

Part 03

Management and accountability

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Corporate governance

The Treasury's corporate governance framework is designed to:

- maintain effective oversight of the planned activities set out in the *Treasury Corporate Plan 2017-18* and 2017-18 Portfolio Budget Statements;
- be fit-for-purpose and responsive to emerging priorities and risks; and
- ensure the Treasury's administrative and financial management arrangements comply with statutory and policy including the PGPA Act.

Governance committees

Executive Committee

The Executive Committee is the Treasury's senior leadership group and decision-making body. The Executive Committee sets the Treasury's strategic policy direction and is the custodian of the Treasury's reputation. It also supports the Secretary to fulfil his obligations as the Accountable Authority under the PGPA Act. As at 30 June 2018, the Executive Committee comprised the Secretary and Deputy Secretaries.

See *Part 1 Departmental Overview* for the Treasury's senior leadership group.

Audit Committee

The Audit Committee reviews the appropriateness of, and provides independent advice to the Secretary on, the department's performance reporting, financial reporting, risk management and control frameworks. It is established in accordance with section 45 of the PGPA Act and section 17 of the PGPA Rule.

The Audit Committee comprises five members — an independent chair, an internal deputy chair, two independent members and an additional internal member. The Committee met five times in 2017-18. It received regular briefings from the Treasury's management on changes to the business and risk profiles, and operational and assurance information from business group leads and auditors. The information assisted the Audit Committee to form a view on the Treasury's compliance with its obligations, together with the ongoing effectiveness of the risk and control frameworks.

A Financial Statements Sub-Committee supports the Audit Committee by providing assurance in regard to the preparation of the Treasury's financial statements.

Health and Safety Committee

The Health and Safety Committee (HSC) assists the Secretary in carrying out his statutory obligations in accordance with the *Work Health and Safety Act 2011*. The HSC facilitates cooperation between the Treasury management and employees to develop and review health and safety policies, procedures and initiatives, and manage health and safety risks in the workplace.

Workplace Relations Committee

The Workplace Relations Committee (WRC) is the Treasury's primary staff consultation body, convened in accordance with the *Treasury Enterprise Agreement 2015-18*. The WRC undertakes consultation with Treasury staff on issues affecting their working environment and employment conditions.

Inclusive Workplace Committee

The Inclusive Workplace Committee retains strategic oversight of the Treasury's inclusion and diversity initiatives including Progressing Women; LGBTI+; Family and Domestic Violence; Culturally and Linguistically Diverse; Disability; and Equality and Diversity Networks.

Risk management

Risk management is fundamental to good governance and integrity, and accordingly the Treasury adopts a 'risk matters' culture where risk (threat and opportunity) is viewed as the responsibility of all staff in the pursuit of our purpose and maintenance of our reputation.

The Chief Risk Officer (CRO), as part of the Treasury's leadership team, fosters a strong risk culture where staff are supported to engage in appropriate risk dialogue. Forums to discuss risks include the Risk Working Group (chaired by the CRO), risk speaker leadership sessions, Group Executive Meetings, and a number of other internal discussion groups. The central risk function guides staff on the documentation and evaluation of risk assessments, and seeks to confirm the existence and operation of treatments and controls, with the assistance of internal audit.

The Treasury's Risk Management Policy and Framework provides for the capture of significant enterprise-wide and operational risks, with key reflection points provided semi-annually where staff can update the Treasury's risk profile. Enabling or specialised functions also maintain sub-risk registers to assist them in managing their areas of accountability. Staff understand that risks are to be managed in line with the Treasury's risk appetite statement and policies.

The Treasury's framework is consistent with the Commonwealth Risk Management Policy. In 2017-18, the Treasury released a new risk toolkit and undertook an exercise sponsored by Comcover to enhance the capability of its senior executive to support positive risk management practices and behaviours across the department. For the 2017 calendar year, the Treasury's maturity rating increased to Integrated in the Comcover Benchmarking Survey, and further enhancements are being progressed in 2018 to further improve our maturity in line with our aspirations.

