

ANNUAL REPORT

2016-2017

VPSC

Victorian Public Sector Commission



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SECTION 1 – Year in Review

From The Victorian Public Sector Commissioner

This year has been a busy time for the Victorian Public Sector Commission, as we focussed both on core functions under the *Public Administration Act 2004* along with new initiatives to further build the capacity and capability of the public sector. We are pleased with the momentum and innovation that characterised the year, and made important achievements over the past twelve months.

Victorian Leadership Academy

Early in the year, the Commission launched a new leadership initiative with the support of all Victorian Public Service (VPS) departments. Established by the Victorian Secretaries Board (VSB) in July 2016, the Victorian Leadership Academy (VLA) works to increase leadership capability and capacity across the senior levels of the VPS to deliver the Government's objectives now and into the future. The VLA achieves this through:

- expert, independent assessment of all VPS Executive Officers (EOs), aligned with the Victorian Public Sector Leadership Capability Framework
- fit for purpose data and analytics to support evidence based development investment decision making by VSB and organisations
- centrally coordinated development opportunities tailored to the strategic needs of the VPS as well as the individuals, with experiential learning as the central, defining force
- strategic partnerships with public and private sector institutions to lift capability and capacity across senior levels of the VPS
- evaluation of impact and implementation of continuous improvement

The Academy has had a strong first year of operation and is poised for further development in the year ahead.

Aboriginal Employment Unit

The Aboriginal Employment Unit (AEU) developed a five year Aboriginal Employment Strategy for the Victorian public sector, *Barring Djinang*, that aims to address longstanding issues with respect to Aboriginal employment and make sustainable improvements across the sector.

Barring Djinang has been designed to support the work that public sector organisations are undertaking. The strategy places a strong focus on career development and building cultural capability in the sector.

Key initiatives include:

- attraction and recruitment policy
- regional staff networks
- Aboriginal employment portal
- cultural capability toolkit
- career pathways framework
- designated roles
- employment policies
- reporting and governance

The strategy also places a significant focus on improving the career experiences of Aboriginal staff by committing to work with Aboriginal Community Controlled Organisations (ACCOs) to jointly develop workforce capability.

Integrity Strategy

The updated strategy builds on VPSC's 2016 work program to develop integrity resources and tools to support public sector organisations. This included the release of the:

- gifts, benefits and hospitality policy and resources incorporating stronger reporting and transparency requirements
- updated guidance to assist HR personnel and managers manage poor behaviour in the workplace
- updated Employment Standards (effective from 1 February 2017) and new standards for the Human Rights and Career Public Service employment principles

During the year, the Commission had structural and leadership changes. In June, Commissioner Belinda Clark returned to New Zealand, taking a position as Commissioner of the Law Commission and Deputy Commissioner, Dr Damian West returned home to Canberra for a senior executive role in the Australian Public Service. We thank them for their expertise, energy and enthusiasm while leading the Commission.

We look forward to continuing to collaborate with the public sector and are well positioned to deliver important work in the year ahead.



Elizabeth Langdon
A/Commissioner
6 September 2017

About The Victorian Public Sector Commission

VPSC was established on 1 April 2014 to achieve a range of legislative functions through an amendment to the *Public Administration Act 2004* (PAA). VPSC is headed by a Commissioner and has a range of legislated functions to achieve its objectives. These are to:

- strengthen the efficiency, effectiveness and capability of the public sector in order to meet existing and emerging needs and deliver high quality services
- maintain, and advocate for, public sector professionalism and integrity

VPSC helps strengthen public sector efficiency, effectiveness and capability by:

- assessing, researching and providing advice and support on issues relevant to public sector administration, governance, service delivery and workforce management and development
- collecting and reporting on whole of government data
- conducting enquiries as directed under the Act by the Premier

We support sector integrity by:

- advocating for an apolitical and professional public sector
- issuing and applying codes of conduct and standards
- monitoring and reporting to public sector body Heads on compliance with the public sector values, codes of conduct and public sector employment principles and standards
- reviewing employment related actions and making relevant recommendations
- maintaining a register of lobbyists

A number of programs continue to be administered by VPSC on behalf of, and for public sector bodies. These include:

- Government Sector Executive Remuneration Panel (GSERP)
- eRecruitment system
- Graduate Recruitment and Development Scheme (GRADS)
- Victorian Leadership Academy (VLA)
- Aboriginal Employment Unit (AEU)

VPSC also maintains a register of instruments made under the Act, which is published on the VPSC website.

