



Australian Government

Department of the
Prime Minister and Cabinet

Annual Report 2016-17

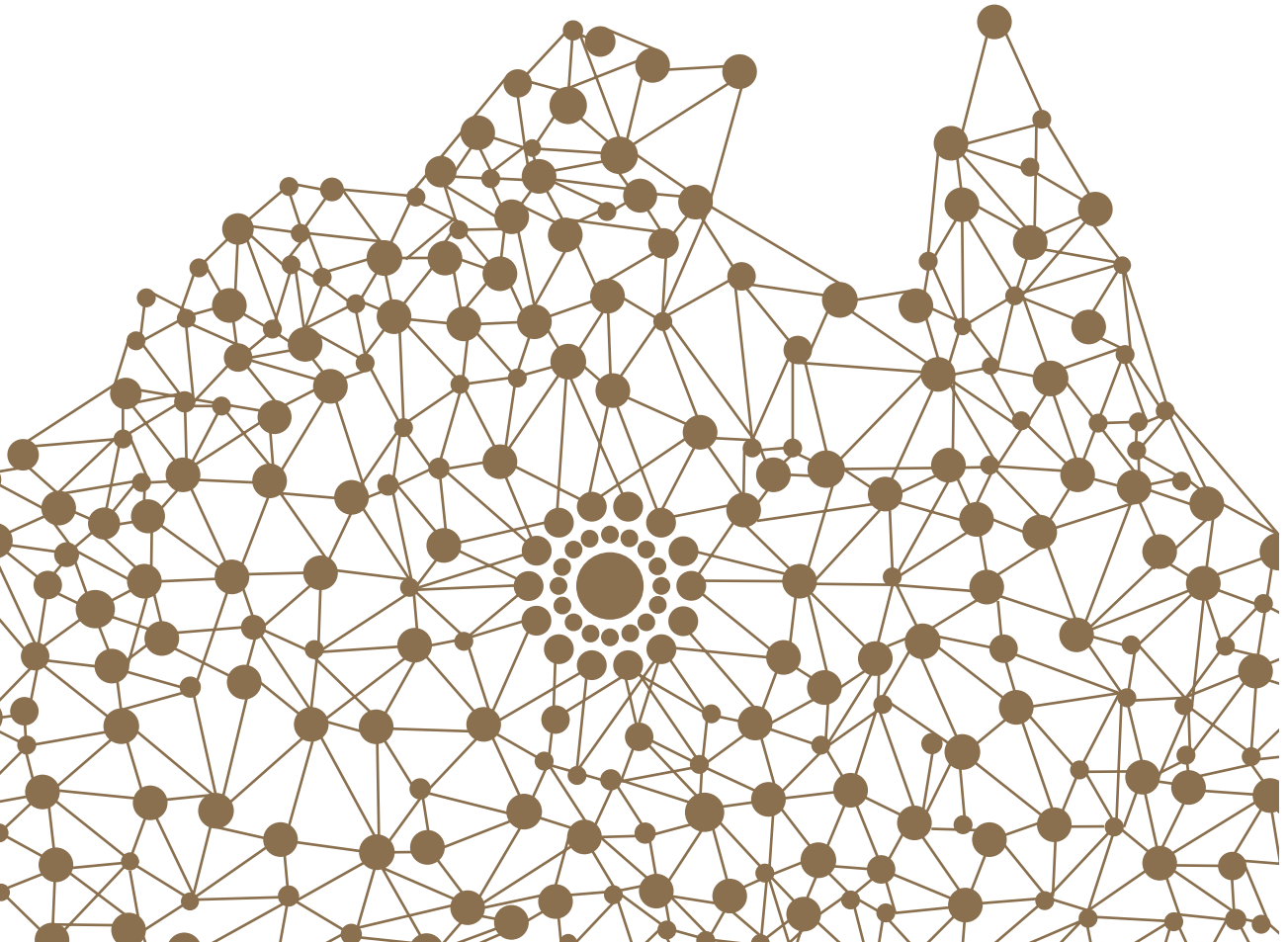




Australian Government
Department of the
Prime Minister and Cabinet

Annual Report

2016-17



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 2017. 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 7 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.

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TRANSLATION SERVICES

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CONTACT US

Assistant Secretary, Governance,
Audit and Reporting Branch
Department of the Prime Minister
and Cabinet
Andrew Fisher Building
PO Box 6500
Canberra ACT 2600
Australia

Internet: www.pmc.gov.au

Email: annualreport@pmc.gov.au

Telephone: +61 2 6271 5111 (international)

LETTER OF TRANSMITTAL



Australian Government

Department of the Prime Minister and Cabinet

SECRETARY

The Hon Malcolm Turnbull 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 2017. 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 2016-17 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 that comply with the PGPA Act, PGPA Rule and associated framework applying in 2016-17.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Parkinson'.

Dr Martin Parkinson AC PSM
7 September 2017

Cc Senator the Hon Nigel Scullion, Minister for Indigenous Affairs

Postal Address: PO BOX 6500, CANBERRA ACT 2600
Telephone: +61 2 6271 5111 Fax: +61 2 6271 5414 www.pmc.gov.au ABN: 18 108 001 191

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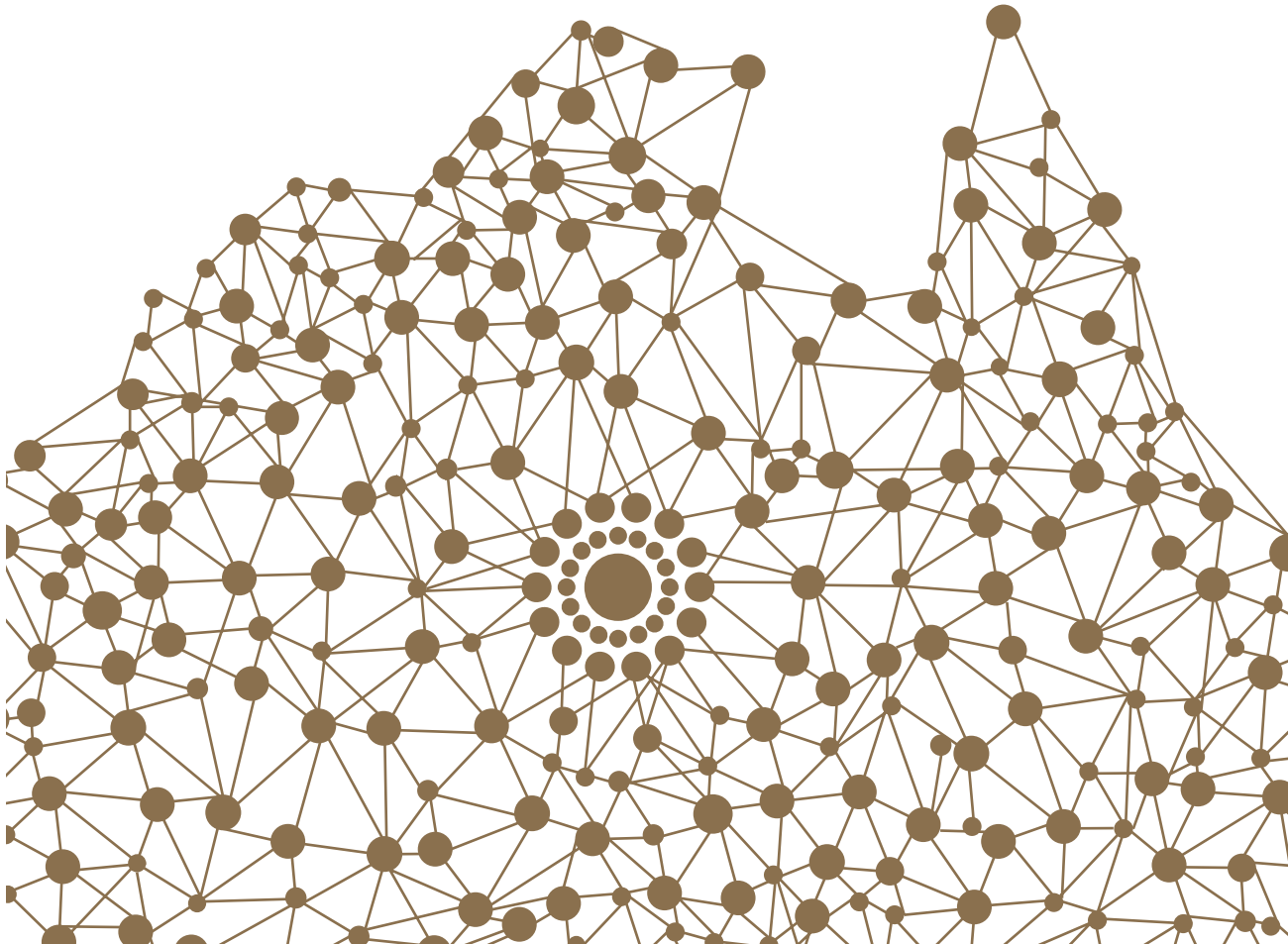
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PART 1

OVERVIEW OF 2016-17

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SECRETARY'S REVIEW

The federal election on 2 July 2016 ensured the Department was kept busy with its core purpose of supporting and advising the government.

This year we have progressed the government's reform agenda. Women's economic security and safety from violence was a key focus. In October, the Office for Women supported the Prime Minister and the Minister for Women at the inaugural Council of Australian Governments (COAG) National Summit in Brisbane. This two-day meeting brought new stakeholders together—particularly those from the corporate world—to discuss ways to address gender-based violence. The national summit marked the launch of the Third Action Plan to Reduce Violence against Women and their Children. This is the next instalment of the long-term commitment to change attitudes to, and tolerance of, violence against women and children.

Improving the lives of Aboriginal and Torres Strait Islander people also remained a focus. In February, the Prime Minister delivered the ninth Closing the Gap report to Parliament that revealed mixed levels of success against the targets. In the words of the Prime Minister, 'we have come a long way in Indigenous affairs but not far enough', and he instructed the Department to work with the Indigenous Advisory Council to refresh the Closing the Gap agenda. The Australian Government's role in this review is being led by Professor Ian Anderson AO, the recently appointed Deputy Secretary, Indigenous Affairs Group. Professor Anderson has an exceptional reputation and standing in the community and I look forward to working closely with him on this important issue.

Following an Australian National Audit Office (ANAO) audit of the Indigenous Advancement Strategy, it was clear that more evidence-based knowledge of Indigenous affairs was needed to understand what works for whom and why. As a result, the government announced funding of \$52.9 million for a new program to implement whole-of-government research and evaluation of policies and programs affecting Aboriginal and Torres Strait Islander peoples. This program provides greater transparency and allows longer term planning. The program complements efficiency improvements already made in delivering Indigenous-related programs. Indeed, the ANAO report highlighted stakeholder support and our job is to take the strategy into a mature phase of implementation.

We also began trialling better ways to influence outcomes for Aboriginal and Torres Strait Islander peoples, including implementing the Indigenous-led Empowered Communities model. This supports the Prime Minister's call for government to defer to Indigenous communities and elders who are best positioned to find solutions to local problems.

The anniversaries of three significant milestones in Australia's reconciliation history fell this year; 50 years since the 1967 Referendum, 25 years since the handing down of the historic Mabo Decision and 20 years since the Bringing them Home report. These anniversaries were a time to reflect on how far Australia has come in reconciling and celebrating Indigenous heritage as well as its progress as a nation.

The Department consolidated the government's agenda for security and opportunity for all. On the domestic policy front, we facilitated new investments in defence and energy security and infrastructure. We also supported the government's city planning agenda. A significant achievement was the delivery of the Townsville City Deal in December 2016 and the Launceston City Deal in April 2017.

The Prime Minister had a busy international agenda during 2016-17. The Department advised government on a large number of issues, most significantly the United States Refugee Resettlement Deal and the Defence White Paper as well as whole-of-community responses to counter-terrorism.

This year the Department facilitated bilateral visits to the United States, New Zealand, Papua New Guinea, Afghanistan, the United Arab Emirates, Iraq, India and Singapore where the Prime Minister delivered the keynote address at the Shangri-La Dialogue. The Department also supported the Prime Minister's attendance at the Asia-Pacific Economic Cooperation

Leaders' Summit in Peru, the Pacific Islands Forum in Micronesia, the United Nations General Assembly Leaders' Week in the United States, the Indian Ocean Rim Association Leaders' Summit in Indonesia, the East Asia Summit and the ASEAN-Australia Biennial Summit in Laos and the G20 Summit in China. The Department also assisted with incoming visits to Australia from heads and deputy heads of state from the United States, China, Japan, Vietnam, the Netherlands, Sri Lanka, Malaysia, Afghanistan, Israel, Singapore, Indonesia and Nauru.

Cyber security and implementing the government's Cyber Security Strategy was another priority for the Department. PM&C worked with agencies to develop a whole-of-government response to the challenges. In February 2017, the Joint Cyber Security Centre opened in Brisbane. In addition, the industry-led Australian Cyber Security Growth Network that supports the cyber security industry commenced in December 2016. Other key government cyber security appointments were also finalised.



PHOTO 1.1 PM&C SECRETARY, DR MARTIN PARKINSON AC PSM (LEFT) AT THE DUNGALA KAIELA ORATION 2016.

The Department's Behavioural Economics Team continued the application of behavioural insights to program and policy design. The team leveraged its relationships with the United Kingdom and the United States to make advancements in reducing recruitment bias and improving tax compliance, energy efficiency and retirement planning.

There were two COAG meetings during 2016-17. These were the culmination of many months of careful planning and behind-the-scenes work between PM&C and other government agencies.

The last year also saw the addition of new taskforces and units to respond to emerging priorities and challenges:

- ▲ The ASEAN Taskforce - formed in December 2016 to provide logistics and policy support to the government as it prepares to host the ASEAN-Australia Special Summit in March 2018.
- ▲ The Data Availability and Use Taskforce - established in February 2017 to respond to the Productivity Commission's inquiry and improve how Australia uses and shares data.
- ▲ The Strategic Coordination Unit - formed in September 2016 to help plan and monitor delivery of government priorities and assist the Prime Minister to manage parliamentary business.
- ▲ The Indigenous Affairs Group Business Transformation Office - established in November 2016 to work in partnership with the Department's corporate business areas and across Indigenous Affairs Group Divisions to lift staff and system capability and improve business processes.
- ▲ The Per- and Poly-fluoroalkyl substances Taskforce - set up in January 2017 to oversee and coordinate the whole-of-government response to per- and poly-fluoroalkyl substances contamination at Commonwealth-owned sites.
- ▲ The Infrastructure and Projects Financing Agency Transition team - tasked with establishing the Infrastructure and Projects Financing Agency, as announced in the 2017-18 Budget.



PHOTO 1.2 UNITED STATES PRESIDENT DONALD TRUMP MEETING WITH THE PRIME MINISTER IN NEW YORK. PHOTOGRAPHED BY SAHLAN HAYES, OFFICIAL PHOTOGRAPHER TO THE PRIME MINISTER.

Shifting to PM&C internal operations, the Department has taken the first of many important steps to become an organisation that embraces change as part and parcel of a modern work environment.

We are building a more diverse, collaborative, technologically aware, digitally enabled, data driven, flexible, agile and innovative workforce. The completion of important internal reviews and trials of new ways of working are helping PM&C remain an exemplar in the way we work and in the comprehensive quality of our advice.

This year we adopted a new diversity and inclusion agenda and new approaches to recruitment to ensure the Department attracts and retains the people it needs. Recommendations of the 2015 Internal Red Tape Review have been implemented and we have trialled flexible working arrangements.

This transformation agenda has delivered a live briefing platform that can profoundly change the way we work, not just within PM&C but across the Australian Public Service and perhaps beyond. Our motivation is the Prime Minister's reputation as an early adopter of technology. The Department's new digital-first capability allows the Prime Minister to receive briefs and information and process advice in real time. This significant shift in mindset towards a digital-first approach has staff keen to adapt the system to other business needs. The digital-first approach has revolutionised how we reach out to the public. This year we have also taken significant steps to expand our digital engagement and social media footprints.

A new enterprise agreement covering PM&C staff was agreed and provides greater consistency of working conditions and pay across the Department. Our executive has also committed to doing things differently and what was formerly the Executive Leadership Group is now the Executive Board. The Deputy Secretaries are taking the lead on specific initiatives as part of the Department's 100 to 1000 Day Plan. These changes ensure PM&C remains as effective as possible as we deliver our core purpose.

Every year is different for PM&C and 2016-17 proved that point. The operating environment of the Department is affected by a number of moving parts and this year those parts moved quickly. We deal with the ever-shifting expectations of the Australian public to unpredictable trends in international politics. I am continually impressed by the professionalism of staff and the way in which they respond to these challenges and capitalise on opportunities.

I have been struck by the enthusiasm for innovation throughout the Department and the embrace of my message that disruption is not limited to the private sector. I hope to report back on the leaps and bounds we have taken on our transformation journey in next year's report. I look forward to leading a vibrant department that advances the interests of the government and the Australian people over the year ahead.

Dr Martin Parkinson AC PSM
Secretary

THE DEPARTMENT

Our purposes are to support the Prime Minister as the head of the Australian Government and the Cabinet, provide advice on major domestic policy and national security matters, and to improve the lives of Aboriginal and Torres Strait Islander peoples.

ROLES AND FUNCTIONS

The Department advises and supports the Prime Minister, the Cabinet, portfolio ministers, assistant ministers and the government and ensures government decisions are implemented. PM&C coordinates cross-portfolio efforts to advance Australia's interests, prosperity and success. The Department develops the capabilities of Aboriginal and Torres Strait Islander people to improve their living standards and wellbeing.

The responsibilities of the Department at 30 June 2017 are set out in the Administrative Arrangements Order made on 1 September 2016 and as amended on 27 October 2016 and 13 April 2017. The Department's responsibilities were expanded to include:

- ▲ whole-of-government information and communications technology
- ▲ information and communications technology procurement policy and services
- ▲ infrastructure and project financing.

STRUCTURE

Four operational groups carry out the Department's role, delivering strategic priorities through a range of policy and program activities.

Domestic Policy Group

The Domestic Policy Group develops economic, environmental, social and urban policies. It coordinates whole-of-government regulatory reform and supports government priorities for gender equality and the empowerment of women. The group coordinates COAG arrangements and provides advice and support for the Budget process. Whole-of-government service delivery policy (administered by the Digital Transformation Office), public data policy and national policy on cities and the G20 Sherpa in developing and prosecuting Australia's contributions to the G20 is coordinated by this group.

National Security and International Policy Group

The National Security and International Policy Group provides advice on Australia's foreign policy, trade and aid interests. This includes the Prime Minister's engagement with foreign counterparts and business leaders, international commemorative events, treaty matters, defence and intelligence, non-proliferation, counter-terrorism, law enforcement, information sharing, intelligence policy, cyber policy, border security and crisis management. This group also coordinates the foreign affairs, trade and national security aspects of the Budget.

Governance Group

The Governance Group provides advice on legal policy, parliamentary and government matters and honours, symbols and territories policy. In addition, it provides support services to the Prime Minister, the Cabinet, Cabinet committees and the Department's portfolio ministers and assistant ministers. The group delivers the Department's enabling and support functions and oversees the implementation and ongoing delivery of government programs, policies and initiatives.

Indigenous Affairs Group

The Indigenous Affairs Group is responsible for most Commonwealth Indigenous-specific policy and programs. The group works with the Australian Government

and state and territory governments, Aboriginal and Torres Strait Islander communities and organisations and peak bodies to achieve government priorities of getting adults into jobs, getting children into school and making communities safer. The group includes the Regional Network that partners with Aboriginal and Torres Strait Islander people and communities and other stakeholders to develop and implement tailored local solutions. The Regional Network has more than 550 staff in over 80 locations across the country. These staff routinely visit more than 380 communities.

SENIOR EXECUTIVE

As at 30 June 2017, the Department's Senior Executive was:

Secretary	Dr Martin Parkinson AC PSM
Associate Secretary, Indigenous Affairs	Mr Andrew Tongue PSM
Deputy Secretary, Governance	Ms Elizabeth Kelly PSM
Deputy Secretary, National Security	Mr Allan McKinnon
Deputy Secretary, Economic and G20 Sherpa	Dr David Gruen
Deputy Secretary, Social Policy	Ms Lin Hatfield Dodds
Deputy Secretary, Innovation and Transformation	Dr Steven Kennedy PSM
Commonwealth Counter-Terrorism Coordinator	Mr Tony Sheehan
Special Adviser to the Prime Minister on Cyber Security	Mr Alastair MacGibbon
Deputy Secretary, Indigenous Affairs	Professor Ian Anderson AO

Further information on the organisational structure including divisional and branch structure and responsibilities is available on www.pmc.gov.au.

THE PORTFOLIO

As at 30 June 2017, the portfolio comprised the following entities:

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 Commonwealth Ombudsman
- ▲ Office of the Inspector-General of Intelligence and Security
- ▲ Office of the Official Secretary to the Governor-General

Corporate Commonwealth entities

- ▲ Anindilyakwa Land Council
- ▲ Central Land Council
- ▲ Indigenous Business Australia
- ▲ Indigenous Land Corporation
- ▲ 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



PHOTO 1.3 THE HON DAN TEHAN MP, MINISTER ASSISTING THE PRIME MINISTER FOR CYBER SECURITY LAUNCHING THE ASX 100 CYBER HEALTH CHECK REPORT AT THE AUSTRALIAN STOCK EXCHANGE, APRIL 2017, WITH MS CATHIE ARMOUR, ASIC COMMISSIONER AND MR RICK HOLLIDAY, ASX CHAIRMAN.

OUR MINISTERS

As at 30 June 2017, the Department's ministers and assistant ministers were:

- ▲ The Hon Malcolm Turnbull MP, Prime Minister
- ▲ Senator the Hon Nigel Scullion, Minister for Indigenous Affairs
- ▲ Senator the Hon Michaelia Cash, Minister for Women, Minister Assisting the Prime Minister for the Public Service
- ▲ The Hon Michael Keenan MP, Minister Assisting the Prime Minister for Counter-Terrorism
- ▲ Senator the Hon Scott Ryan, Minister Assisting the Prime Minister for Cabinet
- ▲ The Hon Dan Tehan MP, Minister Assisting the Prime Minister for Cyber Security

- ▲ Senator the Hon James McGrath, Assistant Minister to the Prime Minister, Assistant Minister for Regulatory Reform

- ▲ The Hon Angus Taylor MP, Assistant Minister for Cities and Digital Transformation.

BUDGET OUTCOMES AND PROGRAM STRUCTURE

In achieving the Department's purposes for 2016–17, the Department worked to deliver two outcomes of the Australian Government Budget 2016–17 through eight programs. Figure 1.1 shows the links between the purposes stated in the PM&C Corporate Plan 2016–20 and the outcomes and program framework in its Portfolio Budget Statements (PBS) and Portfolio Additional Estimates Statements (PAES) for 2016–17. The Department's Annual Performance Statement that outlines the delivery of this framework is at Part 3 of this report.



PHOTO 1.4 LIN HATFIELD DODDS, PM&C DEPUTY SECRETARY, GILLIAN BIRD, AUSTRALIA'S AMBASSADOR TO THE UN, AND SENATOR THE HON MICHAELIA CASH, MINISTER FOR WOMEN AT CSW61, MARCH 2017.

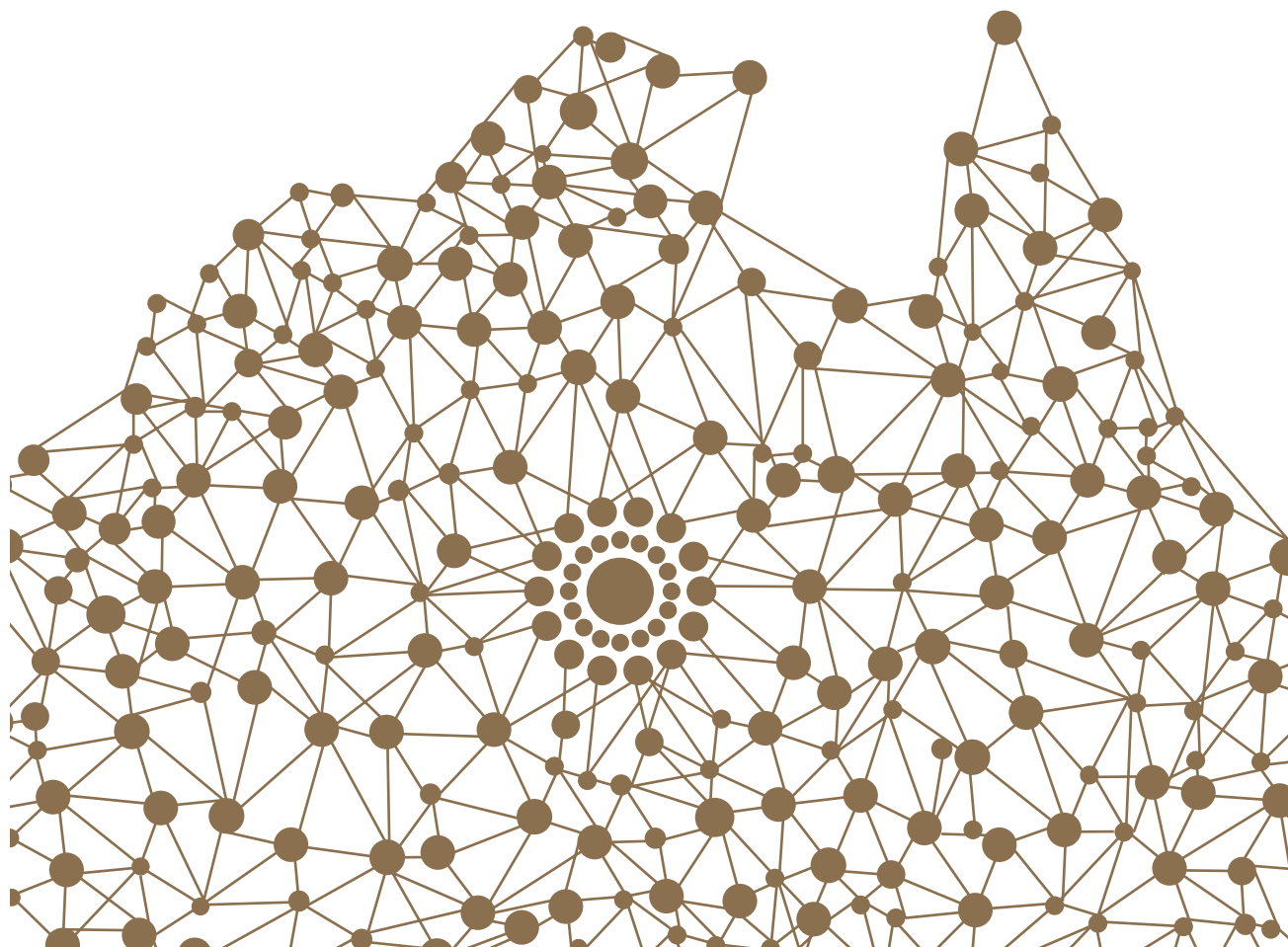
FIGURE 1.1: CORPORATE PLAN 2016-20 STRATEGIC PRIORITIES MAPPED TO 2016-17 PORTFOLIO BUDGET STATEMENTS OBJECTIVES

<p>PURPOSES</p> <p>1. SUPPORTING THE PRIME MINISTER AS THE HEAD OF THE AUSTRALIAN GOVERNMENT AND THE CABINET</p> <p>2. PROVIDING ADVICE ON MAJOR DOMESTIC POLICY AND NATIONAL SECURITY MATTERS</p>	
<p>Outcome 1</p> <p>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>Program 1.1 The Prime Minister and Cabinet</p>
<p>PURPOSE</p> <p>3. IMPROVING THE LIVES OF INDIGENOUS AUSTRALIANS</p>	
<p>Outcome 2</p> <p>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.</p>	
	<p>Program 2.1 Indigenous Advancement - Jobs, Land and Economy</p>
	<p>Program 2.2 Indigenous Advancement - Children and Schooling</p>
	<p>Program 2.3 Indigenous Advancement - Safety and Wellbeing</p>
	<p>Program 2.4 Indigenous Advancement - Culture and Capability</p>
	<p>Program 2.5 Remote Australia Strategies</p>
	<p>Program 2.6 Program Support</p>

PART 2

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 2016-17 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 PGPA 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.

Signed



Dr Martin Parkinson AC PSM

The Department has three purposes:

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

This performance statement reports the achievement of the Department against

these purposes through meeting key performance indicators (KPIs) identified in the Department's Corporate Plan 2016-2020.

These achievements also deliver Outcomes 1 and 2 for the Department in the Australian Government Portfolio Budget Statements 2016-17 and Portfolio Additional Estimates Statements 2016-17.

Results for Purposes 1 and 2 are reported together (refer Table 1), followed by results for Purpose 3 (refer Table 13).

RESULTS: SUPPORTING AND ADVISING THE PRIME MINISTER AND CABINET

Table 1 provides a summary of the Department's performance in supporting the Prime Minister as the head of the Australian Government and Cabinet and providing advice on major domestic policy and national security matters (Purposes 1 and 2). The results are listed against the relevant

activity, KPI and measurement from the Corporate Plan 2016-20.

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

TABLE 1: PERFORMANCE RESULTS FOR PURPOSES 1 AND 2

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Policy advice			Achieved
<p>Provide high-quality and timely advice on domestic, international and national security developments to support the Prime Minister, portfolio ministers, the Cabinet, assistant ministers and the Executive.</p>	<p>The Prime Minister, portfolio ministers, the Cabinet, assistant ministers and the Executive are satisfied with the quality and timeliness of advice and support provided.</p> <p>Demonstrate an understanding of policy issues and provide a whole-of-government perspective.</p>	<p>Feedback from the Prime Minister, portfolio ministers, the Cabinet, assistant ministers, ministerial offices and the Executive shows a high level of satisfaction with the quality and timeliness of advice and support provided.</p> <p>Qualitative assessment of a sample of activities using case studies, independent panels or providers.</p> <p>Responses to requests for briefs are delivered within the agreed timelines.</p> <p>Policy review projects are delivered within the agreed timeframes.</p>	<p>Survey responses supported a high level of satisfaction with the quality and timeliness of advice and support provided.</p> <p>Case studies: ▲ Chinese Premier Li Keqiang visits Australia.</p> <p>88% of briefs delivered within agreed timelines.</p> <p>This measure is included in the timelines of the briefs responses above.</p>
Collaboration			Achieved
<p>Working directly or indirectly with other agencies and external parties to strengthen relationships.</p> <p>Build partnerships that influence domestic and international dialogue to influence policy decisions and outcomes.</p> <p>Provide leadership to the Australian Public Service in relation to government decisions, policies and strategic priorities.</p>	<p>Support timely, relevant and effective collaborations across government and external parties.</p>	<p>Qualitative assessment of a sample of activities using case studies, independent panels or providers.</p> <p>Feedback from external stakeholders to demonstrate effective collaboration between the Department and another party on a specific policy decision or outcome.</p>	<p>Case studies: ▲ Tropical Cyclone Debbie ▲ Smart Cities/Future Ready ▲ Data Integration Partnership for Australia.</p> <p>Survey responses supported effective collaboration.</p>

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Support and advice¹			Achieved
<p>Support to the Prime Minister, portfolio ministers, the Cabinet, assistant ministers and the former Governors-General and their offices.</p> <p>Advice to stakeholders on the matters outlined in the Administrative Arrangements Order.</p>	Internal and external stakeholders are satisfied with the quality, relevance and timeliness of the advice and support provided by the Department.	<p>Feedback from key internal and external stakeholders to demonstrate a high level of satisfaction with the quality and timeliness of advice and support provided.</p> <p>Responses to requests for advice are delivered within the agreed timelines.</p>	<p>Survey responses supported a high level of satisfaction with the quality and timeliness of advice and support provided.</p> <p>88% of requests delivered within agreed timelines.</p>
Policy coordination			Achieved
<p>Coordinate the responses and contributions to government policies to assist in shaping their development.</p> <p>Evaluation of, and timely reporting to, government on the impact of government decisions in line with agreed overall outcomes.</p>	Coordinate and contribute to timely and effective policy development across government.	Qualitative assessment of a sample of activities using case studies, independent panels or providers.	<p>Case studies:</p> <ul style="list-style-type: none"> ▲ Centre for Counter-Terrorism Coordination ▲ COAG National Summit on Reducing Violence against Women and their Children.
Monitoring and implementation			Achieved
<p>Develop policies and strategies in line with government priorities.</p> <p>Monitor and oversee the implementation of key government initiatives, policies, program and reform agendas.</p>	Actively monitor and support the timely development and implementation of government policies and initiatives.	Qualitative assessment of a sample of activities using case studies, independent panels or providers.	<p>Case studies:</p> <ul style="list-style-type: none"> ▲ Cyber Security Action Plan ▲ Enhanced Transparency and Accountability.
<p>Notes:</p> <p>¹ The Corporate Plan 2016-20 included the following measure – benchmarking the quality of support functions against organisations with similar support roles every three years to assess overall performance – with the intention of first reporting in 2018-19. This measure has been removed as quality is assessed through a survey of stakeholders and there are no organisations with comparable roles with appropriate publically available data. [Source: Corporate Plan 2016-20, pp. 6-8 and PBS 2016-17 Outcome 1, Program 1.1]</p>			

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Secretariat Services			Achieved
Undertake administrative duties, maintain records and perform all 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>Timeframes in relation to the submission of papers, circulating minutes from meetings and addressing action items are met.</p> <p>Timeframes in relation to the lodgement and circulation of Cabinet submissions, including memorandums are met.</p>	<p>Survey responses supported a high level of satisfaction with the timeliness and accuracy of the functions delivered.</p> <p>Data is available to measure the time to circulate minutes, which is less than five business days.</p> <p>At least 86% of Cabinet and Cabinet Committee Minutes were submitted for approval within 24 hours, while 97.4% of Federal Executive Council papers were lodged within the timeframe.</p>
Events			Achieved
<p>Coordinate the planning arrangements for upcoming events including:</p> <ul style="list-style-type: none"> ▲ the Prime Minister's overseas visits and official visits by Heads of State and Heads of Government ▲ major events and ceremonies. 	Provide timely, relevant and accurate advice to support the coordination of major events, visits and ceremonies domestically and internationally.	<p>100% of the events planned were delivered within the agreed timeframes.</p> <p>Feedback from stakeholders associated with the event demonstrates a high level of satisfaction with the relevance and accuracy of the advice associated with the planning of the event.</p>	<p>All events were delivered within agreed timeframes.</p> <p>Survey responses supported a high level of satisfaction with the relevance and accuracy of the advice associated with the planning of the event.</p>

PORTFOLIO BUDGET STATEMENTS

Outcome 1: 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.