Fraud prevention and control

The Treasury's approach to fraud risk management complies with the PGPA Act and Rule and the Commonwealth Fraud Control Framework.

The Treasury has a zero risk appetite for fraud, and has taken comprehensive steps to prevent the occurrence of fraud. These include the development and implementation of the *Fraud Corruption and Control Plan 2018-2020*, and associated processes and systems for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud. In 2017-18, the Treasury focussed on educating staff about potential fraud risks, as well as the processes to identify and manage fraud. Fraud awareness is included in onboarding, mandatory security awareness training, financial framework training and a self-paced eLearning course.

The Treasury reports fraud information data annually to the responsible minister and the Australian Institute of Criminology. In 2017-18 the Treasury did not identify any instances of actual or suspected fraud.

Internal audit arrangements

Internal audit provides independent advice and assurance to the Secretary (through the Audit Committee) on the effectiveness of the Treasury's governance framework, compliance obligations, and financial and operational controls. Internal audit services were provided by Ernst and Young until May 2018. The Treasury commenced a procurement process to appoint a new internal audit provider.

Internal audit prepares and delivers an annual Internal Audit Plan. The plan is developed in consultation with the Executive Committee and other key departmental stakeholders, so that it reflects our risk profile and assurance concerns. The Audit Committee reviews and endorses the plan, for approval by the Secretary.

Delivery of the plan is viewed as an important mechanism to assist management in their oversight of inherent and emerging risks, and to support continuous business improvement. In 2017-18, internal audit delivered performance, compliance and systems audits with a focus on credit cards, foreign investment functions, model integrity and management, the shared services operating framework, virtual desktop infrastructure, and fraud control and corruption.

Ethical standards

The Treasury has policies and procedures in place to ensure appropriate ethical standards, including the APS Code of Conduct and Values, are upheld in accordance with the *Public Service Act 1999*.

The Treasury provided input into the annual APS State of the Service Report in accordance with section 44 of the *Public Service Act 1999*.

SES remuneration

SES remuneration is determined under section 24(1) of the *Public Service Act 1999*. Further information is provided at *Part 3 — Management of human resources* section on page 53.

Significant non-compliance issues with relevant finance laws

There were no significant instances of non-compliance with the finance law reported to the responsible minister in 2017-18.

External scrutiny

External audit

The Australian National Audit Office (ANAO) performed the role of external auditor to the Treasury by conducting financial statements and performance audits. In 2017-18, the ANAO tabled four performance audits involving the Treasury:

Audit Report No. 36 — Corporate Planning in the Australian Public Sector 2017-18 (published 23 April 2018)

Audit Report No. 42 — Effectiveness of Monitoring and Payment Arrangements under National Partnership Agreements (published 24 May 2018)

Audit Report No. 48 — Compliance with Foreign Investment Obligations for Residential Real Estate (published 19 June 2018)

Audit Report No. 53 — Cyber Resilience (published 28 June 2018)

The Auditor-General's reports, including the department's responses, are available on the ANAO website.

ANAO performance audit reports relevant to the Treasury in 2017-18 were:

- Audit Report No. 5 — Protecting Australia's Missions and Staff Overseas: Follow-on (published 8 August 2017)
- Audit Report No. 6 — The Management of Risk by Public Sector Entities (published 15 August 2018)
- Audit Report No. 8 — Administration of the Freedom of Information Act 1982 (published 19 September 2018)
- Audit Report No. 15 — Costs and Benefits of the Reinventing the ATO Program (published 22 November 2017)
- Audit Report No. 21 — The Australian Taxation Office's Use of Settlements (published 13 December 2017)
- Audit Report No. 29 — Unscheduled Taxation System Outages (published 20 February 2018)
- Audit Report No. 33 — Implementation of the Annual Performance Statements Requirements 2016-17 (published 28 March 2018)
- Audit Report No. 38 — Mitigating Insider Threats through Personnel Security (published 11 May 2018)
- Audit Report No. 41 - Efficiency through Contestability Programme (published 21 May 2018)

Management of human resources

Overview

The People and Organisational Strategy Division, part of the Corporate Services and Business Strategy Group, has primary responsibility for the Treasury's people framework. Through a suite of strategies and cultural initiatives that drive capability and performance, the division supports the Treasury to continue to deliver compelling and influential policy advice and services.