Victorian Public Sector Commission 2016-17 Strategic Plan

OUR PURPOSE		OUR APPROACH
<ul style="list-style-type: none"> • Strengthen the efficiency, effectiveness and capability of the public sector in order to meet existing and emerging needs and deliver high quality services 	<ul style="list-style-type: none"> • Maintain and advocate for public sector professionalism and integrity 	<p>We work closely with government departments and agencies to achieve our outcomes</p>

STRATEGIC OUTCOMES AND GOALS			
<p>A Public Sector leadership group and a workforce that can deliver excellence</p>	<ul style="list-style-type: none"> • Drive executive officer workforce reforms 	<ul style="list-style-type: none"> • Implement a new VLA 	<ul style="list-style-type: none"> • Increase workforce capability through the design and delivery of innovative workforce strategies
<p>Public Sector organisational capacity that delivers high performance</p>	<ul style="list-style-type: none"> • Deliver high quality data analytics and reporting that shapes organisational decision making 	<ul style="list-style-type: none"> • Support organisations to improve their capability through delivery of priority reviews and strengthened workforce management 	
<p>A Public Sector committed to values, integrity and performance</p>	<ul style="list-style-type: none"> • Strengthen integrity across the public sector 		
<p>Corporate Services advice and systems that support the delivery of the Strategic Outcomes and Goals</p>			

Performance Reporting – non-financial

Strengthen the efficiency, effectiveness and capability of the public sector

Victorian Leadership Academy

In July 2016, Victorian Secretaries Board approved the blueprint for a new approach to leadership development for the Victorian public service: the Victorian Leadership Academy (VLA). The blueprint was the result of many months of extensive research and consultations with senior leaders and experts across public and private sector, both internationally and domestically.

The VLA was subsequently established in September 2016 and replaces the former Victorian Leadership Development Program. It is a new model of leadership development for Victoria, that will ensure our public service leaders are equipped with the right skills and capabilities to lead an effective and impactful public service to deliver on the Government's priorities now and into the future.

The VLA provides an individualised, bespoke model of leadership development for each selected participant, from assessment (through a range of psychometric assessments, interviews and behavioural simulation exercises) to individualised feedback and development plans.

In 2016, VLA successfully developed and piloted the assessment process with 22 Executive Officers across all seven Departments and Victoria Police. These Officers also piloted short experiential learning opportunities focused on development needs identified from the assessment.

In the first half of 2017, over 200 public service Executive Officers completed an assessment. All individuals who completed the VLA assessment have an individualised, tailored leadership development plan in place that can be implemented through on-the-job experiences.

Over the coming two years up to a further 500 Executive Officers in the public service will complete the programme and over time, the data and analytics we capture will provide us with a full system view on leadership development strengths and needs.



Executive Officer Reform Program – Classification & Remuneration Framework

VPSC has been engaged to develop a range of frameworks, products and tools designed to promote equity, effectiveness and productivity across executives within the VPS.

A Classification and Remuneration Framework is being developed as part of a broader program of reform relating to executive employment across the VPS following an extensive review in 2016.

The framework forms part of a suite of integrated resources for senior executives. This includes a framework for executive performance management and a framework for leadership development, both implemented by VPSC.

Implementing the framework will ensure that executive role nomenclature, classification and remuneration will be aligned to other comparable jurisdictions and achieve a clear, consistent and efficient means of creating, classifying and remunerating executive positions in alignment with the identified expectations in:

- work level standards
- enhance clarity
- governance and transparency across the public service
- enable departments to manage equity and gain appropriate work value

A pilot with the Department of Justice and Regulation will inform the development of the broader Classification and Remuneration Framework, with associated work level standards, work value assessment methodology, training resources and implementation roadmap.

Workforce Data Collection

This is an annual census that collects employment and demographic information on all employees in the VPS. The information is used to report on the profile of the workforce and to inform workforce planning and management.

The 2016 collection gathered 320,000 employee records from 1,798 separate employers, including schools and health services. VPSC produced over 200 reports for employer agencies that provide individualised comparative data on the composition and characteristics of their employees.

The State of the Public Sector in Victoria Report

VPSC published the 2015-16 edition of *The State of the Public Sector in Victoria Report* in December 2016. This annual report draws on the workforce data collection and other whole of government data sets to provide a comprehensive statement of the composition of the public sector, its workforce, executives and boards of governance. The report is a valuable resource for stakeholders and the public interested in understanding the structure of the VPS and the profile of its people.

Government Sector Executive Remuneration Panel

The Government Sector Executive Remuneration Panel (GSERP) administers government policy on executive remuneration. The policy applies to all Victorian public entities employing executives apart from those executives employed under the *Public Administration Act 2004*.

The Victorian Public Sector Commissioner chairs GSERP. VPSC provides executive employment and remuneration advice, information and support to Secretaries and public entity Board Chairs and Chief Executive Officers.

VPSC is refining GSERP processes to enable better reporting and earlier engagement with portfolio departments and public entities, which will ensure more efficient decision-making.

VPSC answered 207 enquiries and received 37 submissions during the year. The majority of these were from public entities in the environment portfolio, especially those in the water sector. The majority of enquires were about remuneration policy and the individual total remuneration package (TRP).

Aboriginal Employment Strategy

The Aboriginal Employment Unit (AEU) has overseen the introduction of a range of employment and development programs designed to improve Aboriginal employment outcomes across the VPS.

Following the success of these programs, the AEU has developed a 5-year Aboriginal Employment Strategy for the VPS. The strategy, *Barring Djinang*, aims to address longstanding issues with respect to Aboriginal employment and make sustainable improvements across the sector.

