

03 Management and performance

Corporate governance	39
External scrutiny	42
Management of human resources	43
Assets management	50
Purchasing	51
Consultants	52

Corporate governance

The Treasury strengthened its corporate governance structures in 2016-17. The structures and the processes underpinning them:

- maintain effective oversight of the planned activities set out in the Treasury Corporate Plan 2016-17 and 2016-17 Portfolio Budget Statements;
- are 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 requirements.

Governance committees

Executive Committee

The Executive Committee (EC) is the Treasury's senior leadership group, providing decision making support to the Secretary and setting the Treasury's strategic direction. The EC, as at 30 June 2017, comprised the Secretary, Deputy Secretaries and the Chief Operating Officer. See part 01 *Departmental Overview* for Treasury's senior leadership group.

Audit Committee

The Audit Committee provides independent assurance and advice to the Secretary on the department's performance and financial reporting, systems of risk oversight, risk management and internal control; in accordance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 17 of the PGPA Rule.

During the 2016-17 financial year, the Audit Committee reviewed all internal and external audits relating to the Treasury and followed guidance issued by the Department of Finance.

A Financial Statements Sub Committee operates as a sub-committee to the Audit Committee to discuss financial compliance matters in detail.

Health and Safety Committee

The Health and Safety Committee (HSC) assists the Secretary in carrying out statutory obligations in the *Work Health and Safety Act 2011*. The HSC facilitates cooperation between 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 peak 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 terms and conditions of employment.

Inclusive Workplace Committee

The Inclusive Workplace Committee retains strategic oversight of Treasury's diversity and inclusivity initiatives including the Progressing Women initiative (PWi).

Fraud prevention and control

The Treasury's Fraud Control Plan accords with the Commonwealth Fraud Control Policy Framework. The Fraud Control Plan is informed by a Fraud Risk Assessment conducted by independent auditors; and has within it appropriate mechanisms which meet the specific needs of Treasury relating to preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud.

During 2016-17 measures were taken to educate staff around fraud risks and processes; and to identify and manage fraud. This included mandatory security awareness training. Towards the end of 2016-17, the Treasury engaged internal auditors to conduct a new Fraud Risk Assessment which will be used to inform a review of the Fraud Control Plan.

The Treasury reports fraud information annually to the Treasurer and to the Australian Institute of Criminology.

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 and financial controls. Internal audit services were provided by KPMG to 12 October 2016 and following a procurement process, EY was appointed to the role from 13 October 2016.

Internal audit prepares and delivers an annual Internal Audit Plan, developed in consultation with the Executive Committee, key departmental stakeholders and the Audit Committee; and approved by the Secretary. The plan assists management to deliver on strategic outcomes and priorities set out in the Treasury Corporate Plan 2016-17 and 2016-17 Portfolio Budget Statements, manage inherent and emerging risks and support continuous business improvement.

In 2016-17, internal audit delivered performance, compliance and IT audits with a focus on cloud computing readiness, risk management and culture, strategic business planning, shared services implementation, governance and management of mobile devices and financial system integration.

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 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 03 *Management of Human Resources* section.

Significant non-compliance issues with relevant finance laws

No significant issues of non-compliance were reported to the responsible Minister as part of the Treasury's internal compliance reporting process for 2016-17.

External scrutiny

Functional and Efficiency Review

As part of the Government's 'Efficiency through Contestability' program, Treasury was subject to a Functional and Efficiency Review in 2016-17. The Review, overseen by Dr Mike Vertigan and supported by Ernst and Young, was completed in November 2016.

The Government responded to the Review in the 2017-18 Budget. Treasury considered the Review in the context of broader organisational changes underway.

External Audit

The Australian National Audit Office (ANAO) performed the role of external auditor to the Treasury by conducting financial statement and performance audits. During 2016-17 the Treasury was not subject to any significant developments stemming from external performance audits.

ANAO performance audit reports relevant to the Treasury in 2016-17 were:

- Audit Report No. 6 — Corporate Planning in the Australian Public Sector (published 31 August 2016).
- Audit Report No. 15 — Meeting Revenue Commitments from Compliance Measures (published 12 September 2016).
- Audit Report No. 22 — Government Advertising: March 2013 to June 2015 (published 19 October 2016).
- Audit Report No. 26 — Prudential Regulation of Superannuation Entities (published 23 November 2016).
- Audit Report No. 50 — Child Support Collection Arrangements between the Australian Taxation Office and the Department of Human Services (published 15 May 2017).
- Audit Report No. 52 — Managing Underperformance in the Australian Public Service (published 23 May 2017).