TABLE 2: PERFORMANCE RESULTS FOR PROGRAM 1.1

PROGRAM	PERFORMANCE CRITERIA	TARGET	RESULT
1.1 Prime Minister and Cabinet	<ul style="list-style-type: none"> ▲ Quality and timely policy advice, support and services to the Prime Minister, the Cabinet and key stakeholders. ▲ Effective public sector leadership, coordination and monitoring of responses to government decisions, policies and strategic priorities. 	Positive change in stakeholder feedback (by 2017).	Achieved

TABLE 3: POLICY ADVICE

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Policy advice			
Provide high-quality and timely advice on domestic, international and national security developments to support the Prime Minister, portfolio ministers, the Cabinet, assistant ministers and the Executive.	<p>The Prime Minister, portfolio ministers, the Cabinet, assistant ministers and the Executive are satisfied with the quality and timeliness of advice and support provided.</p> <p>Demonstrate an understanding of policy issues and provide a whole-of-government perspective.</p>	<p>Feedback from the Prime Minister, portfolio ministers, the Cabinet, assistant ministers, ministerial offices and the Executive shows a high level of satisfaction with the quality and timeliness of advice and support provided.</p> <p>Qualitative assessment of a sample of activities using case studies, independent panels or providers.</p> <p>Responses to requests for briefs are delivered within the agreed timelines.</p> <p>Policy review projects are delivered within the agreed timeframes.</p>	Achieved

The Department provides advice on domestic, international and national security developments. Feedback from the Prime Minister, portfolio ministers, the Cabinet, assistant ministers, ministerial officers and the Executive indicated satisfaction with the quality and timeliness of advice and support provided by the Department. The majority of stakeholders confirmed that the Department's advice demonstrated an understanding of the policy issues and provided a whole-of-government perspective.

The findings of the stakeholder survey for 2016-17 are supported by case studies and policy advice achievements, including:

- ▲ providing policy advice to the Prime Minister on strategic and major international issues and hosting official guests of government as well as the Prime Minister's international, diplomatic visits to advance foreign policy objectives
- ▲ delivering critical analysis and advice to the Prime Minister on national security policy development and implementation related to defence policy, intelligence policy and information sharing, capability acquisitions, defence estate and operations, border security and immigration policy, law enforcement and transport security policy and crisis and emergency management
- ▲ providing advice to the Prime Minister on the national fiscal outlook and strategy and matters being considered through the 2016-17 Mid-Year Economic and Fiscal Outlook and the 2017-18 Budget
- ▲ providing 2,439 ministerial briefs, of which 2,148 (88 per cent) were delivered within agreed timeframes.

CASE STUDY

Chinese Premier Li Keqiang visits Australia

In March 2017, PM&C coordinated the whole-of-government support to the Prime Minister in the lead up to, and during, Chinese Premier Li Keqiang's visit to Australia. The Department worked with 16 agencies across 14 national, state and territory governments and industry organisations. The visit was important to identify opportunities to expand bilateral trade and investment with Australia's largest, two-way trading partner. A significant outcome was the improved engagement with China in areas of interest to Australia.

PM&C leveraged the expertise and resources of other agencies to negotiate outcomes, deliver products and organise events that supported the Prime Minister to advance Australia's economic and security interests. Premier Li's visit was endorsed as a success by China and Australia and a significant rapport between the two leaders has resulted.

PM&C advice to the Prime Minister facilitated:

- ▲ a Declaration of Intent to review services and investments in the China-Australia Free Trade Agreement
- ▲ a Joint Statement on Inspection and Quarantine Cooperation to boost exports to China of Australian meat products
- ▲ an agreement to establish a High-Level Security Dialogue for regular discussions about security issues (the inaugural Dialogue was held in April 2017 and secured an agreement from China not to conduct or support cyber-enabled theft).



PHOTO 2.1 THE PRIME MINISTER GREETS CHINESE PREMIER LI KEQIANG IN THE PRIME MINISTER'S COURTYARD, PARLIAMENT HOUSE, CANBERRA. PHOTOGRAPHED BY DAVID FOOTE AUSPIC.

TABLE 4: COLLABORATION

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Collaboration			
<p>Working directly or indirectly with other agencies and external parties to strengthen relationships.</p> <p>Build partnerships that influence domestic and international dialogue to influence policy decisions and outcomes.</p> <p>Provide leadership to the Australian Public Service in relation to government decisions, policies and strategic priorities.</p>	<p>Support timely, relevant and effective collaborations across government and external parties.</p>	<p>Qualitative assessment of a sample of activities using case studies, independent panels or providers.</p> <p>Feedback from external stakeholders to demonstrate effective collaboration between the Department and another party on a specific policy decision or outcome.</p>	<p>Achieved</p>

PM&C worked with other agencies to strengthen relationships and build partnerships that influence domestic and international dialogue and policy decisions. The Department also provided leadership to the public sector in relation to government decisions, policies and strategic priorities. The Department used its central position in government to promote effective collaboration across agencies.

The findings of the stakeholder survey for 2016–17 demonstrated that PM&C collaborated effectively with stakeholders. This is supported by case studies and collaboration achievements, including:

- ▲ Australia's first City Deal, Townsville, agreed on 9 December 2016 between the Australian Government, Queensland Government and Townsville City Council to improve job creation and economic growth in Townsville as well as investment in local infrastructure, a revitalised urban centre and a more vibrant and liveable city
- ▲ the Launceston City Deal agreed on 20 April 2017 between the Australian Government, Tasmanian Government and the City of Launceston that includes commitments and targeted investment in the growth of jobs, skills, business, industry and the population by increasing innovation and industry involvement and promoting a healthy Tamar Estuary
- ▲ facilitating international government engagement to share best practice and develop briefings for Singapore and New Zealand roundtable engagements
- ▲ coordinating government legislation programs and supporting the Leader of the House, the Leader of the Government in the Senate and the Manager of Government Business in the Senate to fulfil their parliamentary roles
- ▲ collaborating with government agencies, the OECD and the IMF to put the digital economy measurement challenges and bridging the digital gender divide on the G20 agenda
- ▲ developing the Reducing Pressure on Housing Affordability Plan and convening the inter-departmental committee on housing comprised of the Treasury, the Department of Social Services and the Department of Infrastructure and Regional Development.

CASE STUDY

Tropical Cyclone Debbie

The Australian Government supports states and territories when responding to significant domestic crises. PM&C facilitated the whole-of-government coordination of the preparation for and response to Tropical Cyclone Debbie. The Department worked with Emergency Management Australia, Attorney-General's Department, throughout the event. Nine Australian Government Crisis Committee (AGCC) meetings were convened to plan, coordinate and monitor the significant Commonwealth contribution (daily from 27 March to 3 April and again on 5 April). The AGCC is the mechanism that brings together all relevant Australian Government agencies, primarily in response to domestic crises. The AGCC meetings identified the Commonwealth support required by New South Wales and Queensland authorities and allowed agencies to work together when requesting assistance. Following the event, PM&C conducted a lessons-learned process with AGCC members to capture areas for improvement to enhance future responses to crises.

The Department provided twice-daily updates to the Prime Minister's Office on the progression of the cyclone and the activities that the Australian, Queensland and New South Wales governments

undertook in response. PM&C also provided briefings on significant developments during the response phase. This ensured the Prime Minister remained up-to-date on the evolving crisis and, in turn, was able to provide public information about the situation through his speeches and interviews.

CASE STUDY

Smart Cities and Suburbs Program and Future Ready initiatives

In March 2017, the Australian Government launched the \$50 million Smart Cities and Suburbs Program for urban projects that apply smart technology, data-driven decision-making and people-focused design. The program encourages eligible organisations from local governments, private companies, research organisations and not-for-profit organisations to deliver projects that specifically improve the livability, productivity and sustainability of cities, suburbs and towns.

Future Ready initiatives sit alongside the Smart Cities and Suburbs Program. This allows participating local governments to learn from each other, work with industry, establish partnerships and develop projects ahead of future program rounds. PM&C worked directly with partners on a program of events including masterclasses with experts, cross-sector workshops, themed webinars and a smart cities collaboration space to share information and ideas. As at 30 June 2017, almost 550 representatives from public and private sectors had participated in Future Ready events.

The response to the program has exceeded expectations with more than 170 applications for grant funding received. Local government bodies represent around two-thirds of applicants, while a quarter of applications came from the private sector. The strong interest in the program shows public and private sectors are ready and willing to collaborate and co-invest in smart technology projects.



PHOTO 2.2 TOWNSVILLE CITY DEAL SIGNING, DECEMBER 2016.

The active engagement of stakeholders and partners in the Smart Cities and Suburbs Program and Future Ready are good examples of how policy can be put into action through collaboration. The early success of the program and Future Ready helped PM&C secure an OpenGov Asia Recognition of Excellence award. The award recognises government agencies that have achieved excellence in ICT, working behind the scenes to make government smarter, agile, efficient and transparent.

CASE STUDY

Data Integration Partnership for Australia

PM&C worked with agencies to develop the Data Integration Partnership for Australia (DIPA). The partnership will invest \$130.8 million over three years to

improve Australian Public Service (APS) advice to government on complex policy issues. This is a coordinated, APS-wide approach to maximise the use and value of government data assets and enable faster, cheaper and secure integration of data available to policy makers.

PM&C worked with agencies to agree on aspects of the DIPA, including funding and priorities for a single proposal with several responsible ministers from nine agencies. The government agreed to the proposal as part of the Public Sector Modernisation Fund in the 2017-18 Budget.

PM&C chairs the inter-departmental committee meetings and technical working groups to share information and resolve issues. PM&C built strong relationships with stakeholders to ensure the DIPA meets its objectives.

TABLE 5: SUPPORT AND ADVICE

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Support and advice			
Support to the Prime Minister, portfolio ministers, the Cabinet, assistant ministers 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 provided by the Department.	Feedback from key internal and external stakeholders to demonstrate a high level of satisfaction with the quality and timeliness of advice and support provided.	Achieved
Advice to stakeholders on the matters outlined in the Administrative Arrangements Order.		Responses to requests for advice are delivered within the agreed timelines.	

The findings from the stakeholder survey for 2016-17 demonstrated a high level of satisfaction with the quality and timeliness of the advice and support provided to the Prime Minister, portfolio ministers, the Cabinet, assistant ministers and the former Governors-General and their offices. This is supported by

case studies and support and advice achievements, including:

- ▲ providing thorough advice and support in relation to appointment documents and the swearing in of the Ministry on 18 July 2016 following the election and the ministry changes in January 2017

- ▲ preparing instruments for the opening of the 45th Parliament on 30 August 2016, support for the making of a new Administrative Arrangements Order on 1 September 2016 and the amendments to the Order on 19 July 2016, 27 October 2016 and 13 April 2017
- ▲ establishing the Royal Commission into the Protection and Detention of Children in the Northern Territory
- ▲ providing logistical support to the Prime Minister and advice to the Council of Australian Governments (COAG) meetings on 9 December 2016 and 9 June 2017 as well as to 17 COAG senior officials meetings
- ▲ providing advice to the Prime Minister and other government agencies to shape, influence and deliver government announcements such as the establishment of the Critical Infrastructure Centre, the United States Resettlement Agreement and the Department of Defence Naval Shipbuilding Plan
- ▲ coordinating correspondence, briefings and parliamentary items including the government's legislation program
- ▲ drafting 209 speeches and remarks and 465 written and video messages for delivery by the Prime Minister and portfolio ministers
- ▲ coordinating ministerial briefings and submissions and handling items of ministerial correspondence
- ▲ coordinating parliamentary items between portfolio ministers offices and the Department (refer Table 6)
- ▲ providing 2,439 ministerial briefs, of which 2,148 (88 per cent) were delivered within agreed timeframes.

TABLE 6: PARLIAMENTARY SUPPORT DURING 2016-17

PARLIAMENTARY SUPPORT	2016-17
Parliamentary Questions on Notice	108
Additional Senate Estimates Questions on Notice	173
Budget Estimates Questions on Notice	16
Supplementary Budget Estimates Questions on Notice	152

CASE STUDY

Legislation Handbook

PM&C has responsibility for the Legislation Handbook that provides guidance on the legislation processes, especially those coordinated by PM&C. The handbook outlines the policy approval process for legislation, how to get a bill drafted and matters relating to the introduction and passage of a bill through the Parliament.

This year, PM&C concluded a comprehensive review of the handbook that involved extensive consultation with, and input from, users including the First Parliamentary Counsel, Legislation Liaison Officers and the House and Senate Table Offices. Revisions to the handbook took into account recommendations from the Independent Review of Whole-of-Government Internal Regulation.

The revised handbook was released in February 2017 and is available on the PM&C website. The handbook outlines developments in the legislation process. These include flexibility for departments to approve consequential amendments to legislation within their portfolio (where appropriate) and enables ministers to approve technical amendments that remedy errors or defects in legislation.

TABLE 7: POLICY COORDINATION

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Policy coordination			
Coordinate the responses and contributions to government policies to assist in shaping their development. Evaluation of and timely reporting to government on the impact of government decisions in line with agreed overall outcomes.	Coordinate and contribute to timely and effective policy development across government.	Qualitative assessment of a sample of activities using case studies, independent panels or providers.	Achieved

PM&C contributed to timely and effective policy development across government in 2016-17, as supported by case studies and coordination achievements, including:

- ▲ developing the national counter-terrorism arrangements and the new Australia-New Zealand Counter-Terrorism Committee (ANZCTC) risk framework
- ▲ launching the Third Action Plan of the National Plan to Reduce Violence Against Women and their Children 2010-2022 at the National Summit held in Brisbane in October 2016
- ▲ coordinating meetings including the New Zealand Cyber Policy Dialogue in Wellington, New Zealand on 15-16 December 2016
- ▲ developing the addendum to the National Health Reform Agreement with the Department of Health and states and territories related to Commonwealth funding for public hospitals from 2017-18 to 2019-20. The addendum applied a funding cap, introduced a focus on safety and quality, improved the flow of information and data in the system and incorporated rigorous assurance processes. It was a key element of the government's reform agenda to have a new hospital funding deal in place with all states and territories by 1 July 2017.

- ▲ providing the Prime Minister with comprehensive and timely briefings about Australian Government funding for schools and the impact of proposals on public, independent and Catholic schools. Australian Government funding for schools affects 3.7 million Australian children across 9,400 schools. Successive increases in funding have not seen an improvement in educational outcomes. The 2017-18 Budget announced the Australian Government's position and the passage of the Australian Education Amendment Bill on 23 June 2017 provides certainty of Commonwealth funding for all schools.
- ▲ collaborating across government, with the National Disability Insurance Agency and with state and territory governments (through COAG) to support remedial actions to payment delays experience by the National Disability Insurance Scheme.

CASE STUDY

Centre for Counter-Terrorism Coordination

PM&C, as the Commonwealth Counter-Terrorism Coordinator, co-chairs the ANZCTC. Under the Inter-Governmental Agreement on Australia's National Counter-Terrorism Arrangements, the ANZCTC:

- ▲ provides strategic and policy advice to heads of government and relevant ministers

- ▲ coordinates an effective nationwide counter-terrorism capability
- ▲ maintains effective arrangements for sharing appropriate intelligence and information between relevant agencies in all jurisdictions
- ▲ maintains the National Counter-Terrorism Plan and associated documentation.

In 2016–17, PM&C worked with ANZCTC to implement a Risk Management Framework addressing identified significant areas of risk. The framework enabled focused discussion within the ANZCTC and provided processes for informed decisions on risk mitigation.

In 2016, the Prime Minister requested the Counter-Terrorism Coordinator conduct a review of lessons Australian agencies could learn following terrorist attacks overseas, including in Nice, France and Orlando, USA. The review considered the protection of people in crowded places, the detection of 'lone actors', ways to respond and the possible relationship between mental illness and radicalisation.

The Centre for Counter-Terrorism Coordination worked with state and territory governments, in consultation with the private sector and New Zealand through the ANZCTC, to develop the Strategy for Protecting Crowded Places from Terrorism. The objective is to protect the lives of people working in, using and visiting crowded places.

CASE STUDY

COAG National Summit on Reducing Violence against Women and their Children

The Third Action Plan of the National Plan to Reduce Violence Against Women and their Children 2010-2022 was launched at a national summit held in Brisbane in October 2016. PM&C worked with the Department of Social Services, which has policy ownership of the Third Action Plan, and the Queensland Government, which co-hosted the summit.

Policy discussions were assisted using a digital engagement tool that allowed summit participants to submit questions and share views and experiences through the online platform. The technology coordinated policy development on how to address violence against women. The online platform made it possible for non-attendees to view presentations in real-time and after the summit. Summit content was shared on social media via live streaming and a website that generated 1,500 tweets from 673 individual Twitter contributors with an audience of 2.9 million. The webstream was accessed 1,010 times and 2,748 people visited the website, including 128 online submissions to the summit.

TABLE 8: MONITORING AND IMPLEMENTATION

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Monitoring and implementation			
Develop policies and strategies in line with government priorities. Monitor and oversee the implementation of key government initiatives, policies, program and reform agendas.	Actively monitor and support the timely development and implementation of government policies and initiatives.	Qualitative assessment of a sample of activities using case studies, independent panels or providers.	Achieved



PHOTO 2.3 CULTURAL AND LINGUISTICALLY DIVERSE STAFF NETWORK LAUNCH HELD IN CONJUNCTION WITH AN IFTAR DINNER TO BREAK THE RAMADAN FAST, JUNE 2017.

PM&C monitored and supported the development and implementation of government initiatives, policies, programs and reforms. This is supported by case studies and monitoring and implementation achievements, including:

- ▲ releasing a progress report in April 2017 by the Office of the Cyber Security Special Adviser that assessed the implementation of the four-year Cyber Security Strategy; six of 33 of the actions laid out in the plan had been completed
- ▲ delivering the COAG Performance Dashboard that provides performance monitoring and replaced the annual COAG Performance reports
- ▲ delivering a new Commonwealth payments framework for states and territories to enhance payment accountability and link payments to performance
- ▲ commissioning a review of the National Women's Alliances program that concluded in March 2016 with recommendations implemented in 2016-17, including new grant guidelines and establishing an Alliance to represent women from culturally and linguistically diverse backgrounds
- ▲ working with the Department of Defence and other government agencies to finalise the Naval Shipbuilding Plan in May 2017 to establish new naval capabilities including submarines, surface combatants and naval patrol vessels, as well as investment in new shipyard infrastructure
- ▲ implementing the Australian Government Regulator Performance Framework to improve regulatory quality
- ▲ working with the Department of Defence and other agencies to implement the Defence White Paper and the First Principles Review.

CASE STUDY

The Cyber Security Action Plan

In April 2017, the Office of the Cyber Security Special Adviser released a progress report on the implementation of the four-year Cyber Security Strategy and its action plan. After 12 months, six of the 33 actions in the plan had been completed. PM&C worked with agencies to progress the whole-of-government response. The outcomes include Prime Ministerial Roundtables with the private sector, cyber security appointments in government, the opening of the Joint Cyber Security



PHOTO 2.4 CYBER CHALLENGE AWARD WINNERS, MAY 2017.

Centre in Brisbane and establishing the Australian Cyber Security Growth Network and completion of a cyber security ‘health check’ by ASX-100 companies.

The Joint Cyber Security Centre in Brisbane allows government agencies and the private sector to co-locate to tackle common cyber threats when the need arises. Additional centres are planned to open in Sydney, Melbourne and Perth during 2017.

CASE STUDY

Enhanced Transparency and Accountability

The Australian Government provides more than \$55 billion per annum in payments to the states and territories for specific purposes. Given the size of these payments and the important policy objectives, services and projects they are intended to deliver, it is important this money is spent effectively and that the states and territories are accountable for their performance. PM&C enhanced the transparency and accountability of these financial arrangements through two key initiatives.

- ▲ PM&C delivered the COAG Performance Dashboard, which replaced the previous annual COAG Performance reports. The Dashboard provides an overview of the performance of Australian governments in achieving COAG commitments against a range of economic, health and social indicators. The new format provides visual representation of data, explanatory text and access to raw data for benchmarks and indicators in national agreements and significant national partnerships. The interactive dashboard allows users to view outcomes by policy area and jurisdiction and to compare outcomes.
- ▲ PM&C developed a new framework for Commonwealth payments to improve accountability of the states and territories and link payments to performance. This increased transparency of the outputs and outcomes through improved public performance reporting and supported consistency in payments through increased Cabinet oversight.

TABLE 9: SECRETARIAT SERVICES

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Secretariat services			
Undertake administrative duties, maintain records and perform all 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.	Feedback from boards, committees and councils demonstrates a high level of satisfaction with the timeliness and accuracy of the functions delivered. Timeframes in relation to the submission of papers, circulating minutes from meetings and addressing action items are met. Timeframes in relation to the lodgement and circulation of Cabinet submissions, including memorandums are met.	Achieved

PM&C provides secretariat services to the Cabinet, the Executive Council and COAG. The findings from the stakeholder survey for 2016-17 showed good levels of satisfaction with the timeliness and accuracy of secretariat functions delivered by the Department.

Timeframes in relation to the submission of papers, circulating minutes and addressing action items have been met by the Department.

Achievement is supported by case studies and the provision of secretariat services, including:

- ▲ supporting the Prime Minister, the Cabinet Secretary, the Minister Assisting the Prime Minister for Cabinet and the chairs of Cabinet committees by facilitating the smooth and efficient conduct of 157 Cabinet and committee meetings
- ▲ supporting the final executive decision-making by the Governor-General in Council through the organisation, coordination and administration of 28 Federal Executive Council meetings
- ▲ organising meetings and assisting the Cabinet to update templates and streamline processes, including publication of a revised Cabinet Handbook that included training, in partnership with the Australian Public Service Commissioner (APSC), to 578 staff on producing quality products for Cabinet, taking the total of APS staff who have been trained to 1,019.

TABLE 10: CABINET SERVICES SUPPLIED IN 2016-17

SERVICES	2016-17
Cabinet and Committee meetings supported	157
Cabinet Submissions lodged and circulated	576
Cabinet and Committee minutes released	1,078
Federal Executive Council meetings supported	28
Federal Executive Council documents lodged and circulated	453

CASE STUDY

CabNet Improvement Program

CabNet is a critical whole-of-government IT system that facilitates the flow of Cabinet information and supports the running of Cabinet and committee meetings. The system was built in the 1990s and was designed to support paper-based processes.

PM&C established the CabNet Improvement Program to transform the way the APS

supports the Cabinet process. We are replacing the CabNet system over the coming years with modern technology, using an agile approach that is responsive to changing business needs. The solutions being delivered will improve the way Cabinet information is produced, distributed and consumed across government. Immediate benefits being realised from the project include faster and more flexible access to Protected Cabinet material, and improved security through electronic tracking.

TABLE 11: EVENTS

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Events			
Coordinate the planning arrangements for upcoming events including: <ul style="list-style-type: none"> ▲ the Prime Minister's overseas visits and official visits by Heads of State and Heads of Government ▲ major events and ceremonies. 	Provide timely, relevant and accurate advice to support the coordination of major events, visits and ceremonies domestically and internationally.	100% of the events planned were delivered within the agreed timeframes. Feedback from stakeholders associated with the event demonstrates a high level of satisfaction with the relevance and accuracy of the advice associated with the planning of the event.	Achieved

PM&C plays a central role in planning and delivering events, including management of official visits by guests of government including Heads of State and Heads of Government. This includes delivery of major events, ceremonies and state occasions and coordination of logistical and administrative arrangements for the Prime Minister's overseas travel.

Feedback from stakeholders associated with these events indicated a high level of satisfaction with the relevance and accuracy of the advice provided. All planned events were delivered within the agreed timeframes.

In 2016-17, the Prime Minister undertook important overseas visits to participate in

multilateral fora and to advance Australia's international bilateral relationships. In September 2016, the Prime Minister met with the President of the People's Republic of China, His Excellency Mr Xi Jinping, at the Hangzhou G20 meeting. In May 2017, the Prime Minister met with the President of the United States of America, the Honorable Donald J. Trump in New York at the commemorative events for the 75th Anniversary of the Battle of the Coral Sea. Major bilateral visits were made to New Zealand, Papua New Guinea and India as well as to the Middle East, including:

- ▲ Laos (East Asia Summit) and the Federated States of Micronesia (Pacific Islands Forum), 3-10 September 2016

- ▲ United States of America (United Nations General Assembly and Washington), 16-25 September 2016
- ▲ Peru (Asia-Pacific Economic Cooperation Forum), 17-22 November 2016
- ▲ New Zealand, 17-18 February 2017
- ▲ Indonesia (Indian Ocean Rim Association), 6-8 March 2017
- ▲ Papua New Guinea and India, 7-13 April 2017
- ▲ Middle East, 22-26 April 2017
- ▲ United States of America, 3-7 May 2017
- ▲ Singapore (Shangri La Dialogue), 1-4 June 2017.

This year there has been a significant level of international engagement with Australia; an increase of approximately 50 per cent on recent yearly averages. PM&C successfully delivered 25 guest-of-government visits to Australia. These major visits involve significant media liaison and coordination with the official establishments, including:

- ▲ Heads of State from Afghanistan, Indonesia, Jordan, Nauru, the Netherlands and Sri Lanka
- ▲ Heads of Government from China, Israel, Japan, Singapore and Sri Lanka
- ▲ Vice Presidents from the United States of America
- ▲ Ministers from Vietnam, China, Singapore, Malaysia and the United States of America.



PHOTO 2.5 JAPANESE PRIME MINISTER SHINZO ABE AND THE PRIME MINISTER DELIVER A JOINT MEDIA STATEMENT AT KIRRIBILLI HOUSE, SYDNEY, 14 JANUARY 2017. PHOTOGRAPHED BY MICHAEL MASTERS AUSPIC.

Other guests of government whose visits were supported or funded by PM&C include the Chairman of the China National Tourism Administration, the President of the Asian Infrastructure Investment Bank and, as part of visits for the Australia-United States Ministerial Consultations, the Chairman of the US Joint Chiefs of Staff and the Commander of the US Pacific Command.

PM&C managed 102 airport facilitations for Heads of State and Heads of Government and conducted 34 events, including two COAG meetings (refer Table 12).

TABLE 12: SUMMARY OF CEREMONIAL AND HOSPITALITY SERVICES

SERVICES	2016-17
Prime Minister's overseas visits	
Visits made	9
Nations visited ¹	13
Total duration of visits (whole or part days)	50
Official visits to Australia by guests of the Australian Government	
Heads of State	6
Heads of Government	5
Ministers	10
Other guests	4
Total visits excluding airport facilitations	25
Airport facilitations ²	102
Events	
State funeral and memorial services (including national memorial services)	1
Address to Parliament	1
Guest-of-government hospitality	19
Additional events	13
Total events	34
Notes:	
¹ Nations may be visited more than once in a given year.	
² Airport facilitation involved coordinating airport and border control procedures and greeting Heads of State and Heads of Government on international arrival and departure for private or transit visits. The facilitation is undertaken by part-time visit officers.	

RESULTS: IMPROVING THE LIVES OF INDIGENOUS AUSTRALIANS

PM&C is responsible for policy related to Indigenous affairs and delivers the Indigenous Advancement Strategy (IAS) to improve the lives of Indigenous Australians (Purpose 3).

Table 13 provides a summary of results listed against the relevant activity, KPI and measurement from the Corporate Plan 2016-20.

TABLE 13: PERFORMANCE RESULTS FOR PURPOSE 3

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Policy advice			Achieved
Provide high-quality and timely advice on Indigenous affairs to support the Prime Minister, Minister for Indigenous Affairs, assistant ministers, the Cabinet and the Executive.	The Prime Minister, Minister for Indigenous Affairs, assistant ministers, the Cabinet and the Executive are satisfied with the quality and timeliness of advice and support provided.	<p>Feedback from the Prime Minister, Minister for Indigenous Affairs, assistant ministers, the Cabinet, ministerial offices and the Executive shows a high level of satisfaction with the quality and timeliness of advice and support provided.</p> <p>Qualitative assessment of a sample of activities using case studies, independent panels or providers.</p> <p>Responses to requests for briefs are delivered within the agreed timelines.</p> <p>Policy review projects are delivered within the agreed timeframes.</p>	<p>Survey responses supported a high level of satisfaction with the quality and timeliness of advice and support provided.</p> <p>Case studies: ▲ Prime Minister's Closing the Gap Report.</p> <p>86% of briefs delivered within agreed timelines.</p> <p>This measure is included in the timelines of the briefs responses above.</p>

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Collaboration			Achieved
<p>Working directly or indirectly with other agencies and external parties to strengthen relationships and drive whole-of-government effort in Indigenous affairs.</p> <p>Building partnerships that strengthen our engagement with Aboriginal and Torres Strait Islander communities, leaders and stakeholders to facilitate holistic place-based responses, support policy decisions and program outcomes.</p> <p>Provide leadership to the APS in relation to government decisions, policies and strategic priorities that affect Aboriginal and Torres Strait Islander peoples.</p>	<p>Key agencies and external stakeholders are satisfied with the timeliness, relevance and effectiveness of our collaborations across government and with Aboriginal and Torres Strait Islander people.</p>	<p>Qualitative assessment of a sample of activities using case studies, independent panels or providers.</p> <p>Feedback from external stakeholders to demonstrate effective collaboration between the Department and another party on a specific policy decision or outcome.</p>	<p>Case studies:</p> <ul style="list-style-type: none"> ▲ 1967 Referendum and Mabo Decision anniversaries. <p>Survey responses supported effective collaboration with external stakeholders.</p>
Support and advice			Achieved
<p>Support to the Prime Minister, Minister for Indigenous Affairs, portfolio ministers and assistant ministers and their offices.</p> <p>Advice to stakeholders on the matters outlined in the Administrative Arrangements Order.</p>	<p>Internal and external stakeholders are satisfied with the quality, relevance and timeliness of the advice and support provided by the Department.</p>	<p>Feedback from key internal and external stakeholders to demonstrate a high level of satisfaction with the quality and timeliness of advice and support provided.</p> <p>Qualitative assessment of a sample of activities using case studies, independent panels or providers.</p>	<p>Survey responses supported a high level of satisfaction with the quality and timeliness of advice and support provided.</p> <p>Case studies:</p> <ul style="list-style-type: none"> ▲ Indigenous Procurement Policy ▲ Regional Network support for VIP visits.