Key outcomes

Key outcomes have been achieved in the focus areas of:

- organisational performance;
- inclusion and diversity; and
- employee relations.

Key outcomes include:

- staff sounding and commencement of enterprise bargaining negotiations;
- redesign and streamlining of secondment and expression of interest processes;
- implementation of the Treasury's Performance Development System;
- development of a Treasury Learning and Development Strategy and three year investment plan;
- launch of an enhanced Family and Domestic Violence employee support package;
- design and endorsement of the Treasury's Indigenous Employment Strategy; and
- engagement of Koomarri, an Australian Disability Enterprise, for the provision of office support services.

Workforce strategies

In 2017-18, workforce strategies focused on four key areas: talent sourcing, development, mobility and inclusivity. A review of the performance management system was finalised and a new performance management system, the Treasury's Performance Development System, was launched and embedded. The Treasury also developed a draft Innovate Reconciliation Action Plan and endorsed an Indigenous Employment Strategy, consistent with its demonstrated commitment to increasing the representation of Aboriginal and Torres Strait Islanders in the Australian Public Service.

Performance management

The Treasury is committed to the ongoing development of its employees, and a high performance work culture. In 2017-18, the Treasury implemented a new Performance Development System. The objectives of the system include:

- continuously improving organisational performance to enable the department to achieve its strategic outcomes and priorities;

- providing a framework to improve individual and organisational performance, as well as supporting development and career planning;
- providing an approach to ensure regular real-time and meaningful feedback and recognise and reward sustained high performance;
- providing mechanisms for managing declines in performance and underperformance.

APS 1-6 staff continue to be formally assessed biannually with Executive Level (EL) and Senior Executive (SES) staff having one formal appraisal each year under the Performance Development System. The APS Integrated Leadership System provides the behavioural framework for assessing performance.

Workplace relations

Remuneration and employment conditions for Treasury's APS and EL officers are determined under the *Treasury Enterprise Agreement 2015-2018*. The enterprise agreement operates in conjunction with Commonwealth legislation and the Treasury's policies and guidelines to define the terms and conditions of employment for staff. The agreement nominally expired on 31 July 2018. The Treasury commenced bargaining for a new enterprise agreement in late May 2018. This followed a comprehensive three month sounding process that commenced in early 2018 to seek staff feedback on the current agreement and ideas on improvements to the Treasury's operations and business processes. Throughout bargaining, the Treasury met regularly with nominated bargaining representatives and frequently communicated developments with staff.

The department occasionally uses individual flexibility arrangements to secure specific expertise or specialist skills critical to business needs.

Strategic talent sourcing

The Treasury offers recruitment opportunities that aim to attract candidates from both within and outside the Australian Public Service from many professions representing diversity in experience and skills. The Treasury seeks passionate staff who will work collaboratively to deliver ideas and advice that will help Australia meet the challenges of the coming years. The Treasury attracts and develops talent through a range of recruitment activities including expressions of interest and secondment opportunities.

Recruitment

In 2017-18, talent sourcing activities included policy-specific and specialist recruitment, along with large scale recruitment processes, including the graduate recruitment campaign. Staff mobility was encouraged through a formal departmental transfer round, with 43 expressions of interest received. This complemented formal expression of interest processes conducted throughout the year for internal opportunities.

The Treasury also advertised vacancies and employed candidates via the RecruitAbility scheme and under the Affirmative Measures — Indigenous scheme.

Graduate Program

The Treasury Graduate Program remains a key recruitment initiative with 43 graduates commencing in February 2018. The program employed graduates from a range of disciplines including economics, law, arts, commerce and science.