Management of human resources

Overview

The People and Organisational Strategy Division, part of the Corporate Services 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

- Establishment and capability sourcing for Treasury's Structural Reform Group;
- Redesign and streamlining of Secondment and Expression of Interest processes;
- Implementation of a new two-year graduate program;
- Initiation of a review into Treasury's Performance Management System;
- Development of a Diversity calendar and the appointment of diversity champions; and
- Publication of Treasury's Gender Equality Action Plan.

Workforce strategies

In 2016-17, workforce strategies focused on four key areas: talent sourcing, development, mobility and inclusivity. Key deliverables included the redesign of the secondments and expressions of interest processes which resulted in significant operational efficiencies. A review of the performance management system was undertaken with a focus on improving real-time performance, whilst recognising the system should have an equal focus on future development needs of our people. Treasury also developed a diversity calendar of events and appointed a number of diversity champions, consistent with its demonstrated commitment to diversity and inclusiveness across the Department.

Performance management systems

The Treasury is committed to the ongoing development of staff performance and achievement. In 2016-17, the Treasury commenced a review into performance management system and, as a result, the Department is on track to implement a new system in 2017. The objectives of the system in optimising performance include:

- continuously improve organisational performance to enable the Department to achieve its planned 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; and
- providing mechanisms for managing declines in performance and underperformance.

APS staff levels 2-6 are formally assessed biannually with Executive Level (EL) staff having one formal appraisal each year. The APS Integrated Leadership System provides the behavioural framework for assessing performance.

Senior Executive Service officers (SES) are assessed against the Senior Executive Leadership Capability Framework. SES performance discussions occur once each year and include career potential assessment based on three criteria of ability, aspiration and engagement.

Workplace Relations

Treasury APS and EL officers' remuneration and employment conditions 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's nominal expiry date is 31 July 2018.

Strategic Talent Sourcing

The Treasury offers significant recruitment opportunities that aim to attract candidates from outside the Australian Public Service with enthusiasm, passion and drive for the development and delivery of sound economic policy, while recognising and encouraging career development for the talent that exists within the organisation. The Treasury also has an extensive secondment program that offers staff rewarding and challenging mobility opportunities.

Recruitment

In 2016-17, talent sourcing activities included policy-specific and specialist recruitment, along with bulk recruitment processes, including the Graduate Recruitment Campaign. Staff mobility was encouraged through a formal departmental transfer round, with 47 expressions of interest received. This complemented other expression of interest processes that were conducted throughout the year.

The Treasury participated in the APSC Indigenous Australian Government Development Program and engaged one candidate through this process. The Treasury also participated in the APSC Australian Government Indigenous Graduate Recruitment Program and RecruitAbility scheme.

Graduate Program

The Treasury Graduate Program remains a key recruitment initiative with 35 graduates commencing in February 2017. The program employed graduates across a range of disciplines including economics, law, arts, commerce and science. The 2017 Graduate cohort is the first to undertake the new two-year Graduate Program which encompasses two 12-month placements where graduates are embedded in two of the Treasury's five policy groups.

In March 2017 recruitment commenced for the 2018 Graduate Program. This year, 1,041 applications were received which represented a 16 per cent increase from the previous year. A key component of the recruitment campaign, which differentiates the Treasury from other APS agencies, is a series of 'meet and greet' events that were hosted by the Executive Committee and the Secretary. These events 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 Offices and announced the establishment of a small presence in Perth. These offices have allowed the Treasury to attract leading expertise from the private sector.

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 2017, there were 39 secondments into the Treasury; 32 government and 7 non-government. Thirty one employees of the Treasury were seconded out to 20 government, four non-government and eight 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 take a collaborative approach by working with the business to deliver quality and effective learning outcomes.

During the 2016-17 year, Treasury offered a number of formal development opportunities including:

- 21 EL staff participated in the Management Development Program;
- 27 EL2 and SES staff participated in Treasury's Executive Leadership Program;
- Eight EL and 2 SES staff participated in the inaugural Graduate Certificate in Public Policy and Finance course run by the University of Canberra;
- 84 staff were supported with studies assistance to undertake university qualifications; and
- Five staff members received post-graduate awards for study at overseas and Australian universities. There are currently four staff members undertaking PhD research at the Australian National University through the Sir Roland Wilson Foundation Scholarship program.

