three forward financial years.
Closing the Gap	A commitment by all Australian governments to improve the lives of Aboriginal and Torres Strait Islander people. A national integrated Closing the Gap strategy has been agreed through COAG.
Council of Australian Governments (COAG)	The peak intergovernmental forum in Australia, comprising the Prime Minister, state premiers, territory chief ministers and the President of the Australian Local Government Association.
Enterprise agreement	An agreement about the terms and conditions of employment, made under the <i>Fair Work Act 2009</i> .
Key performance indicators (KPIs)	Used to assess and monitor the Department's performance.
Portfolio Additional Estimates Statements (PAES):	The statements of changes since the Budget to the proposed allocation of resources.
Portfolio Budget Statements (PBS)	Explains where appropriated funds are to be spent for the portfolio.
Secretary's Instructions	Instructions and guidance provided for accountability requirements under the PGPA Act.

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ABOUT THIS REPORT

This report outlines the operations and performance of the Department of the Prime Minister and Cabinet for the financial year ending 30 June 2018. It has been prepared in accordance with the provisions of section 46 of the *Public Governance Performance and Accountability Act 2013* (PGPA Act), the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) and the Department of Finance Resource Management Guide Number 135. The compliance index in Part 6 lists the information required by the PGPA Act and PGPA Rule and the corresponding page number within this report. Print versions of the Department's annual reports are available from 32 libraries around Australia. Online versions are on the Department's website www.pmc.gov.au.

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