To achieve sustainable improvement in Aboriginal employment outcomes, it is envisaged that public sector leaders will foster and grow careers, invest in development, support diversity, enable a culturally capable workforce.

This is underpinned by strong partnerships with the Aboriginal community and strong governance and reporting to inform progress and highlight opportunities. Resulting in a highly capable, diverse public sector that benefits from the unique skills and experience Aboriginal employees bring into the workplace.



Key initiatives include:

- attraction and recruitment policy
- regional staff networks
- Aboriginal employment portal
- cultural capability toolkit
- career pathways framework
- designated roles
- employment policies
- reporting and governance

Barring Djinang cover art winning entry "Collaborative Motivation to Employ" by Jade Kennedy.

e-Recruitment

VPSC is responsible for the contract management and coordination of the Victoria Government's eRecruitment system. The eRecruitment system is actively supported by all VPS Departments and Victoria Police and provides a logical end to end pathway from planning through to evaluation.

Current projects include:

Unconscious bias

VPSC is introducing a modification to the eRecruitment system that will allow the de-identification of a candidate's demographic information during the screening and shortlisting process, such as:

- name
- age
- gender
- cultural background

This initiative supports the Victorian Government's *Recruit Smarter: A Better Way To Do Business* pilot program, launched in 2016 by the Minister for Multicultural Affairs, Robin Scott MP, which aims to counter any potential bias during recruitment and ensure employers get the best people for the job.

eRecruitment enhancements

The eRecruitment system continues to deliver an efficient and effective process, VPSC has initiated a significant enhancement of the current system. Improvements include a standardisation of key workflow steps across the user base ensuring better measurement of the efficiency of the recruitment and selection process and the redevelopment of the application form. The new form is designed to collate demographic data and to be user-friendly to minimise candidates effort in applying for roles and a dynamic reporting tool to significantly improve data analytics and insights.

Government Appointments and Public Entities Data Base

The Government appoints people to over 8,200 official positions in Victoria. VPSC manages this database to record and monitor these appointments and generates reports from the database to assist Government in managing the appointment process.

This includes monthly reporting to Government on vacancies and appointments to measure achievement against the objective that women comprise 50 percent of all appointments to major public boards.

GRADS Program

The VPS Graduate Recruitment and Development Scheme (GRADS) offers work experiences in the VPS for tertiary graduates. Now in its 34th year, GRADS is managed by VPSC on behalf of VPS departments and agencies.

During the 12 month program, graduates rotate through three departments or agencies and learn about working in the public service, lead projects and contribute to a variety of initiatives.

The 2017 program sees 98 graduates placed, the breakdown is represented below:

Candidates	Candidates placed
Male	50
Female	47
Other	1
Did not disclose	0
Total	98

VPSC commenced a comprehensive review of GRADS program during the 2016-17 year. The purpose of the review is to identify opportunities for improvement and ensure we continue to provide a contemporary, exciting program for many years to come.

The review will include a detailed examination of the practical aspects of the program, including:

- attraction and recruitment
- selection
- on-boarding
- induction, performance
- learning and development
- culture
- graduation
- career pathways

This will lead to evidence-based recommendations, designed to initiate positive changes to the program. A report detailing findings of the review and recommendations will be developed for consultation with key stakeholders in 2017-18.

Capability Framework

Work commenced in 2017 to revise the VPS capability framework and associated tools for use across the service. A project is currently underway to identify the current state across each department and investigate leading practice in capability frameworks, locally, inter-jurisdictionally and internationally.

Flexible Work Policy

In September 2016, the Victorian Secretaries Board committed to 'All Roles Flex', a recommendation that provides for mainstream implementation of flexible working arrangements across the VPS.

VPSC created an implementation toolkit and a guiding principles document to help agencies implement the initiative, which have been approved by all Departments, the Community and Public Sector Union and Industrial Relations Victoria.

The documents are intentionally streamlined to work in concert with department policies regarding flexible work given differentiating factors including business, environment and organisation maturity.

Anti-bullying Reform Agenda

VPSC's legislative mandate is to strengthen the efficiency, effectiveness and capability of the VPS. Workplace bullying significantly impedes the achievement of these objectives, and more generally, the development of high performing agencies and employees.

During 2016-17, VPSC undertook a suite of activities to gain insight into bullying behaviours in order to better assist public sector agencies in addressing and preventing these behaviours. This work included undertaking research to better understand the costs of bullying and additional research on approaches to bullying employed by public sector organisations.

VPSC consulted with chief executives, human resource directors and staff in five organisations where People Matter Survey results demonstrated a significant reduction in employee perceptions of bullying. The project aimed to better understand the reasons for high rates of employee perceptions of bullying in the past, and the actions that led to a reduction in workplace bullying in 2016.

In April 2017, VPSC released findings from this research in order to provide organisations with insights on strategies that have successfully worked to prevent or mitigate bullying in VPS organisations.

Economic Participation Strategy Recommendations

The Office of Disability engaged VPSC to provide recommendations to the Economic Participation Strategy regarding enhancing the flexible and sustainable employment of people with disability in the VPS, a commitment made as part