Staffing information

At 30 June 2017, there were 869 staff employed at the Treasury compared with 844 at 30 June 2016. The average staffing level (ASL) across the 2016-17 year was 796.

Of Treasury's operative staff at 30 June 2017, 96 per cent were employed on an ongoing basis and 14.9 per cent worked part-time. This part-time rate decreased from 16.3 per cent at 30 June 2016.

Women made up 52.6 per cent of the Treasury's workforce at 30 June 2017, a decrease of 0.2 per cent a year ago. Women also made up 32.6 per cent of Treasury's SES, a decrease of 4.2 per cent since 30 June 2016.

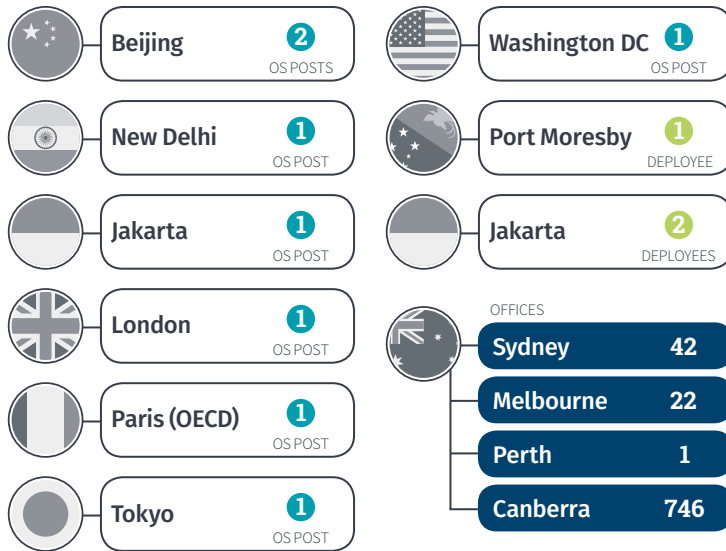
Table 1: Staff by classification and gender as at 30 June 2017 (headcount)

	Men	Women	Total
APS2	1	0	1
APS3	23	22	45
APS4	18	31	49
APS5	32	56	88
APS6	86	132	218
EL1	111	97	208
EL2	78	89	167
SES Band 1	41	22	63
SES Band 2	17	6	23
SES Band 3	4	2	6
Secretary	1	0	1
Total	412	457	869

Note: data excludes unpaid inoperative staff

While the majority of staff are based in Canberra, some staff are located in Treasury's interstate offices in Sydney and Melbourne as well as overseas. A Treasury office in Perth has been established, to launch in 2017-18.

Figure 4: Location of 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 are not entitled to overtime payments, penalty rates or time off in lieu. 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 2016 and July 2017.

Table 2: Remuneration – SES Employees

Classification	July 2016		July 2017	
	Minimum	Maximum	Minimum	Maximum
SESB1	\$198,406	\$230,592	\$201,382	\$234,051
SESB2	\$243,173	\$284,621	\$246,821	\$288,890
SESB3	\$315,136	\$369,072	\$319,863	\$374,608

Remuneration – Non-SES

APS and EL officers received a 1.5 per cent salary increase in July 2016 and July 2017.

Table 3: Remuneration – non-APS Employees

Classification	July 2016		July 2017	
	Minimum	Maximum	Minimum	Maximum
APS1	\$45,114	\$48,990	\$45,791	\$49,725
APS2	\$52,000	\$55,443	\$52,780	\$56,275
APS3	\$58,885	\$62,324	\$59,768	\$63,259
APS4	\$65,769	\$69,210	\$66,756	\$70,248
APS5	\$73,945	\$78,680	\$75,054	\$79,860
APS6	\$83,413	\$101,055	\$84,664	\$102,571
EL1	\$108,803	\$124,809	\$110,435	\$126,681
EL2	\$132,899	\$152,523	\$134,892	\$154,811

Workplace diversity

The Treasury is committed to a workplace that supports and promotes diversity. The Treasury Inclusivity and Diversity Strategy supports all streams of diversity and outlines the strategic commitment. There are four key action plans that will be a focus to review and embed further: the Progressing Women initiative underpinned by the Gender Equality Action Plan, Agency Multicultural Access and Equity Plan, Reconciliation Action Plan and Disability Action Plan.