In March 2018, recruitment commenced for the 2019 Graduate Program. Eight hundred and seventy-five applications were received. Meet and Greet events were hosted by the Treasury and these showcased the responsibilities and the work of the Treasury to prospective graduates.

State offices

The Treasury continued to attract and locate candidates in its Melbourne and Sydney office and established a small presence in Perth to develop relationships with a range of industries. This presence has allowed the Treasury to attract leading expertise from the public and private sector across a range of locations.

Secondment program

The Treasury's secondment program enables the exchange of staff between the Treasury and other Australian and international organisations. The program builds organisational leadership and positive cultural change by connecting staff and exposing them to new ideas, alternative leadership styles, diverse approaches to policy-making and the challenges and practicalities of implementing policy decisions.

As at 30 June 2018, there were 42 secondments into the Treasury; 31 government and 11 non-government. Twenty-eight employees of the Treasury were seconded out of the Treasury; 22 government, one non-government and five international organisations.

Learning and development

The Treasury supports ongoing professional development that builds the required skills, knowledge and capabilities of staff to support the delivery of business priorities. The People and Organisational Strategy Division takes a collaborative approach by working with the business to deliver quality learning outcomes.

In 2017-18, the Treasury offered a number of formal development opportunities through which:

- 38 APS and EL staff participated in the Policy Advising Program;
- over 700 staff members across all levels attended extensive training on the new Performance Development System. One EL staff member participated in the Graduate Certificate in Public Policy and Finance course run by the University of Canberra;
- 68 staff were supported with studies assistance to undertake university qualifications and vocational training;
- one EL staff member participated in the Asia Link Leaders Program;
- four APS and EL staff members participated in the Institute of Public Administration Australia (IPAA) Future Leaders Program;
- five staff members are currently undertaking PhD study at the Australian National University through the Sir Roland Wilson Scholarship Program;
- seven staff studied at the postgraduate level with the support of a postgraduate study award; and
- over 150 new starters attended the Treasury onboarding activities.

Staffing information

At 30 June 2018, there were 912 staff employed at the Treasury compared with 869 at 30 June 2017. The average staffing level (ASL) across the 2016-17 year was 842.

Of the Treasury’s operative staff at 30 June 2018, 92.8 per cent were employed on an ongoing basis. The proportion of staff working part-time was 14.4 per cent at 30 June 2017, down slightly from a year prior.

Women made up 52.3 per cent of the Treasury’s workforce at 30 June 2018, a decrease of 0.2 per cent a year ago. Women also made up 38.3 per cent of the Treasury’s SES, an increase of 5.7 per cent since 30 June 2017.

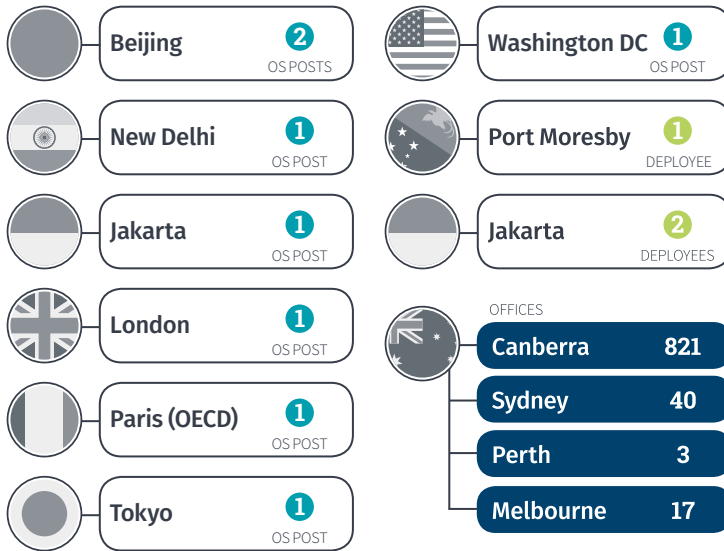
Table 1: Staff by actual classification and gender as at 30 June 2018 (operative headcount)

	Men	Women	Total
APS3	29	25	54
APS4	23	35	58
APS5	33	44	77
APS6	93	138	231
EL1	118	97	215
EL2	77	85	162
SES Band 1	34	20	54
SES Band 2	15	7	22
SES Band 3	5	2	7
Secretary	1	0	1
Total	428	453	881

Note: data excludes inoperative staff.

While the majority of staff are based in Canberra, some staff are located in the Treasury’s interstate offices in Sydney, Melbourne, and Perth, as well as overseas.

Figure 4: Location of the Treasury’s operative staff



Remuneration — SES

SES remuneration and employment conditions are determined under section 24(1) of the *Public Service Act 1999*. These are supported by a remuneration model that determines pay levels within each SES level based on performance. The Treasury does not offer performance pay. An SES remuneration package is in recognition of all hours worked, including any reasonable additional hours.

SES employees are not entitled to overtime payments, penalty rates or time off in lieu. The Treasury has historically increased SES remuneration in line with APS and EL staff as determined by the Treasury Enterprise Agreement. SES officers received a 1.5 per cent salary increase in July 2017.

Table 2: Remuneration — SES employees

Classification	Minimum	Maximum
SESB1	\$201,382	\$234,051
SESB2	\$246,821	\$288,890
SESB3	\$319,863	\$374,608

Remuneration — Non-SES

APS and EL officers received a 1.5 per cent salary increase on 1 July 2017. Table 3 contains the salary ranges applying to non-SES employees as at 30 June 2018.

Table 3: Remuneration — non-SES employees

Classification	Minimum	Maximum
APS1	\$45,791	\$49,725
APS2	\$52,780	\$56,275
APS3	\$59,768	\$63,259
APS4	\$66,756	\$70,248
APS5	\$75,054	\$79,860
APS6	\$84,664	\$102,571
EL1	\$110,435	\$126,681
EL2	\$134,892	\$154,811

Workplace diversity

The Treasury is committed to growing and maintaining a safe, inclusive and welcoming work environment for all staff, irrespective of gender, ethnicity, linguistic background, age, sexuality, and/or disability.

The Treasury continues to drive action to improve the overall diversity of our workforce across all diversity streams and create a truly inclusive workplace culture, where both inherent and acquired diversity are valued.

Actions to promote and support diversity and inclusion in 2017-18 included the continued operation of an endorsed Diversity Calendar (which establishes key events throughout the year that the Treasury will officially celebrate) and the continued support of SES diversity champions who promote awareness of diversity groups and foster inclusive workplace practices. Importantly, the Treasury continues to progress the development of its Inclusion and Diversity Strategy 2018-2020, which was the subject of consultation in late 2017 and acts as an overarching high level strategy document that is underpinned by four key action plans: Gender Equity Action Plan; Reconciliation Action Plan (RAP); Multicultural Access Plan; and Disability Action Plan.

The Treasury supports the APS Gender Equality Strategy and has published its Gender Equity Action Plan on the internet. The Treasury also supports other APS agencies in their work towards achieving inclusive workplaces.

The Treasury continues to attract, support and retain Aboriginal and Torres Strait Islander staff, with a renewed focus on improving representation across all roles. In 2017-18, the Treasury launched its draft Innovate Reconciliation Action Plan 2018-2020. It is anticipated that this draft RAP will be formally endorsed by Reconciliation Australia in 2018-19. Initiatives in this space also include piloting cultural awareness training, and enhanced education and cultural experiences through celebrating Reconciliation Week and NAIDOC Week.

The Treasury has also developed a comprehensive Indigenous Employment Strategy, which will spearhead the development of mutually-beneficial relationships with Indigenous communities, organisations and tertiary institutions. Further, the Treasury continues to be an active participant in the Indigenous Australian Government Development Program and the Australian Government Indigenous Graduate Recruitment Program. In 2017-18, the Treasury commenced the application of Affirmative Measures for all recruitment activities.

The Treasury supports multicultural access and equity and provides advice that is culturally sensitive. In 2017-18, the Treasury launched a staff-led Cultural and Linguistically Diverse (CALD) Network, which has overseen a number of CALD-related events and activities. The network has contributed to greater awareness of staff that identify as from a CALD background and provides a safe place for staff to go for support and guidance.

The Treasury supports an inclusive and safe workplace for LGBTI+ staff. In 2017-18, the Treasury launched a staff-led Pride@Treasury Network, which has initiated a number of events and activities to provide support to LGBTI+ staff, and raise awareness within the wider department. The Treasury is compliant with the Australian Government Guidelines on the Recognition of Sex and Gender.

In 2018, the Treasury increased its support of an inclusive and safe workplace for people with disability by engaging Koomarri, an Australian Disability Enterprise, for the provision of office support services. In conjunction with this initiative, the Treasury offered Disability Confidence training to all staff. The Treasury continues to offer staff with disability ongoing support and tailored reasonable adjustments (eg, adaptive technologies). In continuation of the department's objective to attract, support and retain staff with disability, the Treasury continues to support and apply the RecruitAbility scheme to its recruitment activities.

To support staff impacted by family and domestic violence, the Treasury launched an enhanced staff support package in 2018, including: comprehensive policy and guidelines; access to five days unpaid family and domestic violence leave; and access to short term emergency accommodation for staff (and dependents under the age of 18) who are victims of family and domestic violence where other accommodation options are not available. Specialist training has been provided to human resources practitioners, and general awareness training has been rolled out to staff along with a range of resources and guidance material being made available to all staff.

Assets management

Management of the Treasury's assets is governed by the Accountable Authority's Instructions on asset management and aligns with government best practice. The Treasury's asset management framework includes an asset register, an asset management plan and a capital management plan. The asset register records details of all assets held by the Treasury. An annual stocktake of assets keeps the register accurate and up-to-date. The department's fixed assets include office fit-out, purchased and internally developed software, computer equipment, infrastructure and library materials.

Purchasing

The Treasury's procurement activities were undertaken in accordance with the PGPA Act, Commonwealth Procurement Rules, and the Government's Indigenous Procurement Policy. The Treasury applies these requirements through its internal financial and procurement policies.

Information on all Treasury contracts awarded with a value of \$10,000 (inclusive of GST) or more is available on AusTender at: www.tenders.gov.au.

No contracts of \$100,000 or greater (inclusive of GST) were let during 2017-18 that did not provide for the Auditor-General to have access to the contractor's premises.

The Treasury supports small business participation in the Commonwealth Government procurement market. Participation statistics are available on the Department of Finance website at: www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts.

The Treasury's procurement practices support small and medium enterprises participating in procurement opportunities. This includes the mandatory use of the Commonwealth Contracting Suite for low risk procurements up to \$200,000 (inclusive of GST).

The Treasury recognises the importance of paying small businesses on time. The results of the survey of Australian Government Payments to Small Businesses are available on the Department of Jobs and Small Business website at: <https://docs.jobs.gov.au/documents/australian-government-pay-time-survey-performance-report-2017>.

The Treasury fully supports the Indigenous Procurement Policy and has met its purchasing target set down by the Government to ensure indigenous employment and business opportunities continue to grow.

Consultants

The Treasury engages consultants where specialist skills are required when not available in-house. Consultancies normally relate to individuals, partnerships or corporations that provide professional, independent and expert advice and services.

The decision to engage a consultant is made in accordance with the PGPA Act, Commonwealth Procurement Rules and the Treasury's internal policies.

In 2017-18, the Treasury entered into 28 new consultancy contracts involving total actual expenditure of \$1,119,507 (inclusive of GST). In addition, one consultancy contract was active during the period, involving total actual expenditure of \$69,440 (inclusive of GST).

This annual report contains information about actual expenditure on contracts for consultancies. Information on the value of individual contracts and consultancies is available on the AusTender website at www.tenders.gov.au.