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Policy coordination			Achieved
<p>Coordinate submissions, responses, impacts and contributions to government policies to assist in shaping their development.</p>	<p>Coordinate and contribute to timely and effective policy development across government.</p>	<p>Qualitative assessment of a sample of activities using case studies, independent panels or providers.</p>	<p>Case study: <ul style="list-style-type: none"> ▲ Northern Australia Indigenous Engagement. </p>
Monitoring and implementation (program delivery)			Achieved
<p>Design and deliver key government Indigenous affairs initiatives, policies, programs, national agreements and reform agendas, including those under the IAS programs:</p> <ul style="list-style-type: none"> ▲ Jobs, Land and Economy ▲ Children Schooling ▲ Safety and Wellbeing ▲ Culture and Capability ▲ Remote Australia Strategies. <p>Drive and oversee whole-of-government effort to improve the effectiveness of mainstream program delivery for Indigenous Australians.</p>	<p>Actively monitor and support timely development and implementation of government policies and programs.</p> <p>Improved outcomes for Indigenous Australians from IAS activities in key areas such as education, employment, community safety and wellbeing and economic development.</p> <p>Improved delivery of mainstream programs for Indigenous Australians.</p>	<p>Qualitative and quantitative assessment of a sample of IAS grants and activities.</p> <p>Feedback from stakeholders on extent of collaboration across government to deliver outcomes for Indigenous Australians.</p>	<p>Case studies: <ul style="list-style-type: none"> ▲ Remote School Attendance Strategy ▲ Work experience in government ▲ ORIC. <p>Survey responses supported effective collaboration with stakeholders.</p> </p>

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Enhancing capability			Not achieved
Strengthen the capability of staff through ongoing training and capacity building activities. Develop and establish evidence based frameworks and tailored strategies to support delivery of programs across the regional network.	Develop, plan and deliver relevant, timely and high-quality training to staff to enhance their capability and effectively deliver on programs and the achievement of policy outcomes.	Qualitative assessment of a sample of activities using case studies, independent panels or providers. Timeframes in relation to the delivery of scheduled training are met. Staff complete all mandatory training. Feedback from staff demonstrates a high level of satisfaction with the relevance, quality and timeliness of training and capacity building support provided by the Department.	Case study: ▲ New ways of learning about old cultures ▲ New Ways of Working. Percentage of staff who completed the mandatory induction program within the timeframes was 13%. Percentage of staff who completed the mandatory induction program was 22%. APSC Census feedback from staff who were moderately positive was around 60%.
Contract management and delivery			Achieved
Promote the government's priorities in Indigenous affairs through provision of funding to selected service providers in a streamlined and flexible manner and managing their performance and capability.	Successfully manage program funding agreements and activities to deliver on program outcomes and support local priorities.	Service providers meet their agreed milestones on time and do not exceed funding arrangements. Qualitative assessment of a sample of activities using case studies, independent panels or providers.	Majority self-assessed as being on track. Case studies: ▲ IAS analysis ▲ CDP Program Management Framework.
[Source: Corporate Plan 2016–20, pp. 9-11 and PBS 2016–17 Outcome 2, Programs 2.1 to 2.6]			

PORTFOLIO BUDGET STATEMENT

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.

TABLE 14: PERFORMANCE RESULTS FOR PROGRAMS 2.1 TO 2.6

PROGRAM	PERFORMANCE CRITERIA	TARGET	RESULT
2.1 Jobs, Land and Economy	Increased Indigenous employment, business and economic development.	Halve the gap in employment outcomes between Indigenous and non-Indigenous Australians within a decade, by 2018. A majority of funded activities within this program met the mandatory KPI on the extent of compliance with Project Agreement terms and conditions by 2017.	Not on track. However, employment outcomes have increased over the period through Indigenous-specific programs. PM&C plays a key role in contributing to this COAG agreed target. Achieved
2.2 Children and Schooling	Increased Indigenous school attendance and improved educational outcomes.	Meeting COAG education targets (two by 2018, one by 2020). A majority of funded activities within this program met the mandatory KPI on the extent of compliance with Project Agreement terms and conditions by 2017.	Not on track Achieved
2.3 Safety and Wellbeing	Reduced levels of offending, violence and substance abuse.	A majority of funded activities within this program met the mandatory KPI on the extent of compliance with Project Agreement terms and conditions by 2017.	Achieved

PROGRAM	PERFORMANCE CRITERIA	TARGET	RESULT
2.4 Culture and Capability	Increased participation of Indigenous people in Australian society and improved capability of Indigenous organisations.	A majority of funded activities within this program met the mandatory KPI on the extent of compliance with Project Agreement terms and conditions by 2017.	Achieved
2.5 Remote Australia Strategies	Investment in local solutions based on community and government priorities.	A majority of funded activities within this program met the mandatory KPI on the extent of compliance with Project Agreement terms and conditions by 2017.	Achieved
2.6 Program Support	Efficient Department support to the five Indigenous Advancement Strategy programs.	Majority of key performance measures in the Corporate Plan are met or are on track by 2017.	Achieved



PHOTO 2.6 SENATOR THE HON NIGEL SCULLION, MINISTER FOR INDIGENOUS AFFAIRS GIVING THE KEYNOTE ADDRESS AT GARMA 2016.

TABLE 15: POLICY ADVICE

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Policy advice			
Provide high-quality and timely advice on Indigenous affairs to support the Prime Minister, Minister for Indigenous Affairs, assistant ministers, the Cabinet and the Executive.	The Prime Minister, Minister for Indigenous Affairs, assistant ministers, the Cabinet and the Executive are satisfied with the quality and timeliness of advice and support provided.	Feedback from the Prime Minister, Minister for Indigenous Affairs, assistant ministers, the Cabinet, ministerial offices and the Executive shows a high level of satisfaction with the quality and timeliness of advice and support provided. Qualitative assessment of a sample of activities using case studies, independent panels or providers. Responses to requests for briefs are delivered within the agreed timelines. Policy review projects are delivered within the agreed timeframes.	Achieved

The Department provides advice on the Closing the Gap policy and programs to improve the lives of Aboriginal and Torres Strait Islander peoples. Feedback from the Prime Minister, Minister for Indigenous Affairs, assistant ministers, the Cabinet, ministerial officers and the Executive shows a high level of satisfaction with the quality and timeliness of advice and support provided by the Department.

This is supported by case studies and key policy advice achievements, including:

- ▲ establishing a taskforce to refresh the Closing the Gap agenda, drawing on expertise from Aboriginal and Torres Strait Islander leaders, organisations and communities and other national, state and territory governments
- ▲ developing the Indigenous Business Sector Strategy to meet the needs of the Indigenous business sector
- ▲ evaluating the impact on remote job seekers of changes to welfare and the National Job Seeker Compliance

Framework to ensure policies are tailored to the circumstances of remote Australia

- ▲ providing advice on the Native Title Amendment (Indigenous Land Use Agreements) Bill 2017 that provides certainty to traditional owners and native title stakeholders
- ▲ undertaking the Remote Housing Review that commenced in November 2016 with the final report completed in May 2017 to evaluate the National Partnerships on Remote Indigenous Housing and the effectiveness of what was delivered
- ▲ finalising the Aboriginal and Torres Strait Islander Health Performance Framework 2017 following a two-year consultation and analysis by the Department and the Australian Health Ministers Advisory Council
- ▲ drafting 1,354 ministerial briefs; 1,162 (86 per cent) of these were delivered within agreed timeframes.

CASE STUDY

Prime Minister's Closing the Gap Report

The Closing the Gap agenda is a priority for all Australian governments. The 2017 Closing the Gap Report was tabled in Parliament by the Prime Minister on 14 February 2017. It was the ninth report to be released since the targets were agreed. The Department worked with its regional network, with other departments and Indigenous business, 33 Creative, to prepare and design the report.

The report showed mixed results, with only one of the seven Closing the Gap targets (Year 12 education attainment) on track. It also showcased real success being achieved by individuals, communities, organisations and government, particularly through community-led solutions.

A website was developed to support the release of the Closing the Gap Report (closingthegap.pmc.gov.au) that provides information, resources and videos that

show progress so far. PM&C provided a platform for ministers to share their experiences and the work under way to improve outcomes for communities in remote areas. This reflects the increased focus on whole-of-government action being led by the Indigenous Policy Committee of Cabinet.

To complement the release of the report, an Indigenous Professionals event celebrated the success and diversity of Aboriginal and Torres Strait Islander people across a range of professions. It highlighted achievements and the importance of education in achieving goals. For those attending the event, it provided opportunities to engage with the Prime Minister and Members of Parliament. The event received overwhelming positive feedback from participants.

In 2018, four of the seven Closing the Gap targets will expire. COAG has agreed to refresh the 10-year-old Closing the Gap agenda to reflect the current needs and aspirations of Aboriginal and Torres Strait Islander peoples.



PHOTO 2.7 STAFF AT THE INAUGURAL PM&C NATIONAL ABORIGINAL AND TORRES STRAIT ISLANDER EMPLOYEE CONFERENCE, JUNE 2017.

The Department has established a taskforce that will draw on the expertise of Aboriginal and Torres Strait Islander leaders, organisations and communities. At the June 2017 COAG meeting, the

Prime Minister presented the beginnings of a strength-based refreshed agenda to improve the prosperity of Aboriginal and Torres Strait Islander peoples. COAG members were supportive of the approach.

TABLE 16: COLLABORATION

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Collaboration			
Working directly or indirectly with other agencies and external parties to strengthen relationships and drive whole-of-government effort in Indigenous affairs.	Key agencies and external stakeholders are satisfied with the timeliness, relevance and effectiveness of our collaborations across government and with Aboriginal and Torres Strait Islander people.	Qualitative assessment of a sample of activities using case studies, independent panels or providers.	Achieved
Building partnerships that strengthen our engagement with Aboriginal and Torres Strait Islander communities, leaders and stakeholders to facilitate holistic place-based responses, support policy decisions and program outcomes. Provide leadership to the APS in relation to government decisions, policies and strategic priorities that affect Aboriginal and Torres Strait Islander people.		Feedback from external stakeholders to demonstrate effective collaboration between the Department and another party on a specific policy decision or outcome.	

The Department supported timely, relevant and effective collaboration across government and with Aboriginal and Torres Strait Islander peoples. Stakeholder feedback showed the Department collaborated satisfactorily with external stakeholders.

This is supported by case studies and key collaborative achievements, including:

- ▲ developing the Indigenous Entrepreneurs Package in consultation with the Prime Minister, Indigenous Affairs Minister and the Indigenous business sector to deliver the first Indigenous Business Sector Strategy
- ▲ collaborating with the community on the NAIDOC Awards and local events grant round, the Commemoration of the 50th anniversary of the 1967 Referendum and the 25th anniversary of the 1992 Mabo Decision events that were all successfully conducted
- ▲ teaming with Northern Territory land councils, the Northern Territory Government and other stakeholders to consider Northern Territory land issues, including future arrangements for the Northern Territory township of Jabiru
- ▲ coordinating, through the Regional Network's South Queensland area, work by all levels of government to respond to the housing concerns in Cunnamulla.

CASE STUDY

Commemoration of the 50th anniversary of the 1967 Referendum and 25th anniversary of the 1992 Mabo Decision

The Department worked with stakeholders to plan commemorations of the 50th anniversary of the 1967 Referendum and 25th anniversary of the 1992 Mabo Decision. The Department worked with Reconciliation Australia and National Congress, as well as consulting Aboriginal and Torres Strait Islander leaders, to achieve endorsement for the commemorations, including holding a leaders forum to discuss commemoration ideas.

The 1967 Referendum resulted in a 90.77 per cent 'yes' vote and enabled the Commonwealth to make laws relating to Aboriginal and Torres Strait Islander peoples and for them to be counted in population figures. Eddie Koiki Mabo led the fight for land rights in the Torres Strait that culminated in the historic decision to acknowledge the traditional rights of the Meriam people, giving rise to the *Native Title Act 1993*.

To mark the anniversary and the start of National Reconciliation Week, the Minister for Indigenous Affairs joined guests at a luncheon in Melbourne organised by the Australian Football League, Reconciliation Australia and Crown Resorts. The event coincided with 'the Long Walk' and the 'Dreamtime at the G' AFL game – the signature event of the AFL's Indigenous round.

The Minister for Indigenous Affairs visited the grave site on Mer Island in the Torres Strait of Eddie Koiki Mabo, the pioneering Indigenous land rights campaigner, as part of celebrations to mark the 25th anniversary of the landmark High Court Mabo Decision. The grave site has been restored as a result of a \$193,000 project.

The Prime Minister addressed Parliament in the presence of surviving campaigners and family representatives of the 1967 Referendum and 1992 Mabo Decision, announcing a \$138 million education package for Aboriginal and Torres Strait Islander peoples.

TABLE 17: SUPPORT AND ADVICE

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Support and advice			
Support to the Prime Minister, Minister for Indigenous Affairs, portfolio ministers and assistant ministers and their offices. Advice to stakeholders on the matters outlined in the Administrative Arrangements Order.	Internal and external stakeholders are satisfied with the quality, relevance and timeliness of the advice and support provided by the Department.	Feedback from key internal and external stakeholders to demonstrate a high level of satisfaction with the quality and timeliness of advice and support provided. Qualitative assessment of a sample of activities using case studies, independent panels or providers.	Achieved

Feedback from the Prime Minister, Minister for Indigenous Affairs, portfolio ministers, assistant ministers and their offices as well as external stakeholders demonstrated a high level of satisfaction with the quality and timeliness of advice and support provided by the Department.

This is supported by case studies and key support and advice achievements, including:

- ▲ increasing the number and value of Commonwealth contracts with Indigenous businesses through the Indigenous Procurement Policy that sets targets for Commonwealth purchasing from Indigenous businesses, as well as minimum requirements for Indigenous employment and supplier use in certain high-value contracts
- ▲ visits to regional and remote locations by internal and external stakeholders facilitated by the Department's Regional Network.

CASE STUDY

Indigenous Procurement Policy

Since the implementation of the Indigenous Procurement Policy on 1 July 2015, Indigenous economic and business development has been stimulated. There has been a substantial increase in the awarding of government contracts to Indigenous businesses. In the first 18 months of policy implementation, 708 businesses have won 2,746 contracts with a total of more than \$434 million, up from \$6 million in the 2012-13 financial year.

Throughout 2016-17, PM&C provided support and advice on the implementation of the policy. This included:

- ▲ advice to the Minister and Prime Minister on bringing forward the 2020 target (three per cent of Commonwealth contracts going to Indigenous businesses) to the current financial year



PHOTO 2.8 INDIGENOUS PROCUREMENT AND BUSINESS MORNING TEA, PARLIAMENT HOUSE, FEBRUARY 2017.

- ▲ advice to buyers in Australian Government departments using cross-agency working groups, the Secretaries Board and correspondence via the indigenous procurement policy mailbox
- ▲ advice to other jurisdictions considering adopting a similar policy
- ▲ support to Indigenous businesses seeking advice on the application of the policy and how to make contact with potential buyers.

CASE STUDY

Regional Network support for VIP visits

The PM&C Regional Network provided comprehensive support for ministerial, diplomatic and other VIP visits during 2016–17, including:

- ▲ visit by the Prime Minister and the Minister for Indigenous Affairs to the Far West Coast and APY Lands from 30 October to 1 November 2016, including
 - to the Ceduna, Koonibba, Scotdesco, Yalata, Fregon and Umuwa communities
- ▲ travel by the Department of Foreign Affairs and Trade officers and foreign diplomats (Papua New Guinea, South Korea and Tuvalu) to the Tiwi Islands in October 2016 to meet with the Tiwi Land Council, Tiwi Islands Regional Councils and community organisations
- ▲ visit by the Governor-General and Lady Cosgrove to the Tiwi Islands in February 2017 as part of top end commemorations for the 75th anniversary of the bombing of Darwin and to recognise the Tiwi contribution to defending Australia and the service by Tiwi people in the army and navy
- ▲ visits by Heads of Mission from India, Nauru and Mongolia to Darwin in March 2017
- ▲ visits by Minister Wyatt to the Kimberley and Minister Scullion to Cape York and the Torres Strait, including to Mer Island in June 2017 for Mabo Day events.



PHOTO 2.9 THE PRIME MINISTER AND SENATOR THE HON NIGEL SCULLION, INDIGENOUS AFFAIRS MINISTER AND RSAS COMMUNITY MEMBERS IN THE APY LANDS, SOUTH AUSTRALIA, OCTOBER 2016.

TABLE 18: POLICY COORDINATION

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Policy coordination			
Coordinate submissions, responses, impacts and contributions to government policies to assist in shaping their development.	Coordinate and contribute to timely and effective policy development across government.	Qualitative assessment of a sample of activities using case studies, independent panels or providers.	Achieved

The Department effectively coordinated submissions and responses and contributed to policy development across government. This is supported by case studies and key coordination achievements, including:

- ▲ assisting the Prime Minister and first ministers of northern jurisdictions to establish a Ministerial Forum on Northern Australia; the first meeting being on engagement with remote communities
- ▲ establishing an inter-departmental committee in response to the Commonwealth Ombudsman’s report on Indigenous language interpreting services that are critical for two-way dialogue between government and non-English speakers
- ▲ partnering with the Department of Foreign Affairs and Trade and representative Aboriginal and Torres Strait Islander peoples to contribute to the United Nations Permanent Forum on Indigenous Issues and the Expert Mechanism on the Rights of Indigenous Peoples.

CASE STUDY

**Northern Australia
Indigenous Engagement**

In June 2017, the Northern Australia Strategic Partnership, consisting of the Prime Minister and first ministers of northern jurisdictions, agreed to establish a Ministerial Forum on Northern Australia. In response to calls from Indigenous leaders for greater engagement, the first Ministerial Forum will be focused on improving engagement with Aboriginal and Torres Strait Islander communities.

In addition, project-specific collaboration is under way to maximise employment and economic development opportunities for traditional owners as a result of the significant Commonwealth investment in northern Australia. For example, the Department is implementing measures under the Our North, Our Future - White Paper on Developing Northern Australia in 2016-17 to create local development, including:

- ▲ initiatives to help Prescribed Bodies Corporates (native title corporations) build their capacity to engage with and attract potential investors
- ▲ land administration and township leasing to enable economic development on communal land in the Northern Territory
- ▲ land tenure pilots to broaden economic activity on communal land.

PM&C is a participant in the Whole-of-Government Inter-Departmental Committee on Northern Australia and is responsible for:

- ▲ reviewing progress and preparing monthly reports on outcomes and risks on Indigenous land-related measures

- ▲ advising on policy issues, government and industry priorities and program risks relevant to Indigenous land-related measures

- ▲ delivering land-related measures and reporting to the inter-departmental committee on policy issues that may be pursued through the Office of Northern Australia or the Strategic Partnership.

TABLE 19: MONITORING AND IMPLEMENTATION (PROGRAM DELIVERY)

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Monitoring and implementation (program delivery)			
Design and deliver key government Indigenous affairs initiatives, policies, programs, national agreements and reform agendas, including those under the IAS programs: <ul style="list-style-type: none"> ▲ Jobs, Land and Economy ▲ Children Schooling ▲ Safety and Wellbeing ▲ Culture and Capability ▲ Remote Australia Strategies. 	Actively monitor and support timely development and implementation of government policies and programs. Improved outcomes for Indigenous Australians from IAS activities in key areas such as education, employment, community safety and wellbeing and economic development.	Qualitative and quantitative assessment of a sample of IAS grants and activities. Feedback from stakeholders on extent of collaboration across government to deliver outcomes for Indigenous Australians.	Achieved
Drive and oversee whole-of-government effort to improve the effectiveness of mainstream program delivery for Indigenous Australians.	Improved delivery of mainstream programs for Indigenous Australians.		

The Department developed and implemented policies and programs for Indigenous Australians including Indigenous affairs initiatives, policies, programs, national agreements and reforms, including those under the IAS programs:

- ▲ Jobs, Land and Economy
- ▲ Children and Schooling
- ▲ Safety and Wellbeing
- ▲ Culture and Capability
- ▲ Remote Australia Strategies.

Feedback from stakeholders indicated the Department needs to collaborate more across government to deliver outcomes for Indigenous Australians. The partial achievement of this indicator is supported by case studies and key coordination achievements, including:

- ▲ renewing the legacy funding arrangements for Indigenous broadcasting
- ▲ finalising three land agreements in the Northern Territory for the communities of Mutitjulu, Binjari and Pirlangimpi to assist decision-making for traditional owners and community members over their land
- ▲ working with providers, schools, communities and state and territory education departments to deliver the Remote School Attendance Strategy to 78 of Australia's lowest performing schools
- ▲ continued implementation of the Community Development Program that supports around 33,000 people each day to find work and to become actively engaged in their communities. Active participation at the end of 2016-17 was 71 per cent. Since the program commenced it has helped job seekers into over 17,300 jobs, and reached more than 5,500 six-month employment outcomes.

CASE STUDY

Remote School Attendance Strategy

The Remote School Attendance Strategy (RSAS) is a key initiative of the Australian Government designed to lift school attendance in selected remote communities across Australia. The strategy commenced in 2014.

COAG includes school attendance as a key Closing the Gap measure and school attendance is a critical part of educational attainment and addressing disadvantage. School attendance and better literacy and numeracy skills improves the life outcomes of children.

Research indicates that lower levels of attendance among Indigenous students account for about 20 per cent of the achievement gap in maths, reading and science between Indigenous and non-Indigenous students. Children who miss school experience significant disruption to their education. A student who misses more than one full day per week on average would lose two years of education over a 10-year period.

In 2016-17, the Department worked with providers, schools, communities and government education agencies to



PHOTO 2.10 THE PRIME MINISTER MEETING ABORIGINAL AND TORRES STRAIT ISLANDER STAFF, FEBRUARY 2017.

implement activities for 14,500 students, employing around 480 Aboriginal and Torres Strait Islander people.

Schools covered by the RSAS have a history of poor student attendance. This is often a symptom of other issues in remote and very remote communities. There have been increases in attendance rates in some of the schools, with the greatest average improvements experienced in schools in Queensland.

As at Semester 1 in 2016, approximately 56 per cent of schools under the RSAS had increased average attendance rates compared with attendance rates in Semester 1 in 2013.

CASE STUDY

Work Experience in Government

In March 2017, 52 Aboriginal and Torres Strait Islander students travelled to Canberra to learn about career opportunities available in the APS. The

Year 11 and 12 students were hosted through the PM&C Work Experience in Government Program (WEX). The students visited Canberra institutions including Parliament House, AIATSIS and the Australian Defence Force Academy, where they met with career advisors and senior APS officers.

Patrick Hedlam, a Bardi Yamajiti young man from Derby in Western Australia said the program is a great opportunity to learn how government works.

'I learned that within the government there are multiple branches you can work in. Even within the defence force there are multiple opportunities, not only working as an officer but in business, in admin and that kind of stuff', Patrick said.

The final event of the four-day experience was a career expo where the students mingled with job advisors from 29 Australian Government Departments and agencies. As they perused the many stalls, they learned about career options and the various Indigenous recruitment programs available.



PHOTO 2.11 THE HORIZONS PROJECT BUILDS RESILIENCE AND PROVIDES SCHOOL STUDENTS WITH THE TOOLS TO FINISH YEAR 12. 'THE HORIZONS CAMP HAS HELPED WITH MY DREAMS, CULTURE, BEING BRAVE, HAVING A GOOD EDUCATION AND BEING PROUD OF MYSELF.' - *HORIZONS PARTICIPANT.*

Ammbigai Muir, a Wongi young woman, said she wanted to be an inspiration to her family in Leonora, north of Kalgoorlie in Western Australia.

'I joined the WEX program because I wanted to develop leadership skills that you need to be a leader and be more confident in public speaking. I learned a lot about being proud of who you are and a lot more history behind Aboriginal people and all the different roles there are in government,' Ammbigai said.

William Bernard, a Yawuru and Nyikina young man from Broome in Western Australia said he wants to join the navy and was glad to receive information about that. Like many students in their last year of school, he hoped his future would be spent doing something he enjoyed and was passionate about.

'I've learned how to become a better leader from my peers and my mentors. I've learned how to work well with a team', William said.

CASE STUDY

Office of the Registrar of Indigenous Corporations

As at 30 June 2017, there were 2,904 registered corporations, including 172 registered native title bodies corporate. This year, 177 new corporations were registered under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act), including 13 transfers of incorporation from other legislation. In 2016-17, 96.5 per cent of corporations met reporting obligations under the CATSI Act. ORIC uses this information to maintain the public Register of Aboriginal and Torres Strait Islander Corporations on its website (www.oric.gov.au). Regular reporting by corporations assists the Registrar to identify corporations at risk of corporate

failure. The rate of reporting compliance has been above 95 per cent since 2010.

Corporations can access advice and support from ORIC. This year, ORIC managed:

- ▲ 10,533 documents and written inquiries
- ▲ 827 complaints involving corporations
- ▲ 24 dispute resolutions involving corporations
- ▲ 9 requests for help to recruit to senior roles via ORIC recruitment assistance
- ▲ 38 corporation vacancy advertisements at no cost via Corporation jobs
- ▲ 20 applications for free legal assistance from some of Australia's leading law firms via LawHelp.

The Registrar also established a temporary regional office in Kununurra to extend local support in regional locations.

In 2016-17, ORIC delivered corporate governance training to 943 people, including directors, members and senior staff from 260 corporations. The training increased the corporate governance knowledge and skills of people in key positions within Aboriginal and Torres Strait Islander corporations. After participating in training, 92 per cent of participants reported a significant or very significant increase in their corporate governance knowledge.

During 2016-17, ORIC completed examinations of the financial health and corporate governance standards of 55 corporations. Of these, 21 were found to be operating well, 26 were required to improve standards, seven had serious findings and one was found to be defunct and referred on for deregistration.

ORIC acted to address governance problems and financial irregularities by:

- ▲ issuing compliance notices to 19 corporations requiring them to rectify less-serious issues
- ▲ appointing special administrators in eight corporations.

Appointing administrators is a unique form of regulatory assistance under the CATSI Act designed to restore good operational order and restructure governance and organisational arrangements. Four special administrations were carried over from 2015-16 and six were completed during 2016-17. These were successfully handed back to the control of members. Six remained in progress as at 30 June 2017.

TABLE 20: ENHANCING CAPABILITY

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Enhancing capability			
Strengthen the capability of staff through ongoing training and capacity building activities. Develop and establish evidence based frameworks and tailored strategies to support delivery of programs across the regional network.	Develop, plan and deliver relevant, timely and high-quality training to staff to enhance their capability and effectively deliver on programs and the achievement of policy outcomes.	Qualitative assessment of a sample of activities using case studies, independent panels or providers. Timeframes in relation to the delivery of scheduled training are met. Staff complete all mandatory training Feedback from staff demonstrates a high level of satisfaction with the relevance, quality and timeliness of training and capacity building support provided by the Department.	Not achieved

However, the Department developed, planned and delivered training to staff including policy design and thinking, grants acquittal, writing skills, presentation skills, strategic thinking, cultural appreciation, understanding and managing funding and working with language interpreters. A comprehensive suite of mandatory training linked to capability of staff at the role level was not fully delivered or monitored in 2016-17.

The 2017 APS Census results indicated that the majority of respondents in the Indigenous Affairs Group (IAG) had access to effective learning and

development opportunities. Over 80 per cent of respondents indicated they take responsibility for their learning and development.

Projects commenced during the reporting period include:

- ▲ the CORE Cultural Learning: Aboriginal and Torres Strait Islander Australia Foundation Course
- ▲ a New Ways of Working pilot project to enhance induction and leadership training for nearly 10 per cent of the IAG's new or promoted staff

- ▲ a draft Regional Network workforce strategy focusing on learning and development to complement departmental initiatives
- ▲ an APS 5 and 6 Capability project to assess learning needs of 60 IAG staff and draft a capability strategy for evidenced-based training
- ▲ training 132 IAG staff on the Indigenous Advancement Strategy Reporting Tool.

CASE STUDY

New Ways of learning about Old Cultures

In September 2016, PM&C rolled out the CORE Cultural Learning: Aboriginal and Torres Strait Islander Australia Foundation Course to its staff. CORE was developed by AIATSIS in partnership with the Department of Social Services and the Department, to strengthen the cultural capability of Commonwealth employees. CORE is an innovative, interactive online course that is contributing to strengthening employee understanding of Aboriginal and Torres Strait Islander peoples' cultures, history and society through learning activities and critical self-reflection. CORE is available

to all staff and has been adopted by more than 40 Commonwealth agencies as a key cultural learning course.

CASE STUDY

New Ways of Working

In May 2017, the Department trialled the New Ways of Working leadership induction project to nearly 10 per cent of the IAG workforce. The three-month program is designed to lift staff capability and position officers to lead and support Indigenous affairs.

The program attracts a cross-section of staff from APS 3 - EL 2 to develop skills that support new ways of working in the areas of leadership and public administration, cultural capability, working with impact and understanding the operational environment of Indigenous affairs.

The program consists of a two-day face-to-face workshop, six and 12-week follow-up workshops, a series of participant and manager facilitated discussions and individual coaching sessions.

Feedback from participants will be used to identify future learning and development opportunities.



PHOTO 2.12 DELEGATES AT THE REFERENDUM COUNCIL'S FIRST NATIONS REGIONAL DIALOGUE AT ROSS RIVER, NORTHERN TERRITORY, APRIL 2017.

TABLE 21: CONTRACT MANAGEMENT AND DELIVERY

ACTIVITIES	KPI	PERFORMANCE MEASURE	RESULT
Contract management and delivery			
Promote the government's priorities in Indigenous affairs through provision of funding to selected service providers in a streamlined and flexible manner and managing their performance and capability.	Successfully manage program funding agreements and activities to deliver on program outcomes and support local priorities.	Service providers meet their agreed milestones on time and do not exceed funding arrangements. Qualitative assessment of a sample of activities using case studies, independent panels or providers.	Achieved

The Department successfully managed program agreements and activities in Indigenous affairs through funding to selected service providers. Service providers generally met their agreed milestones on time and did not exceed funding arrangements.

This is supported by case studies and key contract management and delivery achievements, including:

- ▲ a majority of IAS activities, detailed in PM&C Provider Reports for 2017, met agreed milestones on time and did not exceed funding arrangements
- ▲ delivery of high-quality contract management and service delivery through the CDP Provider Performance Framework for 40 providers who delivered services in 60 regions to over 1,000 remote communities
- ▲ continued implementation of the Children and Schooling Program that supported 780 providers to deliver 920 activities to increase participation of Indigenous children and young people in education activities (including early childhood development, school attendance and post-school transition to other education or employment)

- ▲ continued implementation of the Safety and Wellbeing Program that supported 389 providers to deliver 517 activities to increase levels of community safety and wellbeing in Indigenous communities, to improve levels of physical, emotional and social wellbeing.

CASE STUDY

Analysis of current Indigenous Advancement Strategy performance data

With the exception of some types of employment grants and very small grants, IAS service providers generally report on the progress of individual grant projects every six months.

Performance reporting is based on self-assessment with organisations indicating whether they are 'on track', 'partly on track' or 'off track' against each KPI. There are currently two mandatory KPIs for IAS grant projects.

The results in the six-month performance report to 31 December 2016 (Figure 2.1) show the self-assessment of performance in terms of service provider overall compliance with project agreement terms and conditions (Mandatory KPI 'M2').

Figure 2.1 shows:

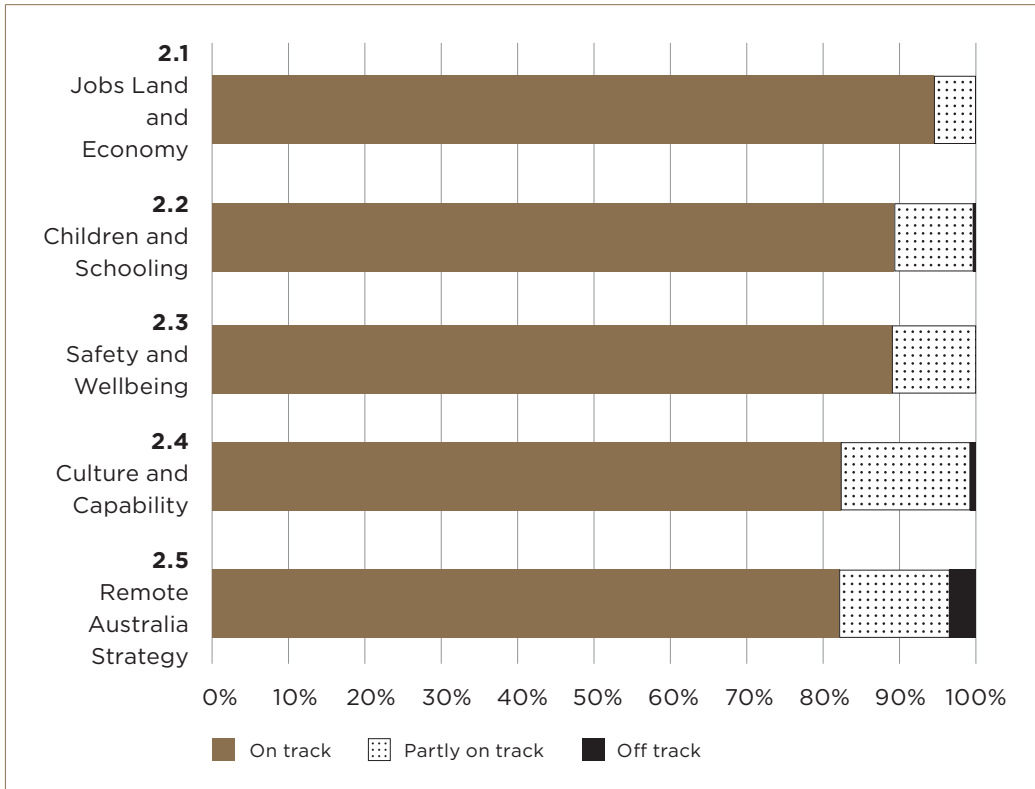
- ▲ the percentage of projects that self-assessed as 'on track' ranged from 82 per cent of Culture and Capability (Program 2.4) and Remote Australia Strategy (Program 2.5) to 94 per cent for Jobs, Land and Economy (Program 2.1)
- ▲ the percentage of projects that self-assessed as 'partly on track' ranged from six per cent of Program 2.1 to 17 per cent for Program 2.4
- ▲ less than one per cent of Program 2.2 projects, one per cent of Program 2.4 projects and four per cent of Program 2.5 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 1,510 IAS projects that submitted performance reports were delivered by 14,401 employees of which:

- ▲ 8,581 (60 per cent) were Aboriginal or Torres Strait Islander
- ▲ 5,820 (40 per cent) were non-Indigenous.

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

FIGURE 2.1: SELF-ASSESSED COMPLIANCE WITH PROJECT AGREEMENT TERMS AND CONDITIONS, BY IAS PROGRAM (ROUND 3)



CASE STUDY

The CDP Program Management Framework (PMF)

The CDP Program Management Framework sets out the Department's approach to performance, compliance and assurance in the delivery of CDP. A regional network of account and contract managers provide contract management, monitoring, support and relationship management across 60 regions and 40 service providers that service around 33,000 job seekers each day across remote Australia.

Using the framework, the Department and providers ensure the CDP delivers program outcomes. The framework also enables

the prompt management of poor provider performance so that appropriate service delivery is maintained.

The Department provided additional funding for high-performing providers. For example, in Galiwin'ku the community received training in 3D printing using recycled plastics. This was delivered through the Arnhem Land Progress Aboriginal Corporation, a CDP provider based in the Northern Territory. Having exposure and skills in 3D printing allowed job seekers to secure local work and contribute to their communities. Using these new skills, one participant who had never used a computer is now the local 3D print technician and a remote digital entrepreneur who has designed and developed a 3D model for Rio Tinto.



PHOTO 2.13 DANIELLA CARLTON AND NATASHA WATERLOO PROVIDED SKETCHES AND PAINTINGS FOR CHILDREN'S BOOKS WRITTEN IN THE KRIOL LANGUAGE, AS PART OF A CDP PROJECT DELIVERED BY ROPER GULF REGIONAL COUNCIL.

ANALYSIS OF PERFORMANCE AGAINST PM&C PURPOSES

Over 2016-17, PM&C achieved its purposes of:

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

In 2016-17, PM&C performed effectively by achieving 16 of the 17 performance criteria in its corporate plan. The Department also achieved 7 of the 9 key performance indicators in its 2016-17 Portfolio Budget Statement.

These achievements illustrate the Department's effective capability and leadership across the public sector. PM&C's work with communities, stakeholders and all areas of government using a whole-of-nation approach delivers high quality and timely policy created in collaboration with stakeholders and implemented in partnership with providers.

The performance criteria, in the Corporate Plan, in relation to Enhancing Capability under Purpose 3 (Improving the lives of Indigenous Australians) was not achieved. The Department did not meet this KPI primarily because Indigenous Affairs Group business processes, including responsibilities of staff in the regional network, were under review in 2016-17. A comprehensive suite of mandatory training linked

to capability of staff at the role level was not fully delivered or monitored in 2016-17. However, the Department developed, planned and delivered training to staff including policy design and thinking, grants acquittal, writing skills, presentation skills, strategic thinking, cultural appreciation, understanding and managing funding and working with language interpreters.

The Department's work is facilitated by the PM&C Capability Framework and complemented by initiatives designed to promote collaboration, innovation and diversity in thinking. For example, Indigenous community secondments allow staff to share expertise with people and organisations in regional and remote Australia while gaining insights about the challenges facing Indigenous organisations. These insights can be applied in policy development and service delivery.

The Department did not achieve all of its key performance indicators in the 2016-17 Portfolio Budget Statement. Program 2.1 (Jobs, Land and Economy) is not on track to halve the gap in employment outcomes between Indigenous and non-Indigenous Australians by 2018. However, employment outcomes have increased over the period through Indigenous-specific programs. Program 2.2 (Children and Schooling) is not on track to meet COAG education targets. The targets for 2018 are to halve the gap in reading, writing and numeracy achievements for Indigenous students, and to close the gap in indigenous school attendance.



PHOTO 2.14 LITERACY FOR LIFE PARTICIPANT NERANELIS COFFEY IN BREWARRINA HAS IMPROVED HER READING AND WRITING AND SHE CAN'T WAIT TO HELP OTHERS. 'I WANT TO READ TO MY FAMILY, ESPECIALLY TO THE CHILDREN. I WANT TO STEP UP AND HAVE CONFIDENCE AND BE EMPOWERED; WITH THESE NEW SKILLS, I CAN.'

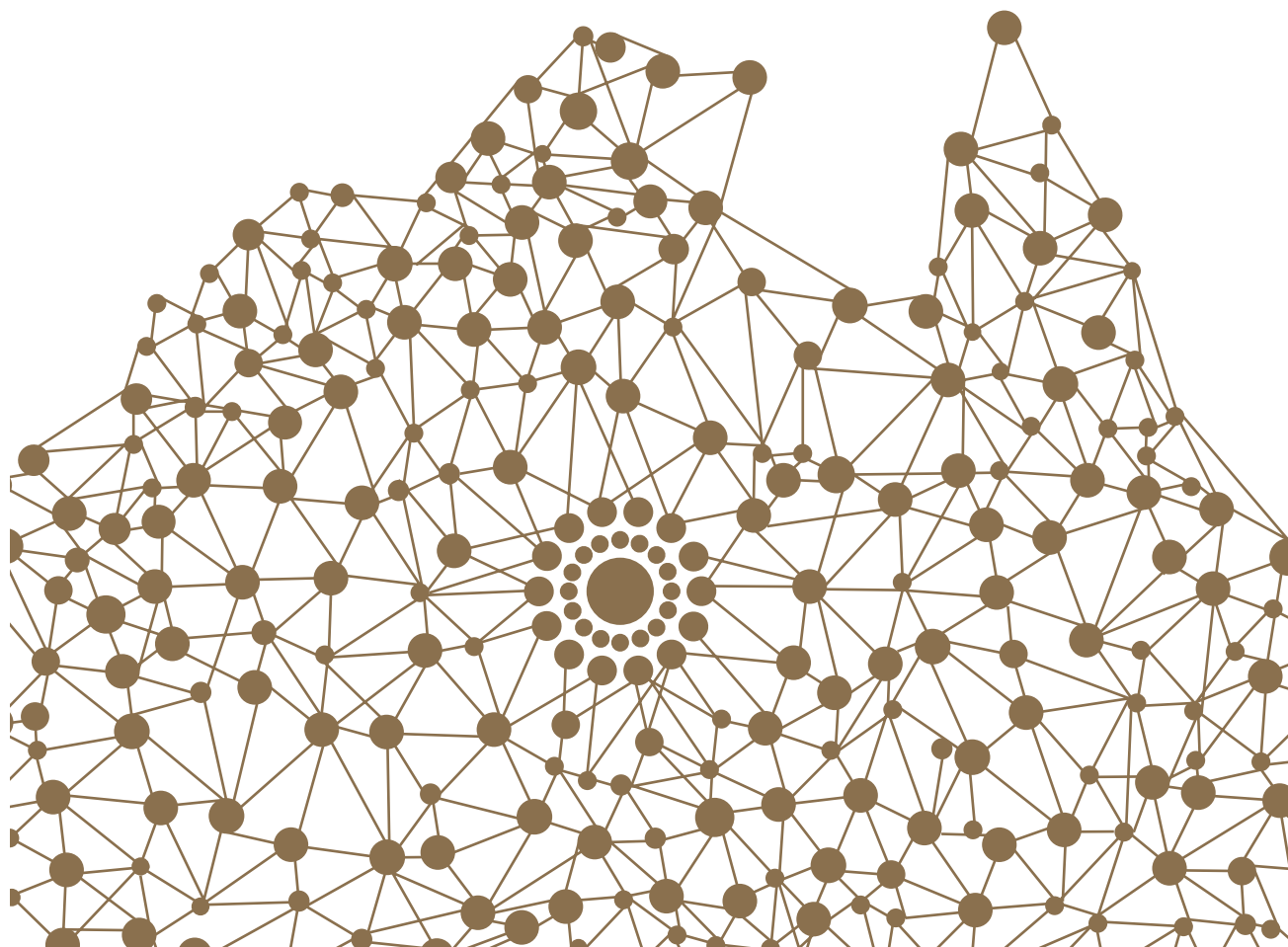
Ahead of the tenth anniversary of Closing the Gap, Commonwealth, state and territory governments have agreed to work together with Aboriginal and Torres Strait Islander organisations and communities, on a refreshed agenda. It will be important to look at what has worked well over the last decade, and where more needs to be done. COAG leaders have welcomed a focus on a strength-

based approach that supports Indigenous advancement. All levels of government will work with Aboriginal and Torres Strait Islander people in genuine partnership over the remainder of 2017 to develop renewed targets that are measurable and meaningful. A Taskforce has been established in the Department of the Prime Minister and Cabinet to progress this important work.

PART 3

MANAGEMENT AND ACCOUNTABILITY

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CORPORATE GOVERNANCE

The Department promotes a culture that encourages and supports all staff to be accountable for their actions and to act with integrity, trust, honesty and respect; commit to excellence; focus on performance; and ensure the efficient and ethical management of people and resources. Elements of the PM&C corporate governance framework include business planning, audit and assurance activities, risk management, fraud prevention

and control, committees, Secretary's Instructions, policies, guidelines and staff performance agreements and assessments.

COMMITTEES

To support the Secretary in the achievement of objectives, the Department maintains a number of committees. These are outlined in Figure 3.1.

FIGURE 3.1: DEPARTMENTAL COMMITTEES AND THEIR PURPOSE

COMMITTEE	PURPOSE
Executive Board	Sets strategic direction for the Department on policy and departmental matters and monitors the Department's performance in delivering its outcomes.
Audit Committee	Provides independent assurance and assistance to the Secretary and the Executive Board on the Department's risk, control and compliance framework and its external accountability responsibilities.
Operations Committee	Considers, oversees and provides advice to the Secretary and the Executive Board on matters relating to departmental operations including, but not limited to, financial management, security, corporate improvement, risk management, information technology and program management.
People Committee	Assists the Secretary when considering matters relating to people, workforce and leadership development, including the People Strategy and the Enterprise Agreement.
Inclusion and Diversity Committee	Promotes inclusion and diversity initiatives and change within the Department. The committee is supported by employee networks such as the Aboriginal and Torres Strait Islander employee network, women's network, LGBTI employee network and disability employee network.

RISK MANAGEMENT

The Department's risk management framework is consistent with the international standard ISO 31000:2009. The framework outlines the Department's approach to effective risk management and is the basis

for integrating risk management into the Department's business activities. Risk is considered in decision-making activities, including policy development and advice; planning and implementing significant projects, procurements, major events and taskforces; outsourcing services; managing contracts; delivering programs; and

providing secretariat and support services. The Audit Committee monitors risks and the implementation of risk treatments.

The Department's Strategic Risk Assessment is informed by feedback from senior managers and the Department's annual internal audit program, as well as by the views of the Operations Committee and Audit Committee members.

Operational risks are assessed at the divisional level as part of business planning processes. Division heads are responsible for the day-to-day management of operational risks and the Executive Board considers biannual divisional reviews.

COMPLAINTS MANAGEMENT

The Department deals with complaints openly, efficiently and fairly through its complaints and feedback system. Complaints and feedback are primarily received through the complaints email address, complaints@pmc.gov.au, and the complaints hotline 02 6271 5688. During 2016-17, 16 external complaints were received compared to 30 complaints in 2015-16.

FRAUD PREVENTION AND CONTROL

The Department's Fraud Control Plan outlines the ways it prevents, detects, investigates and reports fraud. Ongoing fraud risk assessments underpin the plan. The Department's fraud awareness strategy includes induction training for new staff and refresher training for ongoing staff every two years. Training is provided in a number of ways including face-to-face, video conferencing and online e-Learning packages.

The Department takes a zero-tolerance approach to internal fraud and corruption. Allegations involving departmental funds are assessed and appropriately investigated. Risks identified and lessons learned through the investigation are reported to the Compliance Subcommittee, the Audit Committee and the program and network areas. The Department encourages a culture characterised by the highest standards of ethical behaviour.

EXTERNAL SCRUTINY

EXTERNAL AUDIT

During 2016-17, the ANAO reported on two portfolio-specific performance audits being the Indigenous Advancement Strategy and Effectiveness of the Governance of the Northern Land Council. These reports were tabled on 3 February 2017 and 20 June 2017, respectively.

The Department was involved in three multi-portfolio performance audits being Controls over Credit Card Use, Design and Monitoring of the Rural Research and Development for Profit Programme and Corporate Planning in the Australian Public Sector. Final reports were tabled on 31 August 2016, 20 September 2016 and 1 June 2017, respectively.

The ANAO commenced an audit in November 2016 to assess the design process and monitoring arrangements for the National Innovation and Science Agenda. The audit is continuing and the report is due to be tabled in September 2017. An audit is also under way to assess the effectiveness of the transition of the Remote Jobs and Communities Program to the Community Development Program. That report is due to be tabled in September 2017.

JUDICIAL DECISIONS AND OTHER EXTERNAL SCRUTINY

In *Minister for Indigenous Affairs & Anor v MJD Foundation Limited* [2017] FCAFC 37, the Full Federal Court dismissed the Minister's appeal from the judgment in *MJD Foundation Limited v Minister for Indigenous Affairs* [2015] FCA 1172. The Full Federal Court dismissed the appeal on the basis that the minister had no power under the *Aboriginal Land Rights (Northern Territory) Act 1976* (Lands Right Act) to revoke a direction under subsection 64(4) for the payment of funds from the Aboriginals Benefit Account.

In response to the judgment of the Full Federal Court, the Department has updated how it supports the making of a direction under subsection 64(4) of the Lands Right Act for payment of funds from the Aboriginal Benefits Account, and revised its processes for administering payments made as a result of a direction.

The Department was not the subject of any other judicial decisions, or decisions of administrative tribunals or the Australian Information Commissioner during the reporting period that have had, or may have, a significant effect on the Department's operations.

OTHER EXTERNAL SCRUTINY

The Senate Standing Committee on Finance and Public Administration tabled its report on the Operation of the Administrative Arrangements Order, the effectiveness of the division and performance of responsibilities under it, and any other related matters on 23 March 2017. The Department provided a submission to the committee on 20 January 2017 and attended a public hearing on 14 March 2017. The committee made no recommendations. The Assistant Minister to the Prime Minister provided the government's response to the report on 15 June 2017.

Further information and transcripts are available on the Parliament of Australia website (www.aph.gov.au/Parliamentary_Business/Committees/Senate/Finance_and_Public_Administration/AdministrativeOrder).

The Senate Finance and Public Administration References Committee tabled a report on the Commonwealth Indigenous Advancement Strategy tendering processes in March 2016. The government responded to the report in October 2016.

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

The Department is committed to individual and organisational excellence. We recognise the essential contribution that people make to achieving departmental purposes, and the importance of investing in staff capability.

Throughout 2016-17, the Department improved how it supports its staff and culture and develops its capabilities. The Department's transformation agenda sets the framework to create a Department that is adaptive, creative and equipped to meet the evolving needs of Australian society.

Achievements this year include refreshing HR Help to deliver integrated HR services, the creation of an Indigenous HR Team, reviewing processes to better attract, employ, retain and develop Aboriginal and Torres Strait Islander people and streamline the Wellbeing Integration Project to prioritise the safety and wellbeing of staff.

EMPLOYMENT PERFORMANCE

As at 30 June 2017, the Department had 2,276 employees engaged in ongoing functions. This is an increase from 2,141 employees as at 30 June 2016 (see Figure 3.2).

The Department's workforce is 66 per cent female, 59 per cent under 45 years old and 16 per cent identify as Aboriginal or Torres Strait Islander.

PM&C has staff working across Australia with 29 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 Figure 3.3.

FIGURE 3.2: STAFF DISTRIBUTION FIGURES (BASED ON HEADCOUNT)

PM&C FUNCTIONS	NUMBER OF STAFF AT 30 JUNE 2016	NUMBER OF STAFF AT 30 JUNE 2017
Ongoing functions	1,990	2,101
Inoperatives ¹	151	175
Total	2,141	2,276
Notes:		
¹ 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.		

FIGURE 3.3: WORKFORCE PROFILE (BASED ON SUBSTANTIVE HEADCOUNT)

WORKFORCE PROFILE ¹	AT JUNE 2016			AT JUNE 2017		
	ONGOING	NON-ONGOING	TOTAL	ONGOING	NON-ONGOING	TOTAL
Job classification						
Secretary	1	0	1	1	0	1
SES Band 3	8	1	9	8	1	9
SES Band 2	19	1	20	26	1	27
SES Band 1	74	4	78	82	5	87
Executive Level 2	254	7	261	318	8	326
Executive Level 1	641	18	659	661	23	684
APS 4-6	960	53	1,013	978	58	1,036
APS 1-3	59	11	70	44	9	53
Graduate	30	0	30	53	0	53
Total	2,046	95	2,141	2,171	105	2,276
Location						
ACT	1,467	55	1,522	1,556	65	1,621
NSW	89	4	93	99	7	106
NT	234	7	241	240	16	256
QLD	94	8	102	105	5	110
SA	41	8	49	52	2	54
TAS	8	0	8	5	0	5
VIC	26	1	27	29	2	31
WA	87	12	99	85	8	93
Overseas	0	0	0	0	0	0
Total	2,046	95	2,141	2,171	105	2,276
Staff age profile						
Age < 25	53	16	69	60	14	74
Age 25 - 34	591	16	607	610	22	632
Age 35 - 44	548	16	564	607	26	633
Age 45 - 54	534	29	563	540	26	566
Age 55 - 64	289	18	307	315	15	330
Age 65 +	31	0	31	39	2	41
Total	2,046	95	2,141	2,171	105	2,276

WORKFORCE PROFILE ¹	AT JUNE 2016			AT JUNE 2017		
	ONGOING	NON-ONGOING	TOTAL	ONGOING	NON-ONGOING	TOTAL
Equal employment opportunity group participation and workplace arrangements						
Female	1,358	64	1,422	1,440	70	1,510
Non-English speaking background	107	8	115	115	8	123
Aboriginal and Torres Strait Islander	303	25	328	332	22	354
People with a disability	62	2	64	69	1	70
Working part-time	268	14	282	306	22	328
Notes:						
¹ Figures include staff employed in ongoing functions as well as staff who are inoperative and the Secretary.						

INCLUSION AND DIVERSITY

The Department is committed to being a leader in diversity and inclusion across the Australian public sector. We actively build a diverse and inclusive workplace that promotes gender equality and harnesses the skills and experiences of people from all backgrounds. The Department prioritises diversity and inclusion because everyone has the right to feel valued, safe and included at work. Diversity is a proven strength of high-performing teams and organisations.

The Secretary chairs the Secretaries Equality and Diversity Council and is an active member of the Leadership Council on Cultural Diversity and the Male Champion of Change initiative.

Diversity and inclusion initiatives are led by a Deputy Secretary Diversity Champion who is supported by five SES champions:

- ▲ Gender Champion
- ▲ Indigenous Champion
- ▲ Disability Champion
- ▲ Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) Champion
- ▲ Culturally and Linguistically Diverse Champion.

The Department has staff networks for each of its five diversity groups. The staff networks support and celebrate difference and foster ideas for valuing diversity and optimising inclusion. In 2016, the Department established the Inclusion and Diversity Committee (IDC) as a dedicated mechanism to identify and promote inclusion and diversity initiatives and change within the Department. The IDC is chaired by the Secretary and membership includes the Executive Board, Diversity Champions, executive-level representatives from diverse backgrounds and two external representatives.



PHOTO 3.1 PM&C STAFF AT THE WOMEN IN CYBER MENTORING EVENT, AUGUST 2016.

In 2017, the Department developed and published the PM&C Gender Equality Action Plan 2016–19. The plan outlines initiatives designed to break down barriers to attracting, promoting and retaining women and people from diverse backgrounds, cultures and experiences. These initiatives bring benefits to all staff.

Aboriginal and Torres Strait Islander peoples

We respect and celebrate the unique place Aboriginal and Torres Strait Islander peoples hold as our First Peoples. The Reconciliation Action Plan 2015–18 (RAP) sets out the Department’s journey to reconciliation. While the current RAP is an ‘Innovate’ RAP, our vision is to achieve an ‘Elevate’ RAP by 2020; Reconciliation Australia’s highest award. Elevate RAP organisations are among an elite group, leading reconciliation in their sector.

A number of executive-level employees commenced the Department’s Indigenous Talent Management Program Pilot in May 2017. The program focuses on career development and creating effective leaders.

The Department held the first National Aboriginal and Torres Strait Islander Employee Conference in Canberra in June 2017. Conference attendees had opportunities to network and hear from SES Aboriginal and Torres Strait Islander peoples employees. Attendees worked collectively to contribute improvements that the Department might make in matters affecting Aboriginal and Torres Strait Islander peoples.

DOMESTIC AND FAMILY VIOLENCE POLICY

The Department has implemented a number of workplace initiatives designed to assist staff affected by domestic and family violence. We worked towards White Ribbon Workplace Accreditation and the Secretary was appointed as a White Ribbon Ambassador. Through the Secretary's leadership as a Male Champion of Change, the Department plays a leadership role in the Domestic and Family Violence Action Group. We worked with state and territory governments to share knowledge and resources about employer responses to domestic and family violence.

RECRUITMENT

The Department offers a range of entry-level programs for prospective employees.

In 2016-17, the Department ran six specialist recruitment programs:

- ▲ The two-year PM&C Graduate Program had a total of 51 participants; 24 in the 2016 cohort (including one participant recruited through the APS Indigenous Pathways Graduate Programme) and 27 in the 2017 cohort.
- ▲ The Indigenous Australian Government Development Programme had four participants.
- ▲ The Indigenous Apprenticeship Programme had five participants.
- ▲ The Australian Government ICT Graduate Programme had one participant.
- ▲ The PM&C Vacation Employment Programme had six university participants.
- ▲ The Career Starter Programme had two participants.



PHOTO 3.2 MR SCOTT PEARSALL, ASSOCIATE DEAN OF EDUCATION AND ASSOCIATE PROFESSOR OF LAW AT THE UNIVERSITY OF CANBERRA, WHITE RIBBON AMBASSADOR, MS LEANNE CLOSE, DEPUTY SECRETARY, CRIMINAL JUSTICE GROUP, ATTORNEY-GENERAL'S DEPARTMENT AND MR MICHAEL COSTIGAN, CEO OF THE TARA COSTIGAN FOUNDATION AT THE PM&C WHITE RIBBON DAY PANEL EVENT, 25 NOVEMBER 2016.

EMPLOYMENT ARRANGEMENTS

In late June 2017, employees voted in a new enterprise agreement. A total of 81 per cent of eligible employees participated in the vote, with 78 per cent

of those voting 'yes' to the agreement. The PM&C Enterprise Agreement 2017-2020 will replace the terms and conditions of the PM&C Enterprise Agreement 2011-14 and the nine agreements, preserved from the 2013 machinery of government changes. Data on employment arrangements for all departmental staff is provided at Figure 3.4.

FIGURE 3.4: TRENDS IN EMPLOYMENT AGREEMENTS

	2015	2016	2017
Section 24(1) determinations¹			
SES	73	107	117
Non-SES ¹	2	66	89
Section 24(3) determinations²			
SES	31	0	0
Non-SES	1,361	1,115	1,167
Enterprise Agreement			
SES	0	0	0
Non-SES	768	756	816
Individual Flexibility Arrangements			
SES	0	0	0
Non-SES	88	96	86
Total³	2,323	2,140	2,275
Notes:			
¹ Non-SES staff subject to a determination under section 24(3) were offered a determination under section 24(1) in lieu of an Individual Flexibility Arrangement where agreed.			
² Staff transferred to PM&C to give effect to Administrative Arrangements Order made by the Governor-General in Council on 18 September 2013 had all terms and conditions of employment maintained by determinations under section 24(3) of the Public Service Act 1999.			
³ These figures include both ongoing and non-ongoing employees but do not include the Secretary.			

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

Total employee expenditure for 2016-17 was \$251.4 million, a decrease of \$18.4 million from the previous year.

FIGURE 3.5: TRENDS IN BASE SALARY

TRENDS AT 30 JUNE	30 JUNE 2015		30 JUNE 2016		30 JUNE 2017	
	MIN	MAX	MIN	MAX	MIN	MAX
APS 1-3	41,049	62,837	41,049	62,837	45,704	62,837
APS 4-6	60,428	100,095	60,428	100,095	61,288	97,137
EL1	93,975	128,287	93,975	128,287	96,266	125,486
EL2	111,677	156,138	111,677	156,138	112,992	157,760
SES Band 1	151,933	202,385	154,971	214,451	160,679	214,451
SES Band 2	204,248	260,000	225,044	315,000	225,044	315,000
SES Band 3	300,000	367,719	306,000	371,280	306,000	371,280
Secretary	The Secretary's remuneration is determined by the Remuneration Tribunal.					
Notes: Data sourced from enterprise agreements, section 24(1) determinations and Individual Flexibility Arrangements covering the Department's workforce.						

Performance pay and other benefits

Employees may access a range of salary sacrifice benefits including additional superannuation and leased motor vehicles. In 2016-17, three employees received performance bonuses under Individual Flexibility Arrangements as part of their enterprise agreement. To avoid disclosing personal information bonus figures have not been published.

PERFORMANCE MANAGEMENT FRAMEWORK

During the year, the Department supported supervisors to improve the performance of their teams to achieve departmental outcomes. This resulted in improved performance conversations throughout the year. The Department developed and implemented a Senior Executive Service Performance Framework providing a holistic approach to performance, remuneration and mobility.

LEARNING AND DEVELOPMENT

In 2016-17, the Department delivered 186 face-to-face learning sessions to employees Australia-wide, based around the core themes of critical thinking, design thinking, writing skills, management capability and fostering high performance. Priority skills training comprising fostering innovation, diversity and inclusion, working smarter and domestic violence training for managers were also offered.

Leadership development across all staff levels remained a focus during 2016-17. Employees were encouraged to access formal and experiential leadership development opportunities such as APS development programs, seminars and conferences, mobility placements, high-profile scholarships and coaching and mentoring partnerships. Employees identified as high-performing and high-potential were offered specialised leadership and talent development opportunities.

In 2016–17, the Department provided interactive, accessible and self-paced digital learning covering induction, compliance, leadership, management and training in the use of business information technology applications.

The Department's Coaching Service was refreshed and provided tailored one-to-one professional advice to over 100 employees.

The Department's study assistance scheme allowed employees to complete relevant tertiary study to improve their professional skills and knowledge. In 2016–17, 257 employees received study assistance via paid study leave and financial assistance to undertake tertiary education.

WORK HEALTH AND SAFETY

Initiatives and outcomes

The Department maintains a strong commitment to the health and wellbeing of all employees and visitors. During the reporting period, the Department undertook initiatives ensuring the health, safety and welfare of workers and achieved some good health and safety outcomes as a result. An audit by Comcare into the Department's Work Health and Safety Management System provided some corrective actions, in particular, new procedures to address specific safety risks. The Department is also improving aspects related to remote and isolated work environments.

The Department received a commendation for 'Recover and Return to work' in September 2016 recognising the implementation of the rehabilitation management system. The system encourages early engagement with employees and supervisors to ensure a return to the workplace as soon as possible that is safe and durable. As a result, the Department has seen a reduction in future compensation liabilities with accepted claims reduced by 50 per cent from the 2015–16 financial year.

During the reporting period, seven incidents required notification to the Regulator with respect to the Department's statutory obligation under section 38 of the *Work Health and Safety Act 2011*. These included six incidents of a serious injury or illness and one of a dangerous incident. There were two investigations initiated by employees and one initiated by Comcare. Due to the Department's response and systems in place to address concerns, no notices were issued in regard to these matters.

There were no matters as required by guidelines approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit.

ENVIRONMENTAL PERFORMANCE

The PM&C Environmental Policy Statement outlines the five principles of sustainable development: integration, precaution, intergeneration, biodiversity and valuation. These are identified in the *Environment Protection and Biodiversity Conservation Act 1999*. In 2016–17, the Department continued to minimise its impact on the environment by:

- ▲ including environmental impacts in purchasing policies, where appropriate
- ▲ complying with all relevant Australian Government, state and territory environmental legislation, regulations, policies and initiatives
- ▲ using technology such as telepresence and desktop videoconferencing to facilitate meetings with interstate colleagues, where appropriate
- ▲ encouraging and supporting staff to use environmentally friendly modes of transport
- ▲ co-locating with other agencies in regional locations as leases expire or when opportunities arise
- ▲ commencing the consolidation of Canberra office accommodation from three to two properties by applying alternative property management models such as flexible working and activity based working.

During 2016–17, the Department minimised its impacts on the environment in the areas of energy efficiency, waste and water use. Actions included:

- ▲ maintaining a National Australian Built Environment Rating System (NABERS) rating of 4.5 stars for whole building energy, achieving a 5 star rating for base building energy and 3.5 stars for water use at premises at 1 National Circuit, Barton
- ▲ maintaining a NABERS rating of 5.5 stars for tenancy and 5 star base building rating for building energy and water use at premises at Centraplaza, 16 Bowes Place, Woden
- ▲ regularly monitoring levels of waste recycling
- ▲ moving to a ‘paper-light office’ by promoting the use of electronic document management as well as digital and mobile technology solutions (iPads, laptops)
- ▲ participating in Earth Hour in March each year at more than 100 PM&C sites
- ▲ implementing the Environmental Management System, based on the Australian Standard AS/NZS ISO 14001, and conducting regular reviews of the system
- ▲ defaulting office printers to black and white and two-sided printing
- ▲ using energy savers for the majority of office equipment when not in use at Canberra office locations
- ▲ purchasing up to 10 per cent of the energy from green power sources for tenant light for Canberra office locations.

FINANCIAL MANAGEMENT

The Department's 2016-17 financial statements are presented from page 80 of this report. The Auditor-General issued an unmodified audit opinion of these statements, noting that the Department has appropriate and effective financial controls.

ACTIVITIES ADMINISTERED ON BEHALF OF GOVERNMENT

In 2016-17, the Department administered six programs. Administered expenses totaled \$1,663.9 million and comprised primarily of grant payments (\$1,347.4 million, 81 per cent). Administered expenditure included:

- ▲ \$1,356.4 million for Indigenous affairs programs
- ▲ \$144.8 million for payments in relation to the Aboriginals Benefit Account (ABA)
- ▲ \$51.8 million for payments in relation to the Aboriginal and Torres Strait Islander Land Account (ATSILA)
- ▲ \$3.5 million for Office for Women programs.

Administered revenue totaled \$108.2 million and comprised primarily of interest earned on the investment of funds held by the ABA special account and the ATSILA special account (\$74.5 million, 68.9 per cent). Administered revenue is seven per cent higher than in 2015-16 due to a small increase in interest earnings and the return of grant funding.

As at 30 June 2017, the Department's administered assets totaled \$4,876.8 million, including special account investments in term deposits and investments in PM&C portfolio entities. Administered assets have increased 6.8 per cent from 2015-16 largely due to an increase in investments in portfolio entities as a result of a revaluation by the Indigenous Land Corporation and sale of property by the Indigenous Business Australia which increased their net asset positions.

As at 30 June 2017, the Department's administered liabilities totaled \$63.5 million, including supplier and grant accruals and provision for future non-cash benefits to former Governors-General. Administered liabilities have increased 10 per cent since 2015-16 due to the timing of grant payments.

DEPARTMENTAL ACTIVITIES

The Department reported a technical operating deficit of \$20.6 million. After adjusting for unfunded depreciation and amortisation expenses and non-cash asset write-downs and impairments, the Department recorded an operating surplus of \$0.2 million. In 2016-17, the Department's expenses totaled \$451.2 million.

FIGURE 3.6: BREAKDOWN OF ADMINISTERED EXPENSES

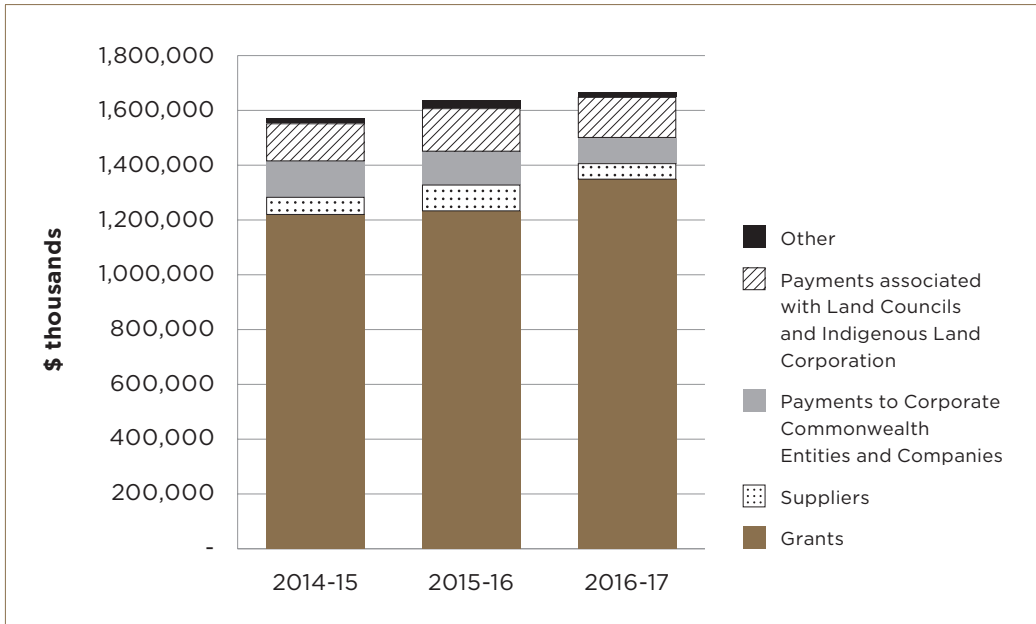


FIGURE 3.7: BREAKDOWN OF ADMINISTERED ASSETS

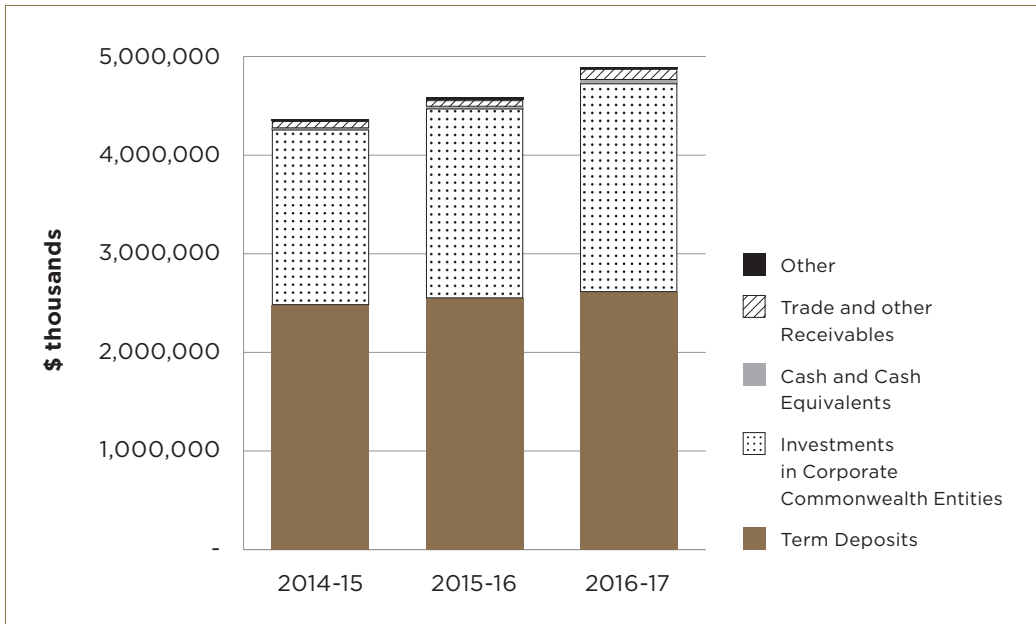


FIGURE 3.8: BREAKDOWN OF DEPARTMENTAL EXPENSES

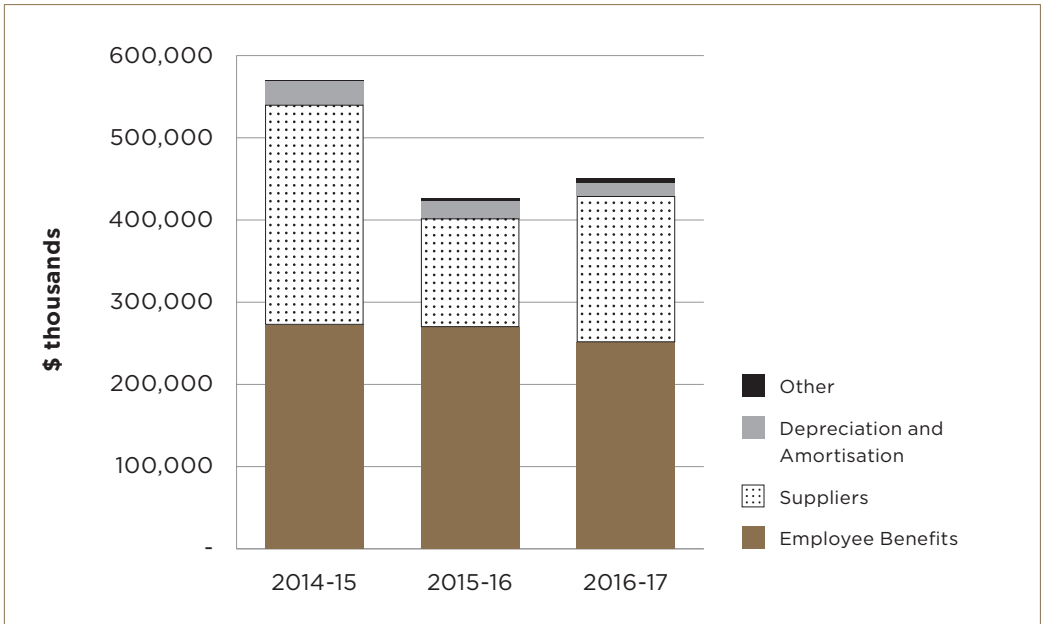
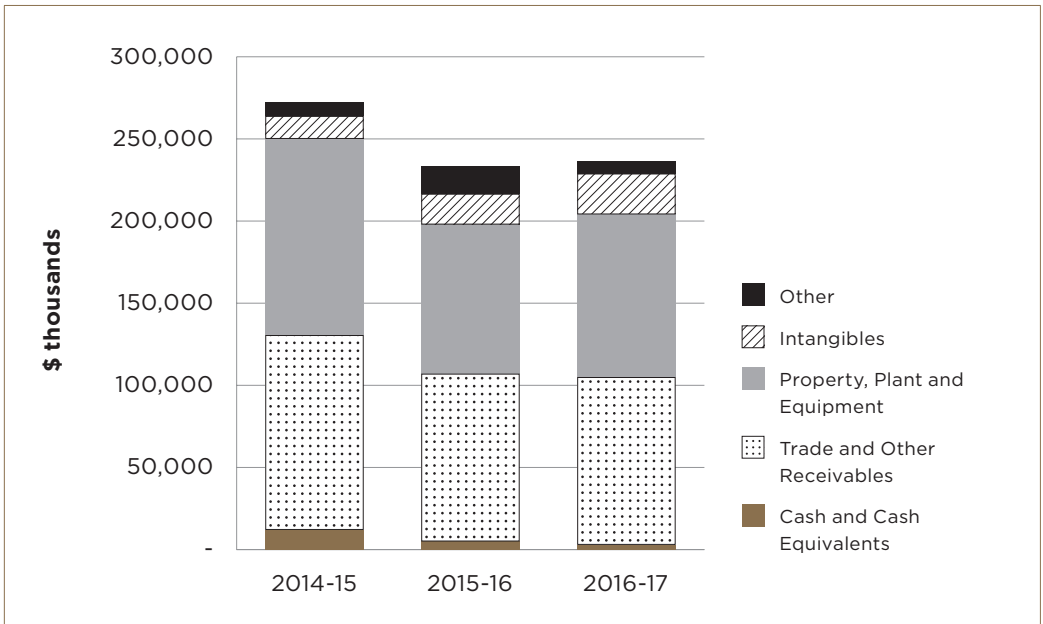


FIGURE 3.9: BREAKDOWN OF DEPARTMENTAL ASSETS



Departmental income totaled \$24.2 million and comprised of sale of goods/rendering of services, resources received free-of-charge and asset gains. Departmental income and expenses have increased from 2015-16 primarily due to the establishment of additional taskforces during 2016-17.

As at 30 June 2017, the Department had a positive net asset position. Assets totaled \$236.5 million.

As at 30 June 2017, the Department's liabilities totaled \$122.7 million, including employee provisions, supplier accruals and lease liabilities. The Department's assets and liabilities are in line with 2015-16 and the budgeted position.

FIGURE 3.10: RESOURCING STATEMENT

		ACTUAL AVAILABLE APPROPRIATION FOR 2016-17	PAYMENTS MADE 2016-17	REMAINING BALANCE 2016-17
		\$'000	\$'000	\$'000
		(A)	(B)	(A)-(B)
Departmental appropriation ^{1,2}		530,789	439,277	91,512
Total		530,789	439,277	91,512
Administered Expenses³				
Prior year administered appropriation		76,296	20,191	
Outcome 1: Prime Minister and Cabinet		23,171	21,678	
Outcome 2: Indigenous		1,348,972	1,303,065	
Payments to corporate Commonwealth entities and companies ⁴		92,752	92,752	
Total		1,541,191	1,437,686	
Total ordinary annual services	A	2,071,980	1,876,963	
Other services⁵				
Administered expenses				
Specific payments to states, ACT, NT and local government				
Prior year administered appropriation		1,059	1,059	
Outcome 2: Indigenous		7,648	7,648	
Total		8,707	8,707	

		ACTUAL AVAILABLE APPROPRIATION FOR 2016-17	PAYMENTS MADE 2016-17	REMAINING BALANCE 2016-17
		\$'000	\$'000	\$'000
		(A)	(B)	(A)-(B)
Departmental non-operating				
Equity injections ⁶		16,943	12,334	4,609
Total		16,943	12,334	4,609
Administered non-operating				
Administered assets and liabilities				
Payments to corporate Commonwealth entities and companies - non-operating		36,550	36,550	
Total		36,550	36,550	
Total other services	B	62,200	57,591	
Total available annual appropriations and payments	A+B	2,134,180	1,934,554	
Special appropriations				
Special appropriations limited by criteria/entitlement				
<i>Aboriginal Land Rights (Northern Territory) Act 1976</i>			178,948	
<i>Higher Education Support Act 2003</i>			58,584	
Special appropriations limited by amount				
<i>Public Governance, Performance and Accountability Act 2013</i>			6	
Total special appropriations	C		237,538	
Special accounts⁷				
Opening balance		28,610		
Appropriation receipts		177,249		
Non-appropriation receipts to special accounts		2,663,140		
Payments made			2,999,015	
Total special accounts	D	2,868,999	2,999,015	(130,016)

		ACTUAL AVAILABLE APPROPRIATION FOR 2016-17	PAYMENTS MADE 2016-17	REMAINING BALANCE 2016-17
		\$'000	\$'000	\$'000
		(A)	(B)	(A)-(B)
Total resourcing and payments				
A+B+C+D		5,003,179	5,171,107	
Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or corporate Commonwealth entities and companies through annual appropriations		(306,551)	(307,268)	
Total net resourcing and payments for PM&C		4,696,628	4,863,839	
<p>¹ Appropriation Act (No.1) 2016-17 and Appropriation Act (No.3) 2016-17 including prior year departmental appropriation and section 74 retained revenue receipts, less permanent quarantines of \$51.952 million. For further details refer to Note 5.1 to the financial statements.</p> <p>² Includes an amount of \$11.732 million in 2016-17 for the Departmental Capital Budget. For accounting purposes this amount has been designated as 'contribution by owners'.</p> <p>³ Includes \$0.3 million in 2016-17 for the Administered Capital Budget, for accounting purposes it has been designated as 'contribution by owners'. It also includes a total amount of \$59.9m of permanent quarantines pending formal repeal.</p> <p>⁴ Corporate entities are corporate Commonwealth entities and Commonwealth companies as defined under the PGPA Act 2013.</p> <p>⁵ Appropriation Act (No.2) 2016-17.</p> <p>⁶ Appropriation Act (No.2) 2016-17 equity injections and prior year equity injections.</p> <p>⁷ Does not include 'Special public money' held in accounts like Services for Other entities and Trust Moneys Special accounts (SOETM).</p>				

FIGURE 3.11: EXPENSES BY INCOME

EXPENSES FOR OUTCOME 1			
OUTCOME 1: PROVIDE HIGH QUALITY POLICY ADVICE AND SUPPORT TO THE PRIME MINISTER, THE CABINET, PORTFOLIO MINISTERS AND PARLIAMENTARY SECRETARIES INCLUDING THROUGH THE COORDINATION OF GOVERNMENT ACTIVITIES, POLICY DEVELOPMENT AND PROGRAM DELIVERY.	BUDGET*	ACTUAL	VARIATION
	2016-17	2016-17	2016-17
	\$'000	\$'000	\$'000
	(A)	(B)	(A) - (B)
Program 1.1: Prime Minister and Cabinet			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1, 3 and 5)	21,955	20,573	1,382
Special accounts	190	165	25
Special appropriations	10	6	4
Expenses not requiring appropriation in the Budget year ²	131	169	(38)
Departmental expenses			
Departmental appropriation ¹	132,863	139,106	(6,243)
Expenses not requiring appropriation in the Budget year ²	13,837	5,252	8,585
Total for Program 1.1	168,986	165,271	3,715
Outcome 1 Totals by appropriation type			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	21,955	20,573	1,382
Special appropriations	10	6	4
Special accounts	190	165	25
Expenses not requiring appropriation in the Budget year ²	131	169	(38)
Departmental expenses			
Departmental appropriation ¹	132,863	139,106	(6,243)
Expenses not requiring appropriation in the Budget year ²	13,837	5,252	8,585
Total expenses for Outcome 1	168,986	165,271	3,715

EXPENSES FOR OUTCOME 1			
OUTCOME 1: PROVIDE HIGH QUALITY POLICY ADVICE AND SUPPORT TO THE PRIME MINISTER, THE CABINET, PORTFOLIO MINISTERS AND PARLIAMENTARY SECRETARIES INCLUDING THROUGH THE COORDINATION OF GOVERNMENT ACTIVITIES, POLICY DEVELOPMENT AND PROGRAM DELIVERY.	BUDGET*	ACTUAL	VARIATION
	2016-17	2016-17	2016-17
	\$'000	\$'000	\$'000
	(A)	(B)	(A) - (B)
	2016-17	2016-17	
	BUDGET	ACTUALS	
Average staffing level (number)	551	535	16
* Full year budget, including any subsequent adjustment made.			
¹ Departmental Appropriation combines Ordinary annual services (Appropriation Act Nos. 1 and 3) and Retained Revenue Receipts under section 74 of the PGPA Act 2013.			
² Expenses not requiring appropriation in the Budget year is made up of depreciation and amortisation expenses, impairment of receivables, valuation of employee provisions, make good expense, audit fees and other non-cash expense items.			

EXPENSES FOR OUTCOME 2			
OUTCOME 2: IMPROVE RESULTS FOR INDIGENOUS AUSTRALIANS INCLUDING IN RELATION TO SCHOOL ATTENDANCE, EMPLOYMENT AND COMMUNITY SAFETY, THROUGH DELIVERING SERVICES AND PROGRAMS, AND THROUGH MEASURES THAT RECOGNISE THE SPECIAL PLACE THAT INDIGENOUS PEOPLE HOLD IN THIS NATION.	BUDGET*	ACTUAL	VARIATION
	2016-17	2016-17	2016-17
	\$'000	\$'000	\$'000
	(A)	(B)	(A) - (B)
Program 2.1: Jobs, Land and Economy			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1) ³	700,765	611,874	88,891
Special appropriations	171,260	178,948	(7,688)
Special accounts	224,366	193,601	30,765
Payments to corporate entities	19,758	19,758	-
Less expenses made from appropriations credited to special accounts	(170,277)	(177,966)	7,689
Expenses not requiring appropriation in the Budget year ²	-	1,127	(1,127)
Total for Program 2.1	945,872	827,342	118,530

EXPENSES FOR OUTCOME 2			
OUTCOME 2: IMPROVE RESULTS FOR INDIGENOUS AUSTRALIANS INCLUDING IN RELATION TO SCHOOL ATTENDANCE, EMPLOYMENT AND COMMUNITY SAFETY, THROUGH DELIVERING SERVICES AND PROGRAMS, AND THROUGH MEASURES THAT RECOGNISE THE SPECIAL PLACE THAT INDIGENOUS PEOPLE HOLD IN THIS NATION.	BUDGET*	ACTUAL	VARIATION
	2016-17	2016-17	2016-17
	\$'000	\$'000	\$'000
	(A)	(B)	(A) - (B)
Program 2.2: Children and Schooling			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1) ³	215,264	291,287	(76,023)
Other Services (Appropriation Act No.2)	7,648	7,648	-
Special appropriations	62,013	58,556	3,457
Expenses not requiring appropriation in the Budget year ²	-	6,157	(6,157)
Total for Program 2.2	284,925	363,648	(78,723)
Program 2.3: Safety and Wellbeing			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1) ³	259,647	255,768	3,879
Payments to corporate entities	37,075	37,075	-
Expenses not requiring appropriation in the Budget year ²	-	837	(837)
Total for Program 2.3	296,722	293,680	3,042
Program 2.4: Culture and Capability			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1) ³	58,196	68,003	(9,807)
Expenses not requiring appropriation in the Budget year	-	369	(369)
Total for Program 2.4	58,196	68,372	(10,176)

EXPENSES FOR OUTCOME 2			
OUTCOME 2: IMPROVE RESULTS FOR INDIGENOUS AUSTRALIANS INCLUDING IN RELATION TO SCHOOL ATTENDANCE, EMPLOYMENT AND COMMUNITY SAFETY, THROUGH DELIVERING SERVICES AND PROGRAMS, AND THROUGH MEASURES THAT RECOGNISE THE SPECIAL PLACE THAT INDIGENOUS PEOPLE HOLD IN THIS NATION.	BUDGET*	ACTUAL	VARIATION
	2016-17	EXPENSES	2016-17
	\$'000	\$'000	\$'000
	(A)	(B)	(A) - (B)
Program 2.5: Remote Australia Strategies			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1) ³	50,100	56,299	(6,199)
Special accounts	4,681	219	4,462
Payments to corporate entities	35,919	35,919	-
Less expenses made from appropriations credited to special accounts	-	(2,600)	2,600
Expenses not requiring appropriation in the Budget year ²	-	142	(142)
Total for Program 2.5	90,700	89,979	721
Program 2.6: Program Support			
Departmental expenses			
Departmental appropriation ¹	284,178	291,249	(7,071)
Expenses not requiring appropriation in the Budget year ³	3,925	15,593	(11,668)
Total for Program 2.6	288,103	306,842	(18,739)
Outcome 2 Totals by appropriation type			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	1,283,972	1,283,231	741
Other Services (Appropriation Act No.2)	7,648	7,648	-
Special appropriations	233,273	237,504	(4,231)
Special accounts	229,047	193,820	35,227
Payments to corporate entities	92,752	92,752	-
Expenses not requiring appropriation in the Budget year ²	-	8,632	(8,632)
Less expenses made from appropriations credited to special accounts	(170,277)	(180,566)	10,289

EXPENSES FOR OUTCOME 2			
OUTCOME 2: IMPROVE RESULTS FOR INDIGENOUS AUSTRALIANS INCLUDING IN RELATION TO SCHOOL ATTENDANCE, EMPLOYMENT AND COMMUNITY SAFETY, THROUGH DELIVERING SERVICES AND PROGRAMS, AND THROUGH MEASURES THAT RECOGNISE THE SPECIAL PLACE THAT INDIGENOUS PEOPLE HOLD IN THIS NATION.	BUDGET*	ACTUAL	VARIATION
	2016-17	2016-17	2016-17
	\$'000	\$'000	\$'000
	(A)	(B)	(A) - (B)
Departmental expenses			
Departmental appropriation ¹	284,178	291,249	(7,071)
Expenses not requiring appropriation in the Budget year ²	3,925	15,593	(11,668)
Total expenses for Outcome 2	1,964,518	1,949,863	14,655
Total net expenses for Outcome 2	1,964,518	1,949,863	14,655
	2016-17	2016-17	
	BUDGET	ACTUALS	
Average staffing level (number)	1,524	1,446	78
* Full year budget, including any subsequent adjustment made.			
¹ Departmental Appropriation combines Ordinary annual services (Appropriation Act Nos. 1 and 3) and Retained Revenue Receipts under section 74 of the PGPA Act 2013.			
² Expenses not requiring appropriation in the Budget year is made up of depreciation and amortisation expenses, impairment of receivables, valuation of employee provisions, make good expense, audit fees and other non-cash expense items.			
³ The variance in Administered Outcome 2 is mainly due to the transfer of funding between Program 2.1 Jobs, Land and Economy and Program 2.2 Children and Schooling. These transfers were approved by the Minister for Indigenous Affairs.			

PROCUREMENT

The Department's procurement and purchasing in 2016-17 were undertaken in accordance with the principles set out in the Commonwealth Procurement Rules 2017 (CPRs).

CPRs are applied to the Department's procurement activities through the Secretary's Instructions and Financial Rules, with the provision of centralised advice on all procurement matters. These ensure that the Department undertakes competitive,

non-discriminatory procurement processes; uses resources efficiently, effectively, economically and ethically and makes decisions in an accountable manner.

In 2016-17, the Department achieved its targets under the Indigenous Procurement Policy by awarding three per cent of contracts to Indigenous businesses.

All contracts of \$100,000 or greater (inclusive of GST) that were let during 2016-17 provided for the Auditor-General to have access to the relevant contractor's premises.

There were no contracts in 2016–17 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 FOI Act.

Information on expected procurements to be undertaken in 2017–18 through an open approach to market is published in the Department’s annual procurement plan, available on the AusTender website (www.tenders.gov.au).

SMALL AND MEDIUM ENTERPRISES

The Department 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 Treasury’s website (www.treasury.gov.au).

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

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

CONSULTANTS

The Department engages consultants for specialist expertise or when independent research, review or assessment is required. Decisions to engage consultants during

2016–17 were made in accordance with the PGPA Act and related regulations, including the CPRs and relevant internal policies.

During 2016–17, 52 new consultancy contracts were entered into by the Department, with a total actual expenditure of \$2.77 million. In addition, 12 ongoing consultancy contracts were active during the 2016–17 financial year, incurring a total actual expenditure of \$607,311.72. Details of trends in consultancies are shown in Figure 3.12.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website (www.tenders.gov.au).

ADVERTISING AND MARKET RESEARCH

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

During 2016–17, the Department’s total expenditure for advertising and market research over the reporting threshold was \$239,809.00. Further information on advertising is available in Figure 3.13 and at the PM&C website (www.pmc.gov.au).

The Department granted Reconciliation Australia \$1 million to deliver National Awareness Raising Activities for National Reconciliation Week 2017 (25 May to 3 June 2017). Advertising undertaken for this activity was consistent with the Australian Government Guidelines on Information and Advertising Campaigns by non-corporate Commonwealth entities. Details of the advertising will be published in the Reconciliation Australia annual report and at www.reconciliation.org.au.

FIGURE 3.12: TRENDS IN CONSULTANCIES OVER 2015-2017

CONSULTANCIES	2014-15	2015-16	2016-17
Number of existing consultancies	17	25	12
Number of new consultancies	33	47	52
Total consultancies	50	72	64
Total expenditure	\$2.40m	\$2.94m	\$3.38m

FIGURE 3.13: ADVERTISING AND MARKET RESEARCH OVER 2016-17

FIRM	SERVICE PROVIDED	2016-17 PAYMENTS MADE IN \$ (INCL GST)
Media advertising organisations		
Cox Inall Ridgeway Pty Ltd	Market research for the Referendum Council digital platform	77,385.00
Mitchell and Partners Australia Pty Ltd	Advertising for recruitment and Referendum Council digital platform	53,374.96
Teber Pty Ltd	Recruitment advertising	39,800.00
Australian Public Service Commission	Advertising and recruitment services	69,250.00

ASSET MANAGEMENT

The Department 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 ABA and the ATSILA. Both the ABA and ATSILA investment strategies are focused on cash-flow requirements, preservation of the fund and management of risks. Monies that are surplus to immediate requirements are invested under section 58 of the PGPA Act. For further details, refer to the ABA and ATSILA annual reports.

NON-COMPLIANCE WITH FINANCE LAW

No significant instances of non-compliance requiring a report to the responsible minister in accordance with the PGPA Act have been recorded in the Department for 2016-17.

GRANT PROGRAMS

Information on grants awarded by the Department during the period 1 July 2016 to 30 June 2017 is available on the PM&C website (www.pmc.gov.au).

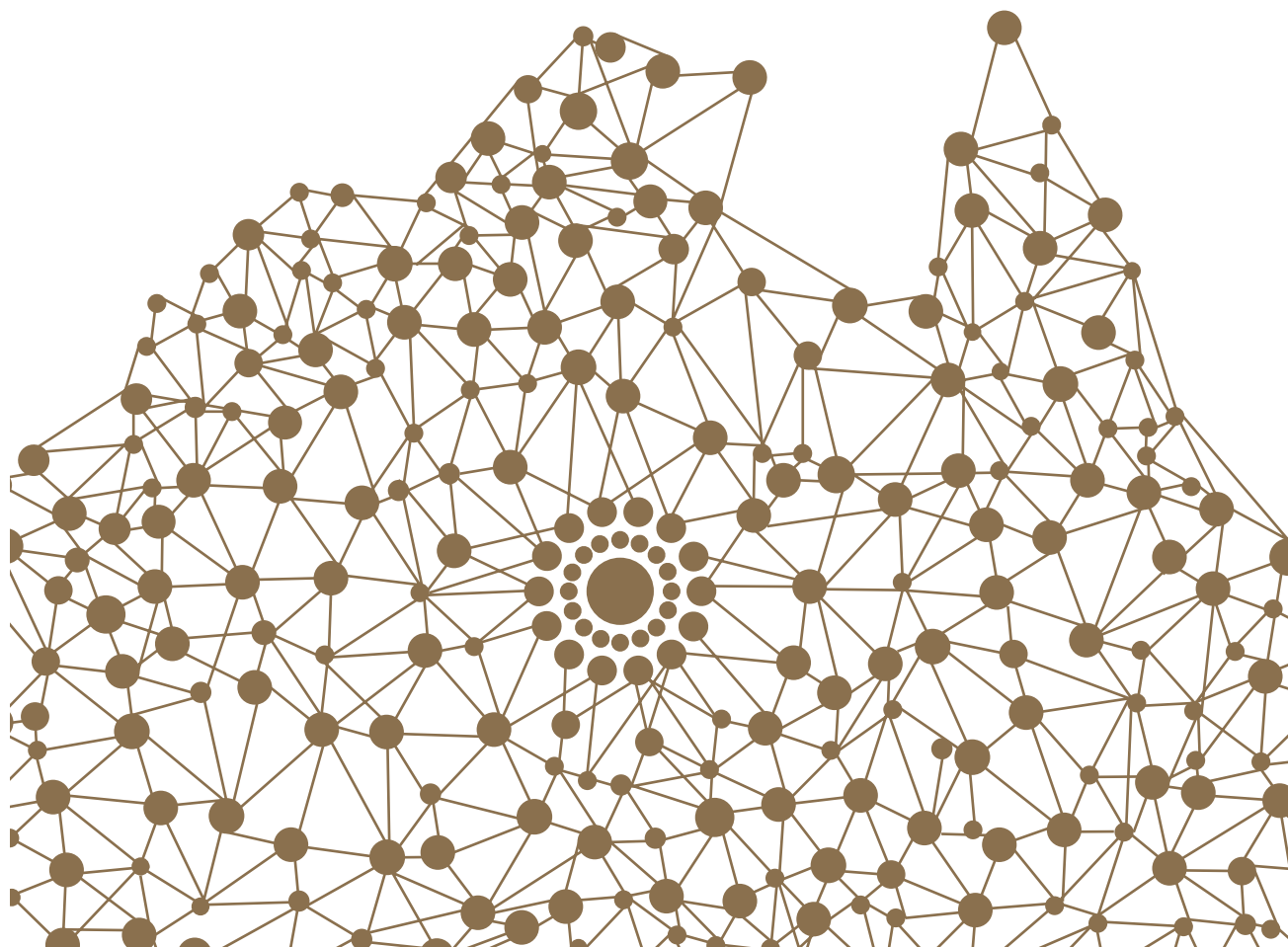
PART 4

FINANCIAL STATEMENTS

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DEPARTMENT OF THE PRIME MINISTER AND CABINET FINANCIAL STATEMENTS



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 2017:

- (a) comply with the Australian Accounting Standards 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 2017, 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 2017 and for the year then ended:

- Statement by the Secretary and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to 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*, to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Key Audit Matters

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

Key audit matter

Occurrence of Grant expenses

Refer to Note 2.1C Grants

The Department of the Prime Minister and Cabinet administers Indigenous grants across five programs. These programs form a significant component of the administered financial statements comprising \$1.3 billion in expenses.

As reported in the 2016–17 reports to Parliament, No: 35 '*Indigenous Advancement Strategy*' and No: 33 '*Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2016*', internal control weaknesses were identified in grant approval and acquittal processes around documentation management and reporting, and compliance processes associated with effective delivery of the Community Development Program.

The implications and resolution of these findings were a key part of my audit, due to the risk of material misstatement relevant to the recognition of current year expenditure, grant recoveries, and debt management.

How the audit addressed the matter

The audit procedures applied to address the matter included:

- I examined the preventative and detective control activities supporting grant management; including mechanisms for recording and monitoring approval processes, funding agreements and grant expenses.
- I evaluated the IT general and application controls supporting administered grant management systems relevant to financial disbursements and reporting.
- I examined the supporting documentation on a sample basis for expenditure accounts and future commitments, and compliance with legislation and/or agreements.

Key audit matter

Accuracy of employee expenses

Refer to Notes 1.1A Employee Benefits and 6.2: Key Management Personnel Remuneration

Employee benefits form a significant component of the departmental financial statements comprising \$251 million.

During the audit, weaknesses in internal control review and quality assurance processes for key employee benefit processes were identified. These weaknesses will be reported as a moderate risk issue in the ANAO report to Parliament on the Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2017.

The implications of the issue were a key part of my audit, due to the risk of material misstatement and disclosure requirements.

How the audit addressed the matter

The audit procedures applied to address the matter included:

- I evaluated the operating effectiveness of IT general and application controls relevant to the department's human resource management information system.
- I assessed the outcome of the reconciliation process performed by the department over employee expenses and key management personnel remuneration.
- I assessed the department's financial reporting disclosures to confirm they are in accordance with the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*.

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



Michael White
Executive Director

Delegate of the Auditor-General

Canberra

8 September 2017

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

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



Dr Martin Parkinson AC PSM
Secretary

7 September 2017



Charlotte Tressler
Chief Financial Officer

7 September 2017

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

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	251,396	269,825	254,194
Suppliers	1.1B	177,303	132,006	132,320
Grants to non-profit organisations		903	450	402
Depreciation and amortisation	3.2	15,530	21,092	16,957
Finance costs - unwinding of discount on make good		-	38	16
Write-down and impairment of assets	1.1C	5,313	1,823	-
Losses from asset sales	1.1D	755	506	-
Total expenses		451,200	425,740	403,889
Own-source income				
Own-source revenue				
Sale of goods and rendering of services	1.2A	14,124	12,483	10,552
Resources received free of charge	1.2B	7,539	2,687	-
Total own-source revenue		21,663	15,170	10,552
Gains				
Other gains	1.2C	2,575	203	2,177
Total gains		2,575	203	2,177
Total own-source income		24,238	15,373	12,729
Net cost of services		426,962	410,367	391,160
Revenue from Government - departmental appropriations		406,373	384,202	374,203
Deficit		(20,589)	(26,165)	(16,957)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		(304)	(5,166)	-
Total comprehensive loss		(20,893)	(31,331)	(16,957)

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 2017

	Notes	2017 \$'000	2016 \$'000	Original budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents		2,976	5,031	2,664
Trade and other receivables	3.1	102,003	102,041	108,675
Accrued revenue - recovery of departmental costs		3,787	4,235	5,276
Total financial assets		108,766	111,307	116,615
Non-financial assets				
Property, plant and equipment	3.2	99,071	90,807	109,036
Intangibles	3.2	24,816	18,677	14,861
Prepayments		3,642	3,226	2,587
Total non-financial assets		127,529	112,710	126,484
Assets held for sale - land and buildings		250	9,454	430
Total assets		236,545	233,471	243,529
LIABILITIES				
Payables				
Trade creditors and accruals		22,673	22,812	20,870
Grants – non-profit organisations		303	-	370
Other payables	3.3	20,759	18,801	15,532
Total payables		43,735	41,613	36,772
Provisions				
Employee provisions	6.1A	77,660	76,251	75,405
Make good provisions	3.4	1,258	1,108	594
Total provisions		78,918	77,359	75,999
Total liabilities		122,653	118,972	112,771
Net assets		113,892	114,499	130,758
EQUITY				
Contributed equity		173,209	152,923	169,882
Accumulated deficit		(65,900)	(45,311)	(51,177)
Reserves		6,583	6,887	12,053
Total equity		113,892	114,499	130,758

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 2017

	2017 \$'000	2016 \$'000	Original budget \$'000
CONTRIBUTED EQUITY			
Opening balance			
Balance carried forward from previous period	152,923	147,056	154,446
Adjusted opening balance	152,923	147,056	154,446
Transactions with owners			
Distributions to owners			
Returns of capital:			
Restructuring ¹	-	(970)	-
Other ²	(57)	(1,500)	-
Contributions by owners			
Appropriation (equity injection)	8,611	3,096	8,611
Departmental Capital Budget (DCB)	11,732	5,241	6,825
Total transactions with owners	20,286	5,867	15,436
Closing balance as at 30 June	173,209	152,923	169,882
ACCUMULATED DEFICIT			
Opening balance			
Balance carried forward from previous period	(45,311)	(19,146)	(34,236)
Adjusted opening balance	(45,311)	(19,146)	(34,236)
Comprehensive income			
Deficit for the period	(20,589)	(26,165)	(16,957)
Total comprehensive income	(20,589)	(26,165)	(16,957)
Transactions with owners			
Distributions to owners			
Returns of capital:			
Other	-	-	16
Total transactions with owners	-	-	16
Closing balance as at 30 June	(65,900)	(45,311)	(51,177)

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 2017

	2017 \$'000	2016 \$'000	Original budget \$'000
ASSET REVALUATION RESERVE			
Opening balance			
Balance carried forward from previous period	6,887	12,053	12,053
Adjusted opening balance	6,887	12,053	12,053
Comprehensive income			
Other comprehensive income	(304)	(5,166)	-
Total comprehensive income	(304)	(5,166)	-
Closing balance as at 30 June	6,583	6,887	12,053
TOTAL EQUITY			
Opening balance			
Balance carried forward from previous period	114,499	139,963	132,263
Adjusted opening balance	114,499	139,963	132,263
Comprehensive income			
Other comprehensive income	(304)	(5,166)	-
Deficit for the period	(20,589)	(26,165)	(16,957)
Total comprehensive income	(20,893)	(31,331)	(16,957)
Transactions with owners			
Distributions to owners			
Returns of capital:			
Restructuring ¹	-	(970)	-
Other ²	(57)	(1,500)	16
Contributions by owners			
Appropriation (equity injection)	8,611	3,096	8,611
Departmental Capital Budget (DCB)	11,732	5,241	6,825
Total transactions with owners	20,286	5,867	15,452
Closing balance as at 30 June	113,892	114,499	130,758

¹ Refer Note 8.2 Restructuring.

² Return of appropriation of \$0.057million in 2016-17 reflects the repeal of Annual Appropriation Act 2 2014-15 and \$1.500 million in 2015-16 reflects return of DCB funding transferred to the Digital Transformation Office.

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 2017

	2017	2016	Original budget
	\$'000	\$'000	\$'000
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering of services	19,076	15,156	10,552
Net GST received	13,499	11,940	-
Appropriations	424,748	404,470	369,814
Total cash received	457,323	431,566	380,366
Cash used			
Employees	245,463	271,498	253,362
Suppliers	192,812	160,575	117,908
Grants	600	820	1,047
Retained receipts transferred to the Official Public Account	22,924	14,894	10,549
Total cash used	461,799	447,787	382,866
Net cash used by operating activities	(4,476)	(16,221)	(2,500)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment	4,123	3,212	2,500
Total cash received	4,123	3,212	2,500
Cash used			
Purchase of property, plant and equipment	17,134	6,257	13,002
Purchase of intangibles	9,198	8,224	2,434
Other investing	178	85	-
Total cash used	26,510	14,566	15,436
Net cash used by investing activities	(22,387)	(11,354)	(12,936)
FINANCING ACTIVITIES			
Cash received			
Contributed equity			
Equity injections	12,334	5,830	8,611
Departmental capital budget	12,474	14,713	6,825
Total cash received	24,808	20,543	15,436
Net cash from financing activities	24,808	20,543	15,436
Net decrease in cash held	(2,055)	(7,032)	-
Cash and cash equivalents at the beginning of the reporting period	5,031	12,063	2,664
Cash and cash equivalents at the end of the reporting period	2,976	5,031	2,664

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 2017

Departmental Budget Variance Commentary:

The below table provides commentary for significant variances between PM&C's original budget estimates, as published in the 2016-17 Portfolio Budget Statements, and the actual expenditure and net asset position for the year.

Explanation of major variances	Affected line items (and statement)
<p>Establishment of additional taskforces: the establishment of additional taskforces contributed to supplier expenses and own-source revenue (due to seconded employees from other government entities) being higher than budget.</p>	<p>Supplier expense - Statement of Comprehensive Income</p> <p>Resources received free of charge - Statement of Comprehensive Income</p> <p>Payments to suppliers - Cash Flow Statement</p>
<p>Digital Transformation Agency: contributions to the Digital Transformation Agency for the Trusted Digital Identity measure contributed to supplier expenses being higher than the original budget. The Trusted Digital Identity measure was provided for in the 2017-18 MYEFO.</p>	<p>Supplier expense - Statement of Comprehensive Income</p>
<p>Capital projects: additional funding received through the additional estimates process for capital projects contributed to purchases of property, plant and equipment and intangibles being higher than the original budget. The capital projects related to a refresh of office building fit outs and upgrades to information technology support systems.</p>	<p>Purchase of property, plant and equipment - Cash Flow Statement</p> <p>Purchase of intangibles - Cash Flow Statement</p> <p>Intangibles – Statement of financial position</p>
<p>Asset impairment, disposals and reclassifications: the annual stocktake and revaluation of assets, including impairments of property, plant and equipment has caused Write-down expenses to be higher than budgeted.</p>	<p>Write-down and impairment of assets - Statement of Comprehensive Income</p> <p>Other gains - Statement of Comprehensive Income</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 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	2.1A	1,095	1,025	918
Suppliers	2.1B	59,457	97,037	110,309
Subsidies - Petrol Sniffing Prevention Strategy		484	499	1,750
Grants	2.1C	1,347,373	1,231,747	1,379,577
Depreciation and amortisation	4.2	169	373	131
Finance costs	2.1D	305	14,304	422
Write-down and impairment of assets	2.1E	8,632	8,054	-
Payments associated with Land Councils	2.1F	97,673	107,192	75,728
Payments to Corporate Commonwealth entities and companies	2.1G	92,752	120,727	92,752
Payments to Indigenous Land Corporation ¹		51,422	50,712	51,979
Mining withholding tax		4,572	5,525	-
Total expenses		1,663,934	1,637,195	1,713,566
Income				
Revenue				
Non-taxation revenue				
Interest	2.2A	79,108	76,117	77,114
Other revenue	2.2B	27,564	24,176	1,724
Total non-taxation revenue		106,672	100,293	78,838
Total revenue		106,672	100,293	78,838
Gains				
Other gains	2.2C	1,498	79	-
Total gains		1,498	79	-
Total income		108,170	100,372	78,838
Net cost of services		1,555,764	1,536,823	1,634,728
Deficit		(1,555,764)	(1,536,823)	(1,634,728)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserves		155,123	108,106	-
Items subject to subsequent reclassification to net cost of services				
Actuarial gains - former Governors-General				
Entitlements	6.1C	1,112	632	-
Total other comprehensive income		156,235	108,738	-
Total comprehensive loss		(1,399,529)	(1,428,085)	(1,634,728)

¹ Payment made from the Aboriginal and Torres Strait Islander Land Account (Special Account). The original budget amount was published in the 2016-17 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 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	4.1A	36,072	30,234	24,630
Trade and other receivables	4.1B	110,884	53,722	58,283
Term deposits		2,612,110	2,549,016	2,623,332
Investments in Corporate Commonwealth entities	4.1C	2,113,984	1,922,338	1,831,105
Total financial assets		4,873,050	4,555,310	4,537,350
Non-financial assets				
Property, plant and equipment	4.2	1,065	1,100	1,688
Prepayments		2,711	9,690	7,548
Total non-financial assets		3,776	10,790	9,236
Total assets administered on behalf of Government		4,876,826	4,566,100	4,546,586
LIABILITIES				
Payables				
Trade creditors and accruals		6,505	7,086	6,180
Grants	4.3A	41,791	19,607	18,640
Other payables	4.3B	903	14,381	9,918
Total payables		49,199	41,074	34,738
Provisions				
Employee provisions	6.1B	251	355	339
Non-cash benefits - former Governors-General	6.1C	13,918	16,037	15,549
Other provisions	4.4	105	187	-
Total provisions		14,274	16,579	15,888
Total liabilities administered on behalf of Government		63,473	57,653	50,626
Net assets		4,813,353	4,508,447	4,495,960

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 2017

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 2016-17 Portfolio Budget Statements, and the actual expenditure and net asset position for the year.

Explanation of major variances	Affected line items (and statement)
Demand driven programs: a decrease in demand driven elements of Jobs, Land and Economy programs contributed to supplier expenses being less than the original budget.	Supplier expense - Administered Schedule of Comprehensive Income
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 royalty associations.	Payments associated with Land Councils - Administered Schedule of Comprehensive Income
Return of prior year unspent grant funding: return of unspent grant funding from prior year grant recipients contributed to other revenue being greater than budget.	Other revenue - Administered Schedule of Comprehensive Income
Revaluation by Corporate Commonwealth entities: revaluations undertaken by the Indigenous Land Corporation and sale of property by Indigenous Business Australia have increased their net assets positions by 25% and 7% respectively, the main reason for investments in Corporate Commonwealth entities being higher than budget.	Investments in Corporate Commonwealth entities - Statement of Financial Position Changes in asset revaluation reserves - Other comprehensive income
Concessional loan: on behalf of the Australian Government, PM&C entered an agreement to provide a \$65.000 million concessional loan to the Indigenous Land Corporation on 1 July 2016. The concessional loan agreement was finalised post budget.	Trade and other receivables - Administered Schedule of Assets and Liabilities Interest – Administered Schedule of Comprehensive Income

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 2017

	2017 \$'000	2016 \$'000
Opening assets less liabilities as at 1 July	4,508,447	4,304,441
Net cost of services		
Income	108,170	100,372
Expenses		
Payments to entities other than Corporate Commonwealth entities and Companies	(1,519,760)	(1,465,756)
Payments to Indigenous Land Corporation	(51,422)	(50,712)
Payments to Corporate Commonwealth entities and companies	(92,752)	(120,727)
Transfers (to)/from the Australian Government		
Appropriation transfers from Official Public Account		
Annual appropriation for administered expenses (non-corporate Commonwealth entities and companies)	1,463,614	1,349,923
Annual appropriation for payment to Corporate Commonwealth entities and companies	92,752	120,727
Special appropriations (non-Corporate Commonwealth entities and companies)	237,538	265,975
Special account	19,344	33,644
Transfers to Official Public Account	(126,094)	(141,103)
Transfers to Official Public Account Special accounts	(19,269)	(33,719)
Equity injection to Corporate Commonwealth entities and companies	36,550	36,550
Revaluation of makegood	26	44
Restructuring	-	94
Administered investments	155,097	108,062
Revaluation of liabilities relating to former Governors-General entitlements	1,112	632
Closing assets less liabilities as at 30 June	4,813,353	4,508,447

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 2017

	Notes	2017 \$'000	2016 \$'000
OPERATING ACTIVITIES			
Cash received			
Net GST received		98,713	115,256
Other		1,868	2,719
Total cash received		100,581	117,975
Cash used			
Employees		1,195	996
Suppliers		52,642	104,722
Subsidy payments		484	499
Grant payments		1,412,235	1,323,017
Payments to Corporate Commonwealth entities and companies		92,752	120,727
Payments associated with Land Councils		98,271	107,192
Payments to Indigenous Land Corporation		51,422	50,712
Other		4,572	5,525
Total cash used		1,713,573	1,713,390
Net cash used by operating activities		(1,612,992)	(1,595,415)
INVESTING ACTIVITIES			
Cash received			
Proceeds from realisation of investments		2,747,739	2,567,728
Interest on investments and loans		75,969	74,370
Repayment of loans		3,161	-
Total cash received		2,826,869	2,642,098
Cash used			
Purchase of property, plant and equipment		91	-
Payments to Corporate Commonwealth entities and companies		36,550	36,550
Purchase of investments		2,810,833	2,636,500
Loans made		65,000	-
Total cash used		2,912,474	2,673,050
Net cash used by investing activities		(85,605)	(30,952)
Cash received - restructuring		-	94
Net decrease in cash held		(1,698,597)	(1,626,273)
Cash and cash equivalents at the beginning of the reporting period		30,234	24,510
Cash from Official Public Account			
Appropriations		1,830,454	1,773,175
Special Accounts		19,344	33,644
Total cash from the Official Public Account		1,849,798	1,806,819
Cash to Official Public Account			
Appropriations		(126,094)	(141,103)
Special Accounts		(19,269)	(33,719)
Total cash to the Official Public Account		(145,363)	(174,822)
Cash and cash equivalents at the end of the reporting period*	4.1A	36,072	30,234

*The comparative has been updated to reclassify special account balances from receivables to cash equivalents, due to new requirements under the FRR in 2017.

DEPARTMENT OF THE PRIME MINISTER AND CABINET
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

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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 2017

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 2015.
- Australian Accounting Standards and Interpretations 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 2016-17 PM&C reviewed its exposure to the risk of not complying with statutory conditions on payments from appropriations, namely section 83 of the Constitution. Administered payments of \$531.827 million (31% of total administered payments) and departmental payments of \$15.581 million (3.4% of total departmental payments) were subject to additional statutory conditions.

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 \$0.604 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. The amounts will be offset against future payments. Overpayments from previous years of \$0.205 million were recovered during the year.

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 2017

Events after the reporting period

Departmental

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

Administered

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

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

for the period ended 30 June 2017

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 2017.

1.1. Expenses

	2017	2016
	\$'000	\$'000
Note 1.1A: Employee benefits		
Wages and salaries	182,817	188,799
Superannuation		
Defined contribution plans	16,711	15,608
Defined benefit plans	19,436	24,964
Leave and other entitlements	27,245	29,379
Separation and redundancies	1,566	7,575
Other	3,621	3,500
Total employee benefits	251,396	269,825
Note 1.1B: Suppliers		
Goods and services supplied or rendered		
Consultants, legal, contractors and secondees	57,538	29,233
Equipment, repairs and maintenance	7,062	12,908
General expenses ¹	13,619	10,980
Venue hire	762	250
Office accommodation, facility management and security	5,365	3,934
Information, communication and technology	40,310	36,983
Travel	11,216	11,684
Total goods and services supplied or rendered	135,872	105,972
Goods supplied	11,386	16,849
Services rendered	124,486	89,123
Total goods and services supplied or rendered	135,872	105,972
Other suppliers		
Operating lease rentals	28,658	23,585
Workers compensation expenses	2,773	2,449
Payments to the Digital Transformation Agency	10,000	-
Total other supplier expenses	41,431	26,034
Total suppliers	177,303	132,006
Leasing commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	28,031	24,586
Between 1 to 5 years	90,134	85,555
More than 5 years	11,202	28,083
Total operating lease commitments	129,367	138,224

Note: Commitments are GST inclusive where relevant.

Operating lease commitment - leases for office accommodation

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

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) (2016: \$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 2017

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 7 (2016: 21) 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.

	2017 \$'000	2016 \$'000
Note 1.1C: Write-down and impairment of assets		
Asset write-downs and impairments from:		
Impairment of property, plant and equipment and intangibles	5,160	1,734
Impairment of receivables	153	89
Total write-down and impairment of assets	5,313	1,823
 Note 1.1D: Losses from asset sales		
Property, plant and equipment		
Proceeds from sale	4,123	3,212
Carrying value of asset sold	(4,700)	(3,633)
Selling expense	(178)	(85)
Total losses from asset sales	755	506

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 2017

1.2. Own-Source Revenue and Gains

	2017	2016
	\$'000	\$'000
Own-source revenue		

Note 1.2A: Sale of goods and rendering of services

Sale of goods	15	-
Rendering of services	<u>14,109</u>	<u>12,483</u>
Total sale of goods and rendering of services	<u>14,124</u>	<u>12,483</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	7,065	2,213
ANAO Audit Fee	<u>474</u>	<u>474</u>
Total resources received free of charge	<u>7,539</u>	<u>2,687</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

Reversal of make good provision	593	120
Reversal of previous asset write-down	1,379	45
Asset first recognised	<u>603</u>	<u>38</u>
Total other gains	<u>2,575</u>	<u>203</u>

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

for the period ended 30 June 2017

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

	2017	2016
	\$'000	\$'000
Note 2.1A: Employee benefits		
Wages and salaries	818	753
Superannuation		
Defined contribution plans	37	54
Defined benefit plans	146	85
Leave and other entitlements	51	133
Separation and redundancies	43	-
Total employee benefits	1,095	1,025
Note 2.1B: Suppliers		
Goods and services supplied or rendered		
Outsourced providers, contractors and consultants	47,677	88,112
Equipment, repairs and maintenance	607	692
General expenses	8,198	5,907
Travel	2,703	2,042
Information, communication and technology	257	267
Total goods and services supplied or rendered	59,442	97,020
Goods supplied	529	787
Services rendered	58,913	96,233
Total goods and services supplied or rendered	59,442	97,020
Other suppliers		
Operating lease rentals	3	7
Workers compensation expenses	12	10
Total other supplier expenses	15	17
Total suppliers	59,457	97,037
Leasing commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	570	612
Between 1 to 5 years	719	1,497
More than 5 years	1,538	1,625
Total operating lease commitments¹	2,827	3,734

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.

¹The comparative has been restated to include GST commitments where relevant.

Accounting Policy

Leases

PM&C administers five (2016: six) 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 2017

	2017	2016
	\$'000	\$'000
Note 2.1C: Grants		
Public sector		
Australian Government entities	90,278	35,928
Local Governments	70,103	44,385
State and Territory Governments	60,378	85,971
Private sector		
Non-profit organisations	940,224	895,518
Commercial entities	186,390	169,945
Total grants*	1,347,373	1,231,747
Program 2.1 - Jobs, Land and Economy	639,175	545,827
Program 2.2 - Children and Schooling	356,011	343,722
Program 2.3 - Safety and Wellbeing	236,612	237,253
Program 2.4 - Culture and Capability	63,955	56,439
Program 2.5 - Remote Australia Strategy	44,564	42,266
Program 1.1 - Prime Minister and Cabinet	7,056	6,240
Total grants	1,347,373	1,231,747
*The comparative grant categories have been updated to be consistent with current year treatment.		
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.		
The Indigenous grants and subsidies are driven by five programs that constitute the flexible and need-focused Indigenous Advancement Strategy (IAS):		
<ul style="list-style-type: none"> • Jobs, Land and Economy • Children and Schooling • Safety and Wellbeing • Culture and Capability • Remote Australia Strategy. 		
Note 2.1D: Finance costs		
Concessional loan discount	-	13,848
Unwinding of discount	305	456
Total finance costs	305	14,304
Note 2.1E: Write-down and impairment of assets		
Impairment of receivables	8,632	8,051
Write-down of non-financial assets	-	3
Total write-down and impairment of assets	8,632	8,054
Note 2.1F: Payments associated with Land Councils		
Payments associated with Land Councils administration	46,798	47,617
Land Councils distributions	50,875	59,575
Total payments associated with Land Councils	97,673	107,192

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

for the period ended 30 June 2017

	2017	2016
	\$'000	\$'000
<u>Note 2.1G: Payments to Corporate Commonwealth entities and companies</u>		
Aboriginal Hostels Limited	37,075	37,582
Indigenous Business Australia	10,602	34,258
Indigenous Land Corporation	9,156	9,389
Torres Strait Regional Authority	35,919	39,498
Total payments to Corporate Commonwealth entities and companies	92,752	120,727

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.

2.2. Administered – Income

<u>Note 2.2A: Interest</u>		
Interest on investments	74,488	76,117
Interest on loans	1,644	-
Unwinding of discount on concessional loans	2,976	-
Total interest	79,108	76,117
<u>Note 2.2B: Other revenue</u>		
Return of grant funding	25,176	21,727
Lease rental income	2,280	2,228
Other	108	221
Total other revenue	27,564	24,176

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.

<u>Note 2.2C: Other gains</u>		
Reversal of write-down and impairments	1,498	38
Reversal of make good provision	-	41
Total other gains	1,498	79

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

for the period ended 30 June 2017

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

	2017	2016
	\$'000	\$'000
Note 3.1: Trade and other receivables		
Goods and services receivables		
Goods and services	3,615	4,442
Total goods and services receivables	<u>3,615</u>	<u>4,442</u>
Appropriations receivables		
Existing programs	81,768	94,940
Total appropriations receivable	<u>81,768</u>	<u>94,940</u>
Other receivables		
Statutory receivables	3,588	2,771
Other	13,199	-
Total other receivables	<u>16,787</u>	<u>2,771</u>
Total trade and other receivables (gross)	<u>102,170</u>	<u>102,153</u>
Less impairment allowance		
Goods and services	(167)	(112)
Total impairment allowance	<u>(167)</u>	<u>(112)</u>
Total trade and other receivables (net)	<u>102,003</u>	<u>102,041</u>
Total receivables (gross)	<u>102,170</u>	<u>102,153</u>
Reconciliation of the impairment allowance		
Movements in relation to 2017		
	Goods and services	Total
	\$'000	\$'000
As at 1 July 2016	(112)	(112)
Amounts written off	24	24
Amounts recovered and reversed	74	74
Increases	(153)	(153)
Total as at 30 June 2017	<u>(167)</u>	<u>(167)</u>
Movements in relation to 2016		
	Goods and services	Total
	\$'000	\$'000
Total as at 1 July 2015	(78)	(78)
Amounts recovered and reversed	52	52
Increases	(86)	(86)
Total as at 30 June 2016	<u>(112)</u>	<u>(112)</u>

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

for the period ended 30 June 2017

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 2016							
Gross book value	-	-	-	-	15,057	4,105	19,162
Fair value	12,629	36,091	27,224	11,824	-	-	87,768
Work in progress	-	5,403	-	371	1,870	60	7,704
Accumulated depreciation/amortisation and impairment	-	(846)	(313)	(1,576)	(1,011)	(1,404)	(5,150)
Total as at 1 July 2016	12,629	40,648	26,911	10,619	15,916	2,761	109,484
Additions							
Purchase	-	6,069	6,993	5,309	10,367	-	28,738
Assets first recognised	90	513	-	-	-	-	603
Reclassifications	1,388	2,224	924	(2,562)	2,654	(226)	4,402
Reversal of previous asset write-down	-	1,350	-	-	-	-	1,350
Depreciation and amortisation	-	(1,396)	(6,024)	(2,875)	(4,157)	(1,078)	(15,530)
Write-down and impairments recognised in net cost of services	-	(918)	(2,811)	(10)	(1,415)	(6)	(5,160)
Total as at 30 June 2017	14,107	48,490	25,993	10,481	23,365	1,451	123,887
Total as at 30 June 2017 represented by							
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 30 June 2017	14,107	48,490	25,993	10,481	23,365	1,451	123,887

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

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

for the period ended 30 June 2017

Impairment of non-financial assets

A net impairment of \$3.739 million is recognised in 2017 (2016: \$0.919 million) for property plant and equipment. A revaluation was conducted in 2016 by independent qualified valuers.

A net impairment of \$1.421 million is recognised in 2017 (2016: \$0.815 million) for intangibles. No intangibles are expected to be sold or disposed of 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 \$11.624 million are payable within one year. (2016: \$8.354 million).

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 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 measure 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.

All property, plant and equipment assets including land and buildings with an original cost above \$5,000 were formally valued in 2016 by independent qualified valuers.

All leasehold improvement assets with an original cost above \$50,000 were formally valued in 2016 by independent qualified valuers.

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 on residential property (staff housing) that is no longer essential for operational requirements. 2017: \$0.250 million (2016: \$9.454 million)

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

for the period ended 30 June 2017

Accounting Policy (continued)

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

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 (2016: 6 to 50 years)
Leasehold improvements	Lease term (2016: Lease term)
Plant and equipment	1 to 24 years (2016: 1 to 50 years)
Intangibles	1 to 5 years (2016: 2 to 7 years)

Impairment

All assets were assessed for impairment during 2017.

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

Derecognition

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

3.3. Payables

	2017	2016
	\$'000	\$'000
Note 3.3: Other payables		
Salaries, wages and superannuation	1,763	850
Separation and redundancies payable	601	745
Unearned income	2,725	2,587
Lease liability	10,980	11,713
Lease incentive	1,631	2,250
Other	3,059	656
Total other payables	20,759	18,801

3.4. Other Provisions

	Make good provision	Total
	\$'000	\$'000
As at 1 July 2016	1,108	1,108
Additional provisions made	743	743
Gain on reversal of provision	(593)	(593)
Total as at 30 June 2017	1,258	1,258

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 2017

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

	2017	2016
	\$'000	\$'000
Note 4.1A: Cash and cash equivalents		
Cash on hand or on deposit	304	531
Aboriginals Benefit Account - Special Account	24,334	19,560
Aboriginal and Torres Strait Islander Land Account - Special Account	1	3
Cash held in the Official Public Account - Special Account*	11,433	10,140
Total cash and cash equivalents	36,072	30,234
Note 4.1B: Trade and other receivables		
Goods and services receivables		
Goods and services receivable	7	14
Total goods and services receivables	7	14
Advances and loans		
Loans to Australian Government entities	50,967	-
Total advances and loans	50,967	-
Other receivables		
Statutory receivables	23,393	11,166
Interest receivable	32,829	32,666
Grants receivable	18,358	14,034
Other	743	4,448
Total other receivables	75,323	62,314
Total trade and other receivables (gross)	126,297	62,328
Less impairment allowance		
Other receivables	(15,413)	(8,606)
Total impairment allowance	(15,413)	(8,606)
Total trade and other receivables (net)	110,884	53,722

*Special account balances have been reclassified from receivables to cash equivalents due to new requirements under the FRR in 2017.

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 2017

Reconciliation of the impairment allowance		
Movements in relation to 2017		
	Other receivables \$'000	Total \$'000
As at 1 July 2016	(8,606)	(8,606)
Amounts written off	591	591
Amounts recovered and reversed	2,043	2,043
Increases	(9,441)	(9,441)
Total as at 30 June 2017	(15,413)	(15,413)
Movements in relation to 2016		
	Other receivables \$'000	Total \$'000
As at 1 July 2015	(11,473)	(11,473)
Amounts written off	5,911	5,911
Amounts recovered and reversed	4,893	4,893
Increases	(7,937)	(7,937)
Total as at 30 June 2016	(8,606)	(8,606)

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

for the period ended 30 June 2017

	2017	2016
	\$'000	\$'000
Note 4.1C: Investments in Corporate Commonwealth entities and companies		
Equity interest in		
Aboriginal Hostels Limited	146,332	150,419
Anindilyakwa Land Council	14,607	10,309
Central Land Council	39,598	37,113
Indigenous Land Corporation	371,367	295,301
Indigenous Business Australia	1,334,810	1,242,448
National Australia Day Council Limited	1,137	1,713
Northern Land Council	21,966	9,446
Outback Stores Pty Ltd	41,686	43,082
Tiwi Land Council	1,283	1,351
Torres Strait Regional Authority	79,821	75,568
Wreck Bay Aboriginal Community Council	61,377	55,588
Total investments in Corporate Commonwealth entities and companies	2,113,984	1,922,338

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.

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.

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

for the period ended 30 June 2017

Investment in Commonwealth Entities (continued)

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 2017. 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 2017

4.2. Administered – Non-Financial Assets

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

	Leasehold improvements		Plant and equipment		Total plant and equipment	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
As at 1 July						
Fair value	-	-	1,983	2,165	1,983	2,165
Accumulated depreciation and impairment	-	-	(883)	(728)	(883)	(728)
Total as at 1 July	-	-	1,100	1,437	1,100	1,437
Additions						
By purchase	-	-	91	-	91	-
Revaluations and impairments recognised in other comprehensive income	43	-	-	44	43	44
Impairments recognised in the operating result	-	-	-	(3)	-	(3)
Depreciation expense	(26)	-	(143)	(373)	(169)	(373)
Other movements	-	-	-	(5)	-	(5)
Reclassifications	57	-	(57)	-	-	-
Total as at 30 June	74	-	991	1,100	1,065	1,100
Total as at 30 June represented by						
Fair value	97	-	1,990	1,983	2,087	1,983
Accumulated depreciation and impairment	(23)	-	(999)	(883)	(1,022)	(883)
Total as at 30 June	74	-	991	1,100	1,065	1,100

No impairments were recognised in 2017 for property, plant and equipment (2016: \$0.003 million).

Accounting Policy

Revaluation

All property, plant and equipment assets were formally valued in 2015 by independent qualified valuers and were assessed for impairment in 2017.

Depreciation

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

Leasehold improvements	Lease term
Plant and equipment	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 2017

4.3. Administered – Payables

	2017	2016
	\$'000	\$'000
Note 4.3A: Grants		
Public sector		
Australian Government entities (related parties)	1,979	675
Local Governments	60	-
State and Territory Governments	7,105	-
Private sector		
Commercial entities	857	55
Non-profit organisations	31,790	18,877
Total grants	41,791	19,607

All grants payables are expected to be settled in no more than 12 months.

Note 4.3B: Other payables

Concessional loan commitment	-	13,848
Office of Township Leasing payables	160	-
Fringe benefits tax	33	99
Salaries, wages and superannuation	9	5
Lease liability	16	30
Other	685	399
Total other payables	903	14,381

All other payables are expected to be settled in no more than 12 months.

4.4. Administered – Other Provisions

Note 4.4A: Reconciliation of movements in other provisions

Reconciliation of movements in other provisions

	Make good provision	Other provision	Total
	\$'000	\$'000	\$'000
As at 1 July 2016	89	98	187
Amounts used	-	(98)	(98)
Additional provision made	16	-	16
Total as at 30 June 2017	105	-	105

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

for the period ended 30 June 2017

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')

	2017	2016
	\$'000	\$'000
Ordinary annual services		
Annual Appropriation		
Operating	404,494	380,965
Capital budget	11,732	5,241
Section 74 receipts	22,924	14,894
Section 75 transfers	-	4,427
Total available appropriation	439,150	405,527
Appropriation applied (current and prior years) ⁴	(439,277)	(426,214)
Variance	(127)	(20,687)
Opening unspent appropriation balance	143,591	163,584
Prior year section 75 transfers	-	694
Closing unspent appropriation balance	143,464	143,591
Balance comprises appropriations as follows ^{1,2}:		
<i>Appropriation Act (No. 1) 2013-14</i>	5,000	5,000
<i>Appropriation Act (No. 1) 2014-15</i>	43,446	43,446
<i>Appropriation Act (No. 1) 2014-15 - Capital Budget (DCB)</i>	2,316	2,316
<i>Appropriation Act (No. 1) 2015-16</i>	1,190	79,595
<i>Appropriation Act (No. 1) 2015-16 cash held by the department</i>	-	5,031
<i>Appropriation Act (No. 1) 2015-16 - Capital Budget (DCB) - Non Operating</i>	-	8,203
<i>Appropriation Act (No. 1) 2016-17</i>	86,770	-
<i>Appropriation Act (No. 1) 2016-17 cash held by the department</i>	2,976	-
<i>Appropriation Act (No. 1) 2016-17 - Capital Budget (DCB) - Non Operating</i>	305	-
<i>Appropriation Act (No. 3) 2016-17 - Capital Budget (DCB) - Non Operating</i>	1,461	-
Total unspent appropriation - ordinary annual services	143,464	143,591
Other services		
Annual Appropriation		
Equity injections	8,611	3,096
Total available appropriation	8,611	3,096
Appropriation applied (current and prior years)	(12,334)	(5,830)
Variance	(3,723)	(2,734)
Opening unspent appropriation balance	8,332	11,066
Closing unspent appropriation balance	4,609	8,332
Balance comprises appropriations as follows ³:		
<i>Appropriation Act (No 2) 2014-15 - Non Operating Equity Injection</i>	57	5,236
<i>Appropriation Act (No. 2) 2015-16 - Non Operating - Equity Injection</i>	-	3,096
<i>Appropriation Act (No. 2) 2016-17 - Non Operating - Equity Injection</i>	4,552	-
Total unspent appropriation - other services	4,609	8,332
Total unspent appropriation	148,073	151,923

¹ The prior year departmental unspent annual appropriation is shown inclusive of Section 51 permanent quarantines against *Appropriation Act (No. 1) 2015-16* of \$1.190 million, *Appropriation Act (No. 1) 2014-15* of \$43.446 million *Appropriation Act (No. 1) 2013-14* of \$5.000 million and *Appropriation Act (No. 1) 2014-15 - Capital Budget (DCB)* of \$2.316 million

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² The current year departmental unspent annual appropriation is shown inclusive of quarantines against *Appropriation Act (No.1) 2016-17* of \$11.320 million.

³ The prior year departmental unspent other services appropriation is shown inclusive of *Appropriation Act (No 2) 2014-15 - Non Operating Equity Injection* of \$0.057 million which will be extinguished on 1 July 2017. From 2014-15, annual Appropriation Acts include a repeal clause. The repeal of a prior year unspent appropriation results in a reduction to equity and appropriation receivable.

⁴ Consistent with current year treatment, the comparative 'appropriation applied' amount has been updated to include the movement in GST receivable due to the timing of the cash receipts between financial years.

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')		
	2017	2016
	\$'000	\$'000
Ordinary annual services		
Annual Appropriation		
Operating	1,408,961	1,229,273
Capital budget	250	252
Payments to corporate Commonwealth entities/companies	92,752	120,727
Section 74 receipts	2,131	3,497
Total available appropriation	1,504,094	1,353,749
Appropriation applied (current and prior years)	(1,437,686)	(1,357,859)
Variance	66,408	(4,110)
Opening unspent appropriation balance	56,243	60,353
Closing unspent appropriation balance	122,651	56,243
Balance comprises appropriations as follows:¹		
<i>Appropriation Act 1 - Capital Budget (DCB) - Non Operating 2012/13</i>	240	240
<i>Appropriation Act 1 2013/14</i>	10	10
<i>Appropriation Act 5 2013/14</i>	10	10
<i>Appropriation Act 1 2014/15</i>	26,497	26,497
<i>Appropriation Act 1 - Capital Budget (DCB) - Non Operating 2014/15</i>	140	140
<i>Appropriation Act 1 2015/16</i>	-	9,888
<i>Appropriation Act 1 - Capital Budget (DCB) - Non Operating 2015/16</i>	252	252
<i>Appropriation Act 3 2015/16</i>	8,902	19,206
<i>Appropriation Act 1 2016/17</i>	86,442	-
<i>Appropriation Act 1 - Capital Budget (DCB) - Non Operating 2016/17</i>	146	-
<i>Supply Act 1 - Capital Budget (DCB) - Non Operating 2016/17</i>	12	-
Total unspent appropriation - ordinary annual services	122,651	56,243
Other services		
Annual Appropriation		
States, ACT, NT and Local government	7,648	8,647
Payments to corporate Commonwealth entities/companies	36,550	36,550
Total available appropriation	44,198	45,197
Appropriation applied (current and prior years)	(45,257)	(44,138)
Variance	(1,059)	1,059
Opening unspent appropriation balance	24,897	23,838
Closing unspent appropriation balance	23,838	24,897
Balance comprises appropriations as follows:²		
<i>Appropriation Act 6 - SPP 2013/14</i>	23,837	23,837
<i>Appropriation Act 2 - SPP 2014/15</i>	1	1
<i>Appropriation Act 2 - SPP 2015/16</i>	-	1,059
Total unspent appropriation - other services	23,838	24,897
Total unspent appropriation	146,489	81,140

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Note 5.1C: Special appropriations ('recoverable GST exclusive')

Authority	Appropriation applied	
	2017	2016
	\$'000	\$'000
<i>Aboriginal Land Rights (Northern Territory) Act 1976</i>	178,948	208,253
<i>Public Governance, Performance and Accountability Act 2013 s.77</i>	6	6
<i>Higher Education Support Act 2003</i>	58,584	51,333
Total	237,538	259,592

¹ The prior year administered unspent annual appropriation is shown inclusive of Section 51 permanent quarantines against *Appropriation Act (No. 1) Capital Budget (DCB) 2012-13* of \$0.240 million, *Appropriation Act (No. 1) 2013-14* of \$0.010 million, *Appropriation Act (No. 5) 2013-14* of \$0.010 million, *Appropriation Act (No. 1) 2014-15* of \$26.497 million, *Appropriation Act (No. 1) Capital Budget (DCB) 2014-15* of \$0.140 million, *Appropriation Act (No. 1) 2015-16* of \$8.902 million and *Appropriation Act (No. 1) Capital Budget (DCB) 2015-16* of \$0.252 million.

² The prior year administered unspent for other appropriation is shown inclusive of Section 51 permanent quarantines against *Appropriation Act (No. 6) - SPP 2013-14* of \$23.837 million and *Appropriation Act (No. 2) SPP 2014-15* of \$0.001 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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016*
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	58	181	887	795	960	960	8,083	8,133	77	-
Increases										
Administered										
Balance - restructuring	-	-	-	-	-	-	-	-	-	94
Other receipts	140	1	34	122	-	-	2,782	192	-	-
Total increases	140	1	34	122	-	-	2,782	192	-	94
Available for payments	198	182	921	917	960	960	10,865	8,325	77	94
Decreases										
Departmental										
Payments made - other	-	(124)	-	-	-	-	-	-	-	-
Total departmental decreases	-	(124)	-	-	-	-	-	-	-	-
Administered										
Transfers to OPA	(58)	-	-	-	(960)	-	-	-	(49)	-
Payments made to suppliers	(140)	-	(134)	(30)	-	-	(219)	(242)	(28)	(17)
Total administered decreases	(198)	-	(134)	(30)	(960)	-	(219)	(242)	(77)	(17)
Total decreases	(198)	(124)	(134)	(30)	(960)	-	(219)	(242)	(77)	(17)
Total balance carried to the next period	-	58	787	887	-	960	10,646	8,083	-	77
Balance represented by:										
Cash held in the OPA	-	58	787	887	-	960	10,646	8,083	-	77
Total balance carried to the next period	-	58	787	887	-	960	10,646	8,083	-	77

* As a consequence of the Administrative Arrangements Order of 21 September 2015, the Australian New Zealand Land Information Special Account was transferred from the Department of Communications and the Arts.

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	Aboriginals Benefit Account ⁶		Aboriginals and Torres Strait Islander Land Account ⁷	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance brought forward from previous period	19,560	14,133	3	2
Increases				
Administered				
Appropriation credited to special account	177,965	207,285	-	-
Investments realised	729,500	537,340	2,018,239	2,030,388
Other receipts	17,683	17,592	58,812	59,219
Total increase	925,148	762,217	2,077,051	2,089,607
Available for payments	944,708	776,350	2,077,054	2,089,609
Decreases				
Administered				
PGPA Act section 58 investments	(785,500)	(598,000)	(2,025,333)	
Payments made	(134,874)	(158,790)	(51,720)	(51,105)
Total administered decreases	(920,374)	(756,790)		(2,089,606)
Total decreases	(920,374)	(756,790)	(2,077,053)	(2,089,606)
Total balance carried to the next period	24,334	19,560	1	3
Balance represented by:				
Cash held in entity bank accounts	24,334	19,560	1	3
Total balance carried to the next period	24,334	19,560	1	3

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¹*Appropriation: Public Governance, Performance and Accountability Act 2013; section 78*

Establishing Instrument: Determination 2008/13

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 monies 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: developing best practice policies and guidelines in spatial data management in Australia and New Zealand and assisting 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 monies 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 2016 and 2017.

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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

	2017	2016
	\$'000	\$'000
Note 6.1A: Employee provisions		
Annual leave	26,163	25,073
Long service leave	51,497	51,178
Total employee provisions	77,660	76,251

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 as at 30 June 2015. 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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	2017	2016
	\$'000	\$'000
Note 6.1B: Administered employee provisions		
Annual leave	107	149
Long service leave	144	206
Total employee provisions	251	355
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	13,918	16,037
Total non-cash benefits - former Governors-General benefits	13,918	16,037
The amounts recognised in the Administered Schedule of Assets and Liabilities are as follows:		
Present value of unfunded obligations	13,918	16,037
Net liability in the Administered Schedule of Assets and Liabilities	13,918	16,037
Amounts in the Administered Schedule of Assets and Liabilities:		
Liabilities	13,918	16,037
Net liability in the Administered Schedule of Assets and Liabilities	13,918	16,037
The amounts recognised in the Administered Schedule of Comprehensive Income are as follows:		
Finance costs	305	455
Expense	305	455
Net actuarial gains recognised in the Administered Reconciliation Schedule	(1,112)	(632)
Changes in the value of the defined benefit obligations are as follows:		
Net liability at 1 July	16,037	17,509
Finance costs	305	455
Actuarial gains	(1,112)	(632)
Benefits paid	(1,312)	(1,295)
Net liability at 30 June	13,918	16,037
Principal actuarial assumptions at the reporting date (expressed as weighted averages):		
Discount rate at 30 June	2.50%	1.90%
Future salary increases	3.50%	3.50%
Inflation rate	2.50%	2.50%
Rate of expenditure slow down with age	3.00%	3.00%

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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. A future liability for these benefits is recognised in the administered accounts.

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.

6.2. Key Management Personnel Remuneration

	2017	2016
	\$'000	\$'000
Short-term employee benefits	3,807	3,495
Post-employment benefits	569	615
Other long-term employee benefits	388	363
Total key management personnel remuneration expenses¹	4,764	4,473

The total number of key management personnel included in the above table is 13 (2016: 13). Included in that number is 7 staff who worked for the full-year and 6 staff who worked a part-year (2016: 6 and 7). Key management personnel on acting arrangements are included where the length of the arrangement is longer than 2 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 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

PM&C is not aware of any material quantifiable or unquantifiable contingent assets or liabilities as at 30 June 2017.

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 2017.

Quantifiable contingent liabilities - claims for damages and costs

The Australian Government settled the payment of a grant to the Machado Joseph Disease (MJD) Foundation in the amount of \$10.000 million during 2016-17. This payment was reported as a contingent liability as at 30 June 2016.

7.2. Financial Instruments

	2017	2016
	\$'000	\$'000
Note 7.2A: Categories of financial instruments		
Financial assets		
Loans and receivables		
Cash and cash equivalents	2,976	5,031
Goods and services receivables (net)	3,448	4,330
Accrued revenue	3,787	4,235
Total loans and receivables	10,211	13,596
Total financial assets	10,211	13,596
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	22,673	22,812
Grants	303	-
Total financial liabilities measured at amortised cost	22,976	22,812
Total financial liabilities	22,976	22,812
Note 7.2B: Net gains or losses on financial assets		
Loans and receivables		
Impairment	153	89
Net losses on loans and receivables	153	89
Net loss on financial assets	153	89

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Accounting Policy

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		
	2017	2016
	\$'000	\$'000
Note 7.3A: Categories of financial instruments		
Financial assets		
Held-to-maturity investments		
Bank term deposits	2,612,110	2,549,016
Total held-to-maturity investments	2,612,110	2,549,016
Loans and receivables		
Cash and cash equivalents	36,072	30,324
Loans to Australian Government entities	50,967	-
Goods and services receivable	7	14
Interest receivable	32,829	32,666
Grants receivable (net)	2,945	5,428
Total loans and receivables	122,820	68,432
Available for sale financial assets		
Aboriginal Hostels Limited	146,332	150,419
Anindilyakwa Land Council	14,607	10,309
Central Land Council	39,598	37,113
Indigenous Land Corporation	371,367	295,301
Indigenous Business Australia	1,334,810	1,242,448
National Australia Day Council Limited	1,137	1,713
Northern Land Council	21,966	9,446
Outback Stores Pty Ltd	41,686	43,082
Tiwi Land Council	1,283	1,351
Torres Strait Regional Authority	79,821	75,568
Wreck Bay Aboriginal Community Council	61,377	55,588
Total available for sale financial assets	2,113,984	1,922,338
Total financial assets	4,848,914	4,539,786
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	6,505	7,086
Grants	41,791	19,607
Other payables	845	14,247
Total financial liabilities measured at amortised cost	49,141	40,940
Total financial liabilities	49,141	40,940

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	2017	2016
	\$000	\$000
Note 7.3B: Net gains or losses on financial instruments		
Financial assets		
Held-to-maturity investments		
Interest revenue	74,244	75,815
Net gains on held-to-maturity investments	74,244	75,815
Loans and receivables		
Interest revenue	4,864	302
Reversal of impairment	1,498	38
Impairment	(8,632)	(8,051)
Net losses on loans and receivables	(2,270)	(7,711)
Net gain on financial assets	71,974	68,104
Financial liabilities		
Financial liabilities measured at amortised cost		
Concessional loan discount	-	(13,848)
Net loss on financial liabilities measured at amortised cost	-	(13,848)
Net loss on financial liabilities	-	(13,848)

Accounting Policy

Financial assets

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

- Held-to-maturity investments
- Available for sale financial assets
- 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.

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. Assets Held in Trust

	2017	2016
	\$'000	\$'000
Monetary assets - Cash at bank		
As at 1 July	-	122
Receipts	-	1
Payments	-	(123)
Total as at 30 June	-	-
Total monetary assets held in trust	-	-

Financial assets held in trust are disclosed in Note 5.2 Special accounts in the account titled Services for Other Entities and Trust Moneys Special Account.

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8.2. Restructuring

Restructuring 2017

PM&C had no restructuring activity during 2017.

Restructuring 2016

	Whole of Government Service Delivery Policy (Public Data Policy) DoCA ¹ \$'000	Gov 2.0 and Boardlinks DoF ² \$'000	Cities and the Built Environment DoE ³ \$'000	Administered Australian New Zealand Land Information Special Account DoCA ⁴ \$'000
FUNCTION ASSUMED				
Assets recognised				
Cash	-	-	-	94
Appropriation receivable	594	24	100	-
Other non-financial assets	-	26	-	-
Total assets recognised	594	50	100	94
Liabilities recognised				
Employee provisions	594	24	108	-
Total liabilities recognised	594	24	108	-
Net assets assumed	-	26	(8)	94
Income				
Recognised by the receiving entity	-	-	451	-
Recognised by the losing entity	-	-	477	-
Total income assumed	-	-	928	-
Expenses				
Recognised by the receiving entity	2,444	410	937	20
Recognised by the losing entity	731	226	1,950	-
Total expenses	3,175	636	2,887	20
				2016
				Digital
				Transformation
				Office
				DTO⁵
				\$'000
FUNCTION RELINQUISHED				
Assets relinquished				
Property, plant and equipment				988
Total assets relinquished				988
Net assets relinquished				988

¹ Whole of Government Service Delivery Policy (Public Data Policy) was assumed from the Department of Communications and Art (DoCA) during 2016 following a restructuring of administrative arrangements, effective 21 September 2015.

² Gov 2.0 and Boardlinks was assumed from the Department of Finance (DoF) during 2016 following a restructuring of administrative arrangements, effective 21 September 2015.

³ Cities and the Built Environment was assumed from the Department of Environment (DoE) during 2016 following a restructuring of administrative arrangements, effective 18 February 2016.

⁴ Property, plant and equipment assets were relinquished to the Digital Transformation Office (DTO) during 2015-16, following the Government decision to establish the DTO as an Executive Agency on 21 April 2015.

⁵ The Administered Australian New Zealand Land Information Special Account was assumed from DoCA during 2016 following a restructuring of administrative arrangements, effective 21 September 2015.

ABORIGINALS BENEFIT ACCOUNT FINANCIAL STATEMENTS



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 2017:

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

- Statement by the Secretary and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; 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*, to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

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. 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



Michael White
Executive Director

Delegate of the Auditor-General

Canberra
8 September 2017

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 2017 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 2017 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

7 September 2017



Charlotte Tressler
Chief Financial Officer

7 September 2017

**ABORIGINALS BENEFIT ACCOUNT
STATEMENT OF COMPREHENSIVE INCOME**

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
NET COST OF SERVICES			
Expenses			
Payments to advisory committee members		124	51
Suppliers	1.1A	60	584
Grants	1.1B	33,742	43,908
Payments for township leases	1.1C	6,210	3,836
Payments to Land Councils for administrative purposes	1.1D	48,671	49,522
Distribution to Land Councils	1.1E	52,994	62,057
Other expenses	1.1F	3,006	3,137
Total expenses		144,807	163,095
Own-Source Income			
Own-source revenue			
Interest	1.2A	16,906	16,394
Lease rental income	1.2B	2,280	2,228
Resources received free of charge	1.2C	2,944	2,576
Return of grant funding		73	263
Total own-source revenue		22,203	21,461
Gains			
Gain on realisation of investment	1.2D	-	-
Total gains		-	-
Total own-source income		22,203	21,461
Net cost of services		122,604	141,634
Revenue from Government	1.2E	176,651	206,860
Surplus		54,047	65,226
Total comprehensive income		54,047	65,226

ABORIGINALS BENEFIT ACCOUNT
STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	3.1	24,334	19,560
Trade and other receivables	2.1A	8,993	7,464
Investments - term deposits		<u>607,500</u>	<u>551,500</u>
Total financial assets		<u>640,827</u>	<u>578,524</u>
Non-Financial Assets			
Other non-financial assets	2.2A	<u>2,670</u>	<u>4,403</u>
Total non-financial assets		<u>2,670</u>	<u>4,403</u>
Total assets		<u>643,497</u>	<u>582,927</u>
LIABILITIES			
Payables			
Suppliers	2.3A	464	1,050
Grants - Non-profit organisations		6,427	494
Other payables	2.3B	<u>2,523</u>	<u>1,249</u>
Total payables		<u>9,414</u>	<u>2,793</u>
Provisions			
Other provisions paid		<u>-</u>	<u>98</u>
Total provisions		<u>-</u>	<u>98</u>
Total liabilities		<u>9,414</u>	<u>2,891</u>
Net assets		<u>634,083</u>	<u>580,036</u>
EQUITY			
Retained surplus		<u>634,083</u>	<u>580,036</u>
Total equity		<u>634,083</u>	<u>580,036</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 2017

	2017	2016
	\$'000	\$'000
TOTAL EQUITY - RETAINED EARNINGS		
Opening balance		
Balance carried forward from previous period	580,036	514,810
Adjusted opening balance	580,036	514,810
Comprehensive income		
Surplus for the period	54,047	65,226
Total comprehensive income	54,047	65,226
Closing balance as at 30 June	634,083	580,036

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

ABORIGINALS BENEFIT ACCOUNT
CASH FLOW STATEMENT
for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		177,965	207,285
Net GST received		2,743	4,053
Lease rental receipts		<u>2,170</u>	<u>2,440</u>
Total cash received		<u>182,878</u>	<u>213,778</u>
Cash used			
Committee members		124	52
Suppliers		384	547
Grants		30,564	48,918
Payments for township leases		4,282	1,364
Payments to Land Councils for administrative purposes		48,874	49,427
Distributions to Land Councils		53,389	62,185
Other		-	350
Total cash used		<u>137,617</u>	<u>162,843</u>
Net cash from operating activities		<u>45,261</u>	<u>50,935</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from realisation of investments		729,500	537,340
Interest on investments		<u>15,513</u>	<u>15,152</u>
Total cash received		<u>745,013</u>	<u>552,492</u>
Cash used			
Investments		<u>785,500</u>	<u>598,000</u>
Total cash used		<u>785,500</u>	<u>598,000</u>
Net cash used by investing activities		<u>(40,487)</u>	<u>(45,508)</u>
Net increase in cash held		<u>4,774</u>	<u>5,427</u>
Cash and cash equivalents at the beginning of the reporting period		<u>19,560</u>	<u>14,133</u>
Cash and cash equivalents at the end of the reporting period	3.1	<u>24,334</u>	<u>19,560</u>

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 2017

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ABORIGINALS BENEFIT ACCOUNT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2017

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 2016 to 30 June 2017. 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% (2016: 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 2017

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 2016-17 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 2016-17 was \$137.617 million. Three payments totalling \$0.604 million made in 2016-17 from the ABA under section 64(3) of the ALRA contravened section 83 of the Constitution due to erroneous reporting by mining companies of 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, \$0.005 million has been recovered through reduction of subsequent payments and the remaining \$0.599 million will be offset against future payments. Overpayments from previous years of \$0.205 million were recovered during the year.

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 2017

1. Financial Performance

This section analyses the financial performance of the Aboriginals Benefit Account for the year ended 30 June 2017.

1.1. Expenses

	2017	2016
	\$'000	\$'000
Note 1.1A: Suppliers		
Services rendered		
Travel and other administrative costs	60	-
ABA Stores Infrastructure	-	584
Total services rendered	60	584
Note 1.1B: Grants		
Public sector		
State and Territory Governments	225	431
Private sector		
Non-profit organisations	29,113	24,713
Stores Infrastructure Project	3,823	17,626
Mining Withholding Tax (MWT)	581	1,138
Total grants	33,742	43,908

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 1.1C: Payments for township leases		
Office of township leasing administrative expenses	3,305	2,027
Payments to township leases – amortisation of introductory payments	2,128	1,809
Other	777	-
Total payments for township leases	6,210	3,836

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

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.

Expenses related to incentive payments for township head leases in the Northern Territory are:

- In 2007 an amount of \$5.000 million was paid as an introductory payment for a 99 year lease for the Wurrumiyanga (formerly known as Nguui) Head Lease on the Tiwi Islands. On 3 March 2014 the Minister approved (under Section 27(3) of the ALRA), a deed of variation to this lease; it was subsequently reduced by \$0.600 million.
- In 2008 an amount of \$4.500 million was paid as an introductory payment for a 40 plus 40 year lease for the Groote Head Lease on Groote Eylandt.
- In 2011 an amount of \$1.800 million was paid as an introductory payment for a 99 year lease for the Milikapiti Township under the Milikapiti & Wurankuwu Head Lease on the Tiwi Islands.
- In 2011 an amount of \$0.200 million was paid as an introductory payment for a 99 year lease for the Wurankuwu Township under the Milikapiti and Wurankuwu Head Lease on the Tiwi Islands.
- In 2017 a Head Lease for the Mutitjulu Township was signed in March 2017. There was no incentive payment.
- In 2017 an amount of \$2.000 million will be paid in 2017-18 as an introductory payment for a 99 year lease for the Pirlangimpi Township.

	2017	2016
	\$'000	\$'000
Note 1.1D: Payments to land councils for administrative purposes		
Subsection 64(1) payments:		
Northern Land Council	21,636	22,638
Mining Withholding Tax	865	906
Sub-total Northern Land Council	22,501	23,544
Central Land Council	18,027	18,211
Mining Withholding Tax	721	728
Sub-total Central Land Council	18,748	18,939
Tiwi Land Council	3,215	2,875
Mining Withholding Tax	129	115
Sub-total Tiwi Land Council	3,344	2,990
Anindilyakwa Land Council	3,921	3,893
Mining Withholding Tax	157	156
Sub-total Anindilyakwa Land Council	4,078	4,049
Total payments associated with land councils administration	48,671	49,522

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.

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

	2017	2016
	\$'000	\$'000
Note 1.1E: Distribution to land councils		
Subsection 64(3) payments:		
Northern Land Council	14,674	15,472
Mining Withholding Tax	611	645
Sub-total Northern Land Council	15,285	16,117
Central Land Council	21,822	17,532
Mining Withholding Tax	909	730
Sub-total Central Land Council	22,731	18,262
Anindilyakwa Land Council	14,379	26,571
Mining Withholding Tax	599	1,107
Sub-total Anindilyakwa Land Council	14,978	27,678
Total land councils distributions	52,994	62,057

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.

Note 1.1F: Other expenses

Salaries and operating expenses ¹	2,944	2,576
Impairment of financial assets	62	211
Other	-	350
Total other expenses	3,006	3,137

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	16,662	16,092
Interest bearing bank account	244	302
Total interest	16,906	16,394

Accounting Policy

Interest revenue is recognised using the effective interest method.

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

	2017	2016
	\$'000	\$'000
Note 1.2B: Lease rental income		
Revenue lease receipt - Wurrumiyanga	944	1,063
Revenue lease receipt - Groote	894	757
Revenue lease receipt - Milikapiti	278	276
Revenue lease receipt - Wurankuwu	15	28
Other	149	104
Total lease rental income	2,280	2,228

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 1.1C Payments for township leases).

Note 1.2C: Resources received free of charge

Salaries	2,880	2,512
Remuneration of auditors - financial statements audit	64	64
Total resources received free of charge	2,944	2,576

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.

GAINS

Note 1.2D: Gain on realisation of investment

Investments		
Proceeds from sale	729,500	537,340
Carrying value of assets sold	(729,500)	(537,340)
Total gain from sale of assets	-	-

Accounting Policy

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

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

REVENUE FROM GOVERNMENT	2017	2016
	\$'000	\$'000
Note 1.2E: Revenue from Government		
Appropriations		
Special appropriations	<u>176,651</u>	<u>206,860</u>
Total revenue from Government	<u>176,651</u>	<u>206,860</u>

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 2017

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

	2017	2016
	\$'000	\$'000
Note 2.1A: Trade and other receivables		
Other receivables		
Interest	8,340	6,947
GST receivable from the ATO	326	442
Other	619	286
Total other receivables	9,285	7,675
Less impairment allowance		
Other receivables	(292)	(211)
Total impairment allowance	(292)	(211)
Total trade and other receivables (net)	8,993	7,464

Receivables are expected to be recovered in no more than 12 months. Impaired receivables are overdue by more than 90 days.

2.2. Non Financial Assets

Note 2.2A: Other non-financial assets

Prepayments – subsection 64(3)	709	314
Prepayments – subsection 64(4A)	1,961	4,089
Total other non-financial assets	2,670	4,403

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

2.3. Payables

Note 2.3A: Suppliers

Office of the Executive Director Township Leasing administrative liabilities	464	824
Suppliers	-	226
Total suppliers payables	464	1,050

Settlement is usually made within 30 days.

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

Note 2.3B: Other payables

Royalty equivalent overpayment	2,363	1,046
Township leasing payable	160	-
Other	-	203
Total other payables	2,523	1,249

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

3. Funding

This section identifies the Aboriginals Benefit Account funding structure.

3.1. Special Accounts

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

	Aboriginals Benefit Account ¹	
	2017	2016
	\$'000	\$'000
Balance brought forward from previous period	19,560	14,133
Increases		
Appropriation credited to special account	177,965	207,285
Investments realised	729,500	537,340
Other receipts	17,683	17,592
Total increases	925,148	762,217
Available for payments	944,708	776,350
Decreases		
Payments made	(134,874)	(158,790)
PGPA Act section 58 investments	(785,500)	(598,000)
Total decreases	(920,374)	(756,790)
Total balance carried to the next period	24,334	19,560
Balance represented by:		
Cash held in entity bank account	24,334	19,560
Total balance carried to the next period	24,334	19,560

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 2017

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.

The Australian Government settled the payment of a grant to the Machado Joseph Disease (MJD) Foundation in the amount of \$10.000 million during 2016-17. This payment was reported as a contingent liability as at 30 June 2016.

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

	2017	2016
	\$'000	\$'000
Note 4.2A: Categories of financial instruments		
Financial assets		
Held-to-maturity investments:		
Term deposits	607,500	551,500
Total held-to-maturity investments	607,500	551,500
Loans and receivables		
Cash and cash equivalents	24,334	19,560
Interest receivable	8,340	6,947
Other receivables (net)	327	75
Total loans and receivables	33,001	26,582
Total financial assets	640,501	578,082
Financial liabilities		
Financial liabilities measured at amortised cost:		
Supplier payables	464	1,050
Grants payables – non-profit organisations	6,427	494
Other payables	160	-
Total financial liabilities measured at amortised cost	7,051	1,544

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

Total financial liabilities	7,051	1,544
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Settlement is usually made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

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 2017 is 100% (2016: 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 2017

	2017	2016
	\$'000	\$'000
Note 4.2B: Net gains or losses on financial assets		
Held-to-maturity investments		
Interest revenue	<u>16,662</u>	<u>16,092</u>
Net gain on held-to-maturity investments	<u>16,662</u>	<u>16,092</u>
Loans and receivables		
Interest revenue	<u>244</u>	<u>302</u>
Impairment	<u>(62)</u>	<u>(211)</u>
Net gain on loans and receivables	<u>182</u>	<u>91</u>
Net gain on financial assets	<u>16,844</u>	<u>16,183</u>

The above net gain is from financial assets not recognised at fair value through profit and loss.

ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT FINANCIAL STATEMENTS



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*; and
- (b) present fairly the financial position of the Aboriginal and Torres Strait Islander Land Account, as at 30 June 2017, 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 2017 and for the year then ended:

- Statement by the Secretary and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; 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*, to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

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 financial statements in the form determined by the Minister for Finance, under sub-section 193H of the *Aboriginal and Torres Strait Islander Act 2005*. 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.

The form determined is prescribed under the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*, made under the *Public Governance, Performance and Accountability Act 2013*, including the Australian Accounting Standards.

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

Michael White
Executive Director



Delegate of the Auditor-General
Canberra

8 September 2017

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 2017 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 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.

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

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



Dr Martin Parkinson AC PSM
Secretary

7 September 2017



Charlotte Tressler
Chief Financial Officer

7 September 2017

**ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT
STATEMENT OF COMPREHENSIVE INCOME**

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
NET COST OF SERVICES			
Expenses			
Payments to the Indigenous Land Corporation	1.1A	51,422	50,712
Investment costs	1.1B	375	393
Audit fees		29	29
Total expenses		51,826	51,134
Own-source Income			
Own-source revenue			
Interest	1.2A	57,582	59,724
Resources received free of charge - audit fees		29	29
Total own-source revenue		57,611	59,753
Gains			
Gain on realisation of investments	1.2B	-	-
Total gains		-	-
Total own-source income		57,611	59,753
Net contribution by services		5,785	8,619
Total comprehensive income		5,785	8,619

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 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	2.1	1	3
Interest receivable		24,491	25,721
Investments		2,004,610	1,997,516
Total financial assets		2,029,102	2,023,240
Total assets		2,029,102	2,023,240
LIABILITIES			
Payables			
Suppliers		77	-
Total payables		77	-
Total liabilities		77	-
Net assets		2,029,025	2,023,240
EQUITY			
Contributed equity		433,932	433,932
Retained surplus		1,595,093	1,589,308
Total equity		2,029,025	2,023,240

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 2017

	Retained earnings		Contributed equity/capital		Total equity	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance						
Balance carried forward from previous period	1,589,308	1,580,689	433,932	433,932	2,023,240	2,014,621
Adjusted opening balance	1,589,308	1,580,689	433,932	433,932	2,023,240	2,014,621
Comprehensive income						
Surplus for the period	5,785	8,619	-	-	5,785	8,619
Total comprehensive income	5,785	8,619	-	-	5,785	8,619
Closing balance as at 30 June	1,595,093	1,589,308	433,932	433,932	2,029,025	2,023,240

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 2017

	Notes	2017 \$'000	2016 \$'000
OPERATING ACTIVITIES			
Cash used			
Payments to the Indigenous Land Corporation		51,422	50,712
Consultant fees		176	231
Investment management costs		122	162
Total cash used		51,720	51,105
Net cash used by operating activities		(51,720)	(51,105)
INVESTING ACTIVITIES			
Cash received			
Proceeds from realisation of investments		2,018,239	2,030,388
Interest on investments		58,812	59,219
Total cash received		2,077,051	2,089,607
Cash used			
Investments		2,025,333	2,038,501
Total cash used		2,025,333	2,038,501
Net cash from investing activities		51,718	51,106
Net increase/(decrease) in cash held		(2)	1
Cash and cash equivalents at the beginning of the reporting period		3	2
Cash and cash equivalents at the end of the reporting period	2.1	1	3

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 2017

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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 2017*

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 2016 to 30 June 2017.

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 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 2016-17 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 2016-17 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 2017

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 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 2017

1. Financial Performance

This section analyses the financial performance of the Aboriginal and Torres Strait Islander Land Account for the year ended 30 June 2017.

1.1. Expenses

	2017	2016
	\$'000	\$'000
Note 1.1A: Payments to the Indigenous Land Corporation		
Annual payment to the Indigenous Land Corporation (ILC)	<u>51,422</u>	<u>50,712</u>
Total payments to the Indigenous Land Corporation	<u>51,422</u>	<u>50,712</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 2017 was 1.4% (2016: 1.7%).

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 (2016: Nil).

Note 1.1B: Investment costs

Consultants	213	231
Investment management expenses	<u>162</u>	<u>162</u>
Total investment costs	<u>375</u>	<u>393</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 2017

1.2. Own-Source Revenue and Gains

OWN-SOURCE REVENUE	2017	2016
	\$'000	\$'000

Note 1.2A: Interest

Term deposits	<u>57,582</u>	<u>59,724</u>
Total interest	<u>57,582</u>	<u>59,724</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	2,018,239	2,030,388
Net book value of assets realised	<u>(2,018,239)</u>	<u>(2,030,388)</u>
Net gain from realisation of investments	-	-

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 2017

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 Account ¹	
	2017	2016
	\$'000	\$'000
Balance brought forward from previous period	3	2
Increases		
Investments realised	2,018,239	2,030,388
Interest receipts	58,812	59,219
Total increases	2,077,051	2,089,607
Available for payments	2,077,054	2,089,609
Decreases		
Payments made	(51,720)	(51,105)
PGPA Act section 58 investments	(2,025,333)	(2,038,501)
Total decreases	(2,077,053)	(2,089,606)
Total balance carried to the next period	1	3
Balance Represented by:		
Cash held in entity bank account	1	3
Total balance carried to the next period	1	3

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 2017

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 (2016: 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

	2017	2016
	\$'000	\$'000
Note 3.2A: Categories of financial instruments		
Financial Assets		
Held-to-maturity investments		
Term deposits	2,004,610	1,997,516
Total held-to-maturity investments	2,004,610	1,997,516
Loans and receivables		
Cash and cash equivalents	1	3
Interest receivable - term deposits	24,491	25,721
Total loans and receivables	24,492	25,724
Total financial assets	2,029,102	2,023,240
Financial Liabilities		
At amortised cost		
Trade creditors and accruals	77	-
Total financial liabilities at amortised costs	77	-

No receivables are overdue or impaired.

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 2017

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 three 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 2017 is 100% (2016: 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.

	2017	2016
	\$'000	\$'000
Note 3.2B: Net gains or losses on financial assets		
Held-to-maturity investments		
Interest revenue		
Term deposits	57,582	59,724
Net gain on held-to-maturity investments	57,582	59,724
Net gains on financial assets	57,582	59,724

The above net gain is from financial assets not recognised at fair value through profit and loss.

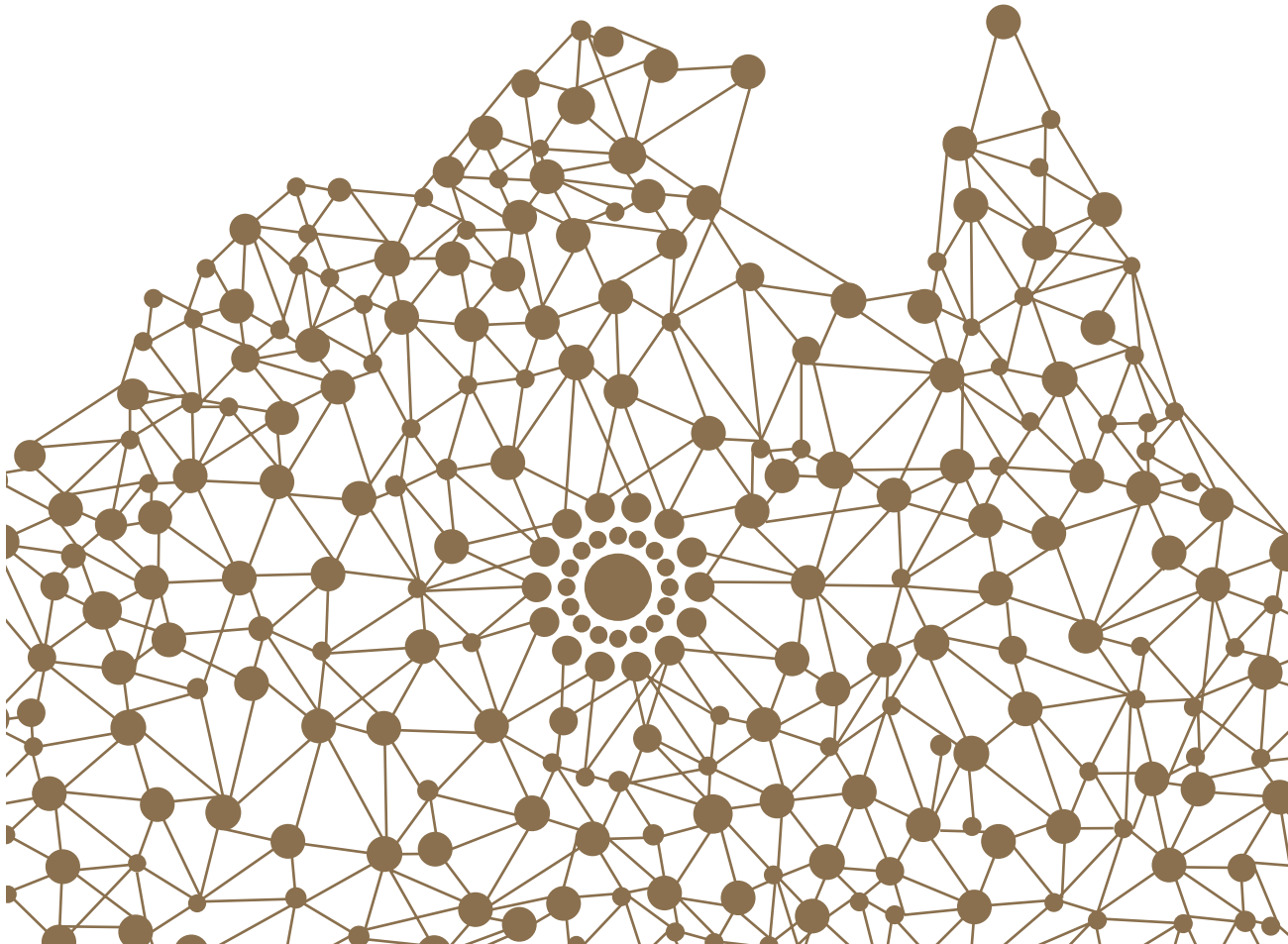
PART 5

APPENDICES

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APPENDIX A: ABORIGINALS BENEFIT ACCOUNT ANNUAL REPORT 2016-17

ABORIGINALS BENEFIT ACCOUNT OVERVIEW

The ABA is legislated under the *Aboriginal Land Rights (Northern Territory) Act 1976* (Land Rights Act) and is a special account for the purposes of the PGPA Act. The ABA receives and distributes monies 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 2017, the committee was chaired by Ms Donna Ah Chee and consisted of 14 members elected by the four land councils. In 2016-17, the committee formulated advice in relation to beneficial payments on 259 applications.

Funds from the ABA are also 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.

The Department's national office 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, ABA Homelands Project, assessing ABA subsection 64(4) grant applications and managing the ABA subsection 64(4) grants.

During 2016-17, the Department commenced discussions on improvements to the sustainability of the ABA given a likely downturn in royalty equivalent income at the end of the next decade. This is informed by a Mining Trend Analysis commissioned by the Department, based on known deposits of resource and lease expiries.

ABA sustainability was discussed at the Northern Territory Biannual Strategic Forum in May 2017. Representatives from the Australian Government, Northern Territory Government and Northern Territory land councils attended the forum. Consultations are taking place with stakeholders including the committee and feedback will inform future policy development.

The ABA is administered by the Department in accordance with the requirements of the Land Rights Act and the PGPA Act. The ABA is part of Outcome 2: Indigenous within the Department's 2016-17 outcome and program reporting structure.

The Department 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 2016-17

Mining royalty equivalent receipts of \$176.651 million were credited to the ABA in 2016-17. This represents a 14.6 per cent decrease on the level of 2015-16 receipts. Figures 5.1 and 5.2 summarises the ABA income and expenditure.

FIGURE 5.1: SUMMARY OF ABORIGINALS BENEFIT ACCOUNT INCOME, 2015-16 AND 2016-17

	2015-16 \$'000	2016-17 \$'000
Royalty equivalents	206,860	176,651
Interest	16,394	16,906
Resources received free-of-charge	2,576	2,944
Lease rental income	2,228	2,280
Other income	263	73
Total ABA income	228,321	198,854

FIGURE 5.2: SUMMARY OF ABORIGINALS BENEFIT ACCOUNT EXPENDITURE (INCLUSIVE OF MINING WITHHOLDING TAX) 2015-16 AND 2016-17

	2015-16 \$'000	2016-17 \$'000
Payments to land councils for administrative purposes - Land Rights Act, subsection 64(1)	49,522	48,671
Payments to land councils for distribution to Royalty Associations - Land Rights Act, subsection 64(3)	62,057	52,994
Grant payments to or for the benefit of Aboriginal people in the Northern Territory - Land Rights Act, subsection 64(4)	43,908	33,742
Payments in relation to township leases and subleases - Land Rights Act, subsection 64(4A)	3,836	6,210
Administration (suppliers and employees including resources received free-of-charge) - Land Rights Act, subsection 64(6)	3,772	3190
Total expenditure	163,095	144,807

Expenditure on beneficial payments under subsection 64(4) was \$33.742 million in 2016–17 (inclusive of Mining Withholding Tax).

ABA beneficial grant funding in 2016–17 went to projects supporting employment, training and cultural activities in the Northern Territory. Examples include:

- ▲ Top End Aboriginal Bush Broadcasting Association was provided \$160,900 to purchase and fit out a mobile multimedia unit. The unit will be used by staff to conduct training and to support top end remote communities during cultural festivals and other multimedia initiatives.
- ▲ Yapa-Kurlangu Ngurrara Aboriginal Corporation was provided grant funding of \$100,000 to purchase a truck. This will support the Yuendumu-based organisation to pursue business opportunities and improve employment outcomes.

Two projects funded from subsection 64(4) of the Land Rights Act are managed by the Department:

- ▲ The Community Stores Infrastructure Project neared completion, with 16 stores completed. The project improves storage capacity and the supply of healthy, fresh foods and provides additional business and local employment opportunities.
- ▲ The ABA Homelands Project will provide a one-off investment of \$40 million to improve the capacity of homelands residents across the Northern Territory to self-manage basic living requirements and maintain and develop meaningful activities on country, including participating in economic enterprise, education and training.

CREDITS INTO THE ABORIGINALS BENEFIT ACCOUNT

The ABA is credited with equivalent monies 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. Figure 5.1 details interest earned for the year, as well as royalty equivalent income, resources received free-of-charge and lease rental income.

The Department provides staff support free-of-charge to manage the ABA. These costs are included as revenue in Figure 5.1 and expenses in Figure 5.6.

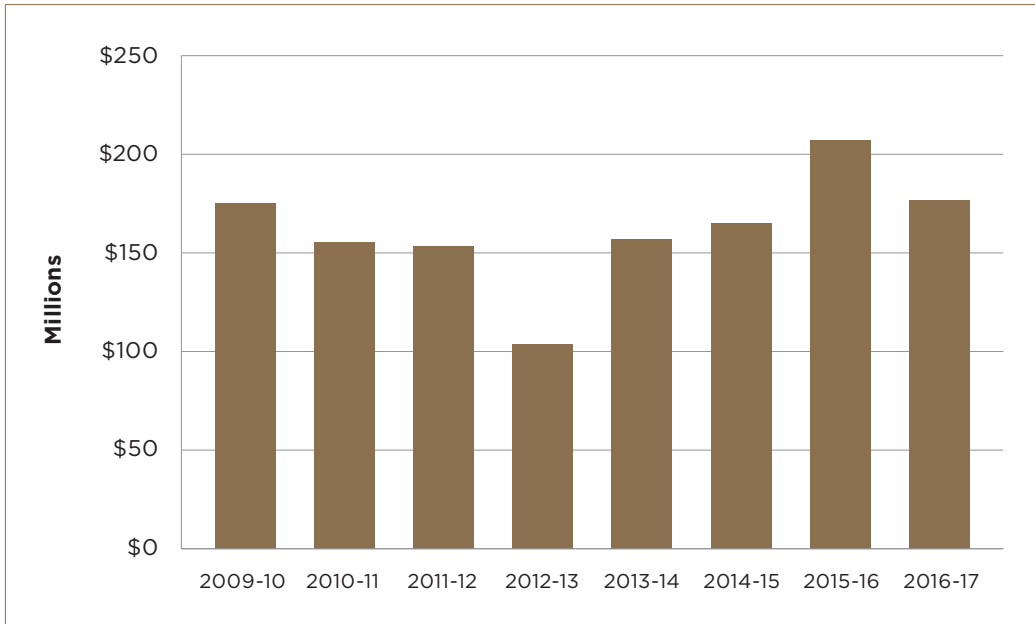
ABA royalty equivalent income is volatile as it is subject to profits recorded by individual mines that are influenced by global commodity markets and other factors.

Figure 5.3 shows receipts from royalty equivalents transferred to the ABA since 2009.

DEBITS OUT OF THE ABORIGINALS BENEFIT ACCOUNT

A summary of total ABA expenditure in 2015–16 and 2016–17 is provided at Figure 5.2.

FIGURE 5.3: ROYALTY EQUIVALENT RECEIPTS TRANSFERRED TO THE ABORIGINALS BENEFIT ACCOUNT 2009-10 TO 2016-17



Payments to land councils for administrative expenses

FIGURE 5.4: LISTS ABA MONIES PAID IN 2015-16 AND 2016-17 TO THE FOUR NORTHERN TERRITORY LAND COUNCILS (NET OF MINING WITHHOLDING TAX)

LAND COUNCIL	2015-16 \$'000	2016-17 \$'000
Northern Land Council	22,638	21,636
Central Land Council	18,211	18,027
Tiwi Land Council	2,875	3,215
Anindilyakwa Land Council	3,893	3,921
Total	47,617	46,799
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 monies must be paid to each land council in the area in which a mining operation is situated. These monies are distributed to Aboriginal organisations (Royalty Associations) in those areas affected by mining operations. Figure 5.5 lists payments made in 2015–16 and 2016–17 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 \$33.742 million were provided for the benefit of Aboriginal and Torres Strait Islander people living in the Northern Territory. This compared to \$43.908 million made in 2015–16 (inclusive of Mining Withholding Tax).

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. Figure 5.6 provides a breakdown of administration of township leasing expenses for 2015–16 and 2016–17, 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 four 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 2016–17 was \$4.572 million compared with \$5.525 million in 2015–16.

FIGURE 5.5: PAYMENTS TO LAND COUNCILS FOR DISTRIBUTION TO ROYALTY ASSOCIATIONS

LAND COUNCIL	2015-16 \$'000	2016-17 \$'000
Northern Land Council	15,472	14,674
Central Land Council	17,532	21,822
Anindilyakwa Land Council	26,571	14,379
Tiwi Land Council	0	0
Total	59,575	50,875

**FIGURE 5.6: DEPARTMENTAL ADMINISTRATION AND EXPENDITURE
(EXCLUSIVE OF GST)**

ADMINISTRATION EXPENDITURE	2015-16 \$'000	2016-17 \$'000
Departmental administration expenditure		
Resources provided free-of-charge	2,576	2,944
Subsection 64(6) payments		
Committee members sitting fees/superannuation	51	124
Consultancy services	0	0
Committee meeting expenses	0	0
Travel and other administrative costs	0	60
ABA Stores Infrastructure Project	584	0
Subsection 64(4A) payments		
Office of township leasing administrative expenses	2,027	3,305
Payments for township leases	1,809	2,128
Other	0	777
Total administrative costs of the ABA	7,047	9,338

Total equity

The ABA's closing balance on 30 June 2017, as disclosed in the financial statements, excluding future commitments was \$634.083 million. This compares with \$580.036 million at 30 June 2016.

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. Monies 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.

The ABA held \$607.500 million in term deposits with Australian banks at 30 June 2017. This compares with \$551.500 million at 30 June 2016.

APPENDIX B: ABORIGINAL AND TORRES STRAIT ISLANDER LAND ACCOUNT ANNUAL REPORT 2016-17

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*, and is continued by section 192W(1) of the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act). The ATSILA is a Special Account for the PGPA Act.

ATSILA was established in recognition that many Indigenous people may be unable to assert native title rights because they are 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 2017. Full details of the ATSILA 2016-17 Financial Statements are included in Part 4.

The purpose of ATSILA is to provide a secure income stream to the Indigenous Land Corporation (ILC), the 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 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. Figure 5.7 details the payments made to the ILC for the past five years.

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 2016-17, the first on 9 November 2016 and the second on 15 May 2017.

FIGURE 5.7: SUMMARY OF PAYMENTS TO ILC 2012-2017

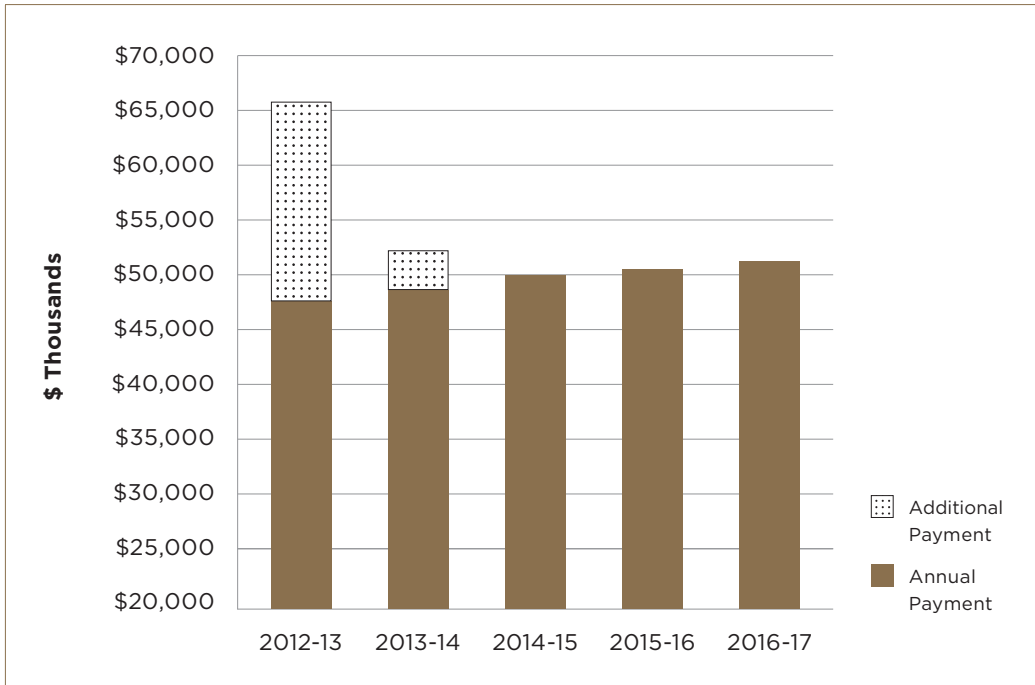
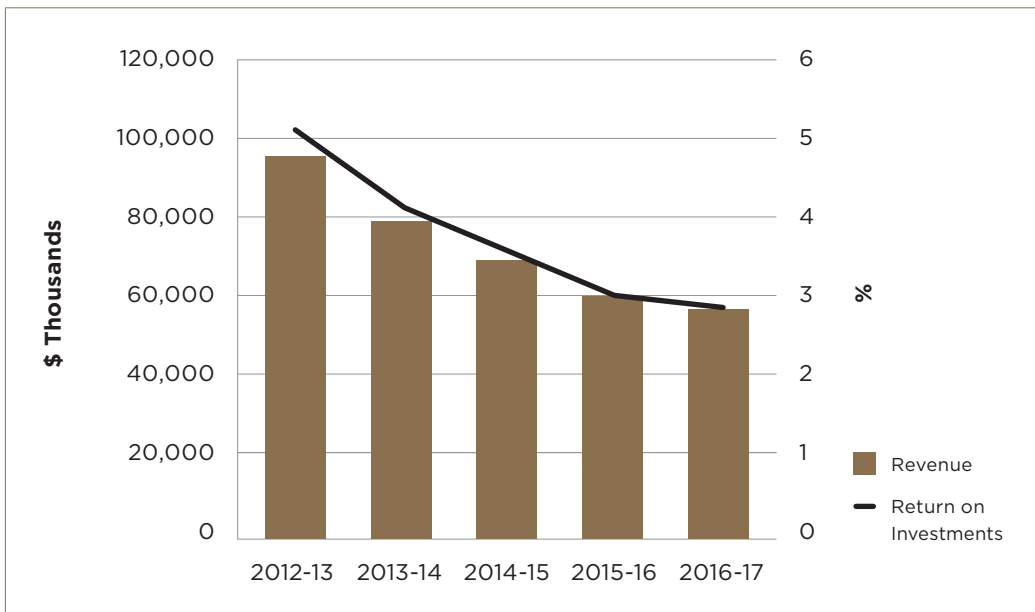


FIGURE 5.8: RETURN ON INVESTMENTS 2012-17



INVESTMENTS OF THE LAND ACCOUNT

In 2016-17, 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 ATSILA Consultative Forum and the PM&C Chief Financial Officer (the Finance Minister's Delegate for the purposes 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. As at 30 June 2017, ATSILA investments are comprised of term deposits with Australian banks. Figure 5.8 shows the return on investments for the past five years.

APPENDIX C: REGISTRAR OF INDIGENOUS CORPORATIONS

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 ORIC is reported in the Department's performance statement at page 46.

As at 30 June 2017, the Registrar's functions were delivered by 47.6 full-time equivalent staff. Of these, 48 per cent identified as Aboriginal or Torres Strait Islander.

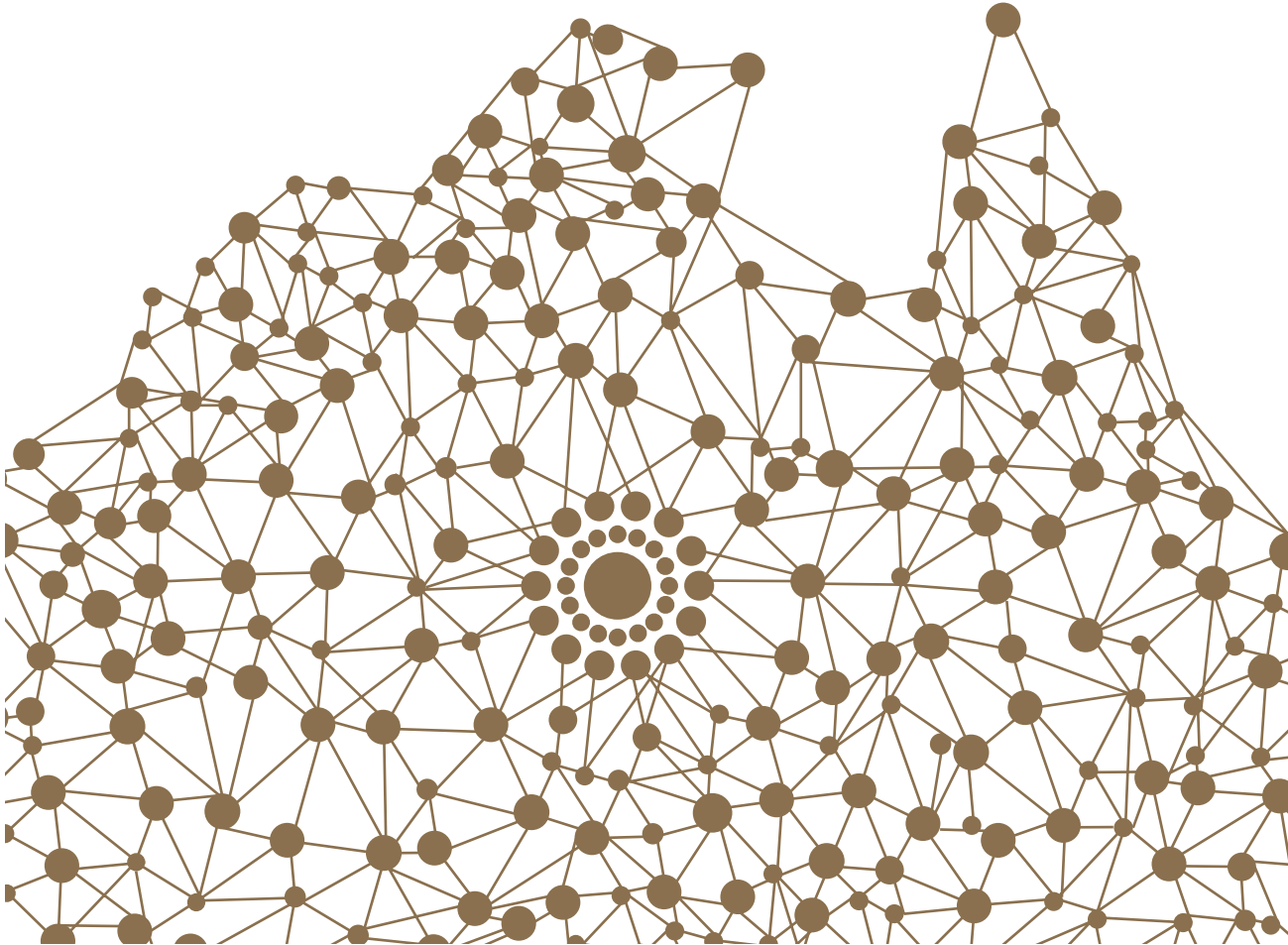
FIGURE 5.9: FUNDING AND EXPENDITURE FIGURES FOR ORIC 2016-17

DIVISION	TOTAL 2016-17 BUDGET	TOTAL 2016-17 EXPENDITURE	2016-17 VARIANCE SURPLUS/(DEFICIT)
Office of the Registrar of Indigenous Corporations	\$8.378m	\$8.427m	(\$0.049m)

PART 6

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COMPLIANCE INDEX

This schedule is made for subsection 46(3) of the Act.

PGPA RULE REF ¹	DESCRIPTION	REQUIREMENT	LOCATION PAGE NO.
17AD(g)	Letter of transmittal	Mandatory	iii
17AD(h)	Table of contents	Mandatory	iv-v
17AJ(b)	Alphabetical index	Mandatory	187-197
17AJ(c)	Glossary	Mandatory	186
17AJ(d)	List of Requirements	Mandatory	181-184
17AJ(e)	Contact officer(s)	Mandatory	ii
17AJ(f)	Internet home page address and Internet address for report	Mandatory	ii
17AJ(g)	Electronic address of report	Mandatory	ii
17AD(a)	Review by Secretary of the entity	Mandatory	1-4
17AE(1)(a) (i)	Role and functions of the entity	Mandatory	5
17AE(1)(a) (ii)	Organisational structure	Mandatory	5-6
17AE(1)(a) (iii)	Outcomes and programs	Mandatory	9
17AE(1)(a) (iv)	Purposes of the entity as included in corporate plan	Mandatory	9
17AE(1)(b)	Structure of the portfolio of the entity	Mandatory	6-7
17AE(2)	Outcome and program changes from the PBS/PAES	If applicable, Mandatory	Not applicable
17AD(c)(i);16F	Annual performance statement	Mandatory	10-53
17AF(1)(a)	A discussion and analysis of the entity's financial performance	Mandatory	67-69
17AF(1)(b)	Total resources and total payments of the entity	Mandatory	70-77
17AF(2)	Significant changes in the financial results during or after the previous or current reporting period	If applicable, Mandatory	Not applicable
17AG(2)(a)	Information on compliance with section 10 (fraud systems)	Mandatory	56

PGPA RULE REF¹	DESCRIPTION	REQUIREMENT	LOCATION PAGE NO.
17AG(2)(b)(i)	A certification by the Secretary that fraud risk assessments and control plans have been prepared	Mandatory	iii 55-56
17AG(2)(b)(ii)	A certification by the Secretary that appropriate mechanisms for dealing with fraud are in place	Mandatory	iii
17AG(2)(b)(iii)	A certification by the Secretary that all reasonable measures have been taken to deal with fraud	Mandatory	iii
17AG(2)(c)	An outline of entity corporate governance structures	Mandatory	55
17AG(2)(d) - (e)	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	Not applicable
17AG(3)	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny	Mandatory	56-57
17AG(3)(a)	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity	If applicable, Mandatory	57
17AG(3)(b)	Information on any reports on operations of the entity by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	If applicable, Mandatory	57
17AG(3)(c)	Information on any capability reviews on the entity that were released during the period	If applicable, Mandatory	Not applicable
17AG(4)(a)	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives	Mandatory	64-65
17AG(4)(b)	Statistics on the entity's APS employees on an ongoing and non-ongoing basis	Mandatory	58-60
17AG(4)(c)	Information on any enterprise agreements, Individual Flexibility Arrangements, workplace agreements	Mandatory	63

PGPA RULE REF¹	DESCRIPTION	REQUIREMENT	LOCATION PAGE NO.
17AG(4)(c)(i)	Information on the number of SES and non-SES employees covered by agreements	Mandatory	63
17AG(4)(c)(ii)	The salary ranges available for APS employees by classification level	Mandatory	64
17AG(4)(c)(iii)	A description of non-salary benefits provided to employees	Mandatory	64
17AG(4)(d)(i)	Information on the number of employees at each classification level who received performance pay	If applicable, Mandatory	64
17AG(4)(d)(ii)	Information on aggregate amounts of performance pay at each classification level	If applicable, Mandatory	64
17AG(4)(d)(iii)	Information on the average amount of performance payment, and range of such payments, at each classification level	If applicable, Mandatory	64
17AG(4)(d)(iv)	Information on aggregate amount of performance payments	If applicable, Mandatory	64
17AG(5)	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities	If applicable, Mandatory	79
17AG(6)	An assessment of entity performance against the Commonwealth Procurement Rules	Mandatory	77-78
17AG(7)(a)	A summary statement of new contracts engaging consultants	Mandatory	78-79
17AG(7)(b)	A statement on consultancy contracts.	Mandatory	78-79
17AG(7)(c)	A summary of the policies and procedures for selecting and engaging consultants.	Mandatory	78
17AG(7)(d)	A statement that Annual reports contain information about actual expenditure on contracts for consultancies.	Mandatory	78
17AG(8)	Auditor-General access to contractor's premises	If applicable, Mandatory	77
17AG(9)	Contracts exempted from being published in AusTender because it would disclose exempt matters under the FOI Act	If applicable, Mandatory	78
17AG(10)(a)	A statement that the entity supports small business participation in procurement	Mandatory	78

PGPA RULE REF¹	DESCRIPTION	REQUIREMENT	LOCATION PAGE NO.
17AG(10)(b)	An outline of the ways in which the procurement practices of the entity support small and medium enterprises	Mandatory	78
17AG(10)(c)	A statement that the entity recognises the importance of ensuring that small businesses are paid on time.	If applicable, Mandatory	78
17AD(e)	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act	Mandatory	81
17AH(1)(a)(i)	Statement around advertising campaigns conducted	If applicable, Mandatory	78
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)	A statement that “Information on grants awarded to [name of entity] during [reporting period] is available at [address of entity’s website]”	If applicable, Mandatory	79
17AH(1)(c)	Outline of mechanisms of disability reporting, including reference to website for further information	Mandatory	60
17AH(1)(d)	Website reference to where the entity’s Information Publication Scheme statement pursuant to Part II of FOI Act can be found	Mandatory	57
17AH(1)(e)	Correction of material errors in previous annual report	If applicable, Mandatory	Not applicable
17AH(2)	Information required by other legislation	Mandatory	65-66

¹ The reference is to the location of the item in the requirements – e.g. ‘A.4’ refers to the fourth item in Attachment A.

ABBREVIATIONS

FIGURE 6.1: LIST OF ABBREVIATIONS

APS	Australian Public Service
APSC	Australian Public Service Commissioner
ATSILA	Aboriginal and Torres Strait Islander Land Account
CDP	Community Development Programme
COAG	Council of Australian Governments
DIPA	Data Integration Partnership for Australia
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
LGBTI	Lesbian, Gay, Bisexual, Transgender and Intersex
KPI	Key performance indicator
MP	Member of Parliament
NABERS	National Australian Built Environment Rating System
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>
RSAS	Remote School Attendance Strategy

GLOSSARY OF KEY 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 and prescribed agency under *Public Governance, Performance and Accountability Act 2013* (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 *Fair Work Act 2009*.

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): explain 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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ANNUAL REPORT TEAM

This report was developed by the annual report team with help from staff throughout the Department. The 2016-17 annual report team comprised: Brandon Jarrett, Chris Atkinson, Sue Lewis, Peter Sweeney and Donna Baker.

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