In March 2017, Treasury’s Inclusive Workplace Committee (IWC) broadened its mandate beyond oversight of the *Progressing Women initiative* to reflect the broader Inclusivity and Diversity strategic commitment. Part of this broader approach included the appointment of SES Diversity Champions in the areas of: Progressing Women; LGBTI+; White Ribbon (Family Domestic Violence); Culturally and Linguistically Diverse; Disability; and Equity and Diversity. The Treasury also

implemented a Diversity Calendar, establishing the key cultural events throughout the year that Treasury will officially celebrate in support of each of the aforementioned diversity groups.

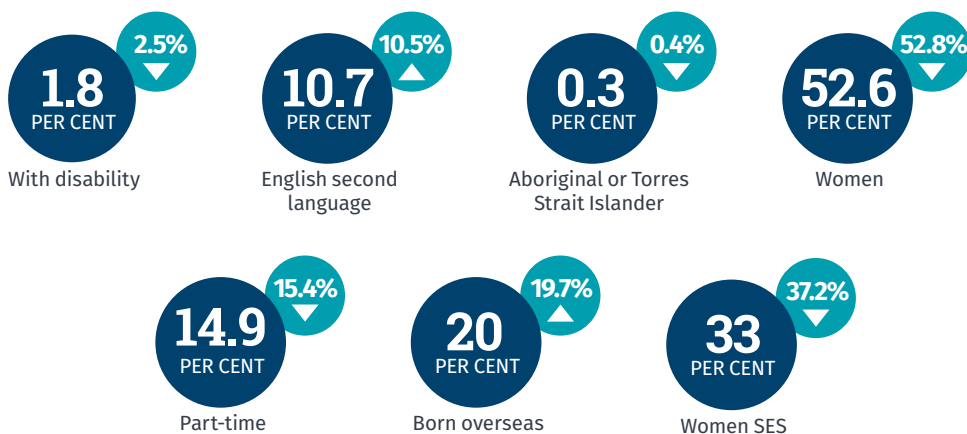
The Treasury supports the APS Gender Equality Strategy and in 2016-17 published its Gender Equity Action Plan on the internet. The Treasury also supports other APS agencies in their work towards achieving inclusive workplaces.

The Department continues work on attracting, supporting and retaining Aboriginal and Torres Strait Islander staff. The development of mutually-beneficial relationships with Indigenous communities, organisations and tertiary institutions is a key component of Treasury's Reconciliation Action Plan. The Treasury is an active participant in the Indigenous Australian Government Development Programme and the Australian Government Indigenous Graduate Recruitment Program.

The Treasury supports multicultural access and equity and provides advice that is culturally sensitive. In 2017 the Department ran a series of employee forums to gain further insights into the workplace experiences of culturally and linguistically diverse employees. The department also ensures that staff with disability are supported and provides tailored reasonable adjustments such as adaptive technologies. Treasury participates in the RecruitAbility scheme for graduate recruitment. This is designed to attract and encourage applicants with a disability. This scheme also imbeds changes in selection panels and recruitment practices to include consideration of aspects of culture.

In 2016, the Treasury received accreditation as a White Ribbon Workplace. This accreditation recognises the commitment to addressing family and domestic violence, particularly violence against women.

Figure 5: Workplace diversity



Assets management

Management of the Treasury's assets is governed by the Secretary'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-outs, purchased and internally developed software, computer equipment, infrastructure and library materials.

Purchasing

Treasury's procurement activities were undertaken in accordance with the *Public Governance, Performance and Accountability Act 2013*, Commonwealth Procurement Rules, and the Commonwealth 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 (including GST) or more, and the Treasury's annual procurement plan, is available on AusTender at www.tenders.gov.au.

The Treasury had three contracts exempt from publication on AusTender in 2016-17 on the basis that they would disclose exempt matters under the *Freedom of Information Act 1982*.

No contracts of \$100,000 or greater (inclusive of GST) were let during 2016-17 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 (including 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 Treasury's website at www.treasury.gov.au/PublicationsAndMedia/Publications/2017/Pay-on-time-survey.

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 *Public Governance, Performance and Accountability Act 2013*, Commonwealth Procurement Rules and the Treasury's internal policies.

In 2016-17, the Treasury entered into 38 new consultancy contracts involving a total actual expenditure of \$2,026,422 (including GST). In addition, 6 consultancy contracts were ongoing, involving a total actual expenditure of \$49,092 (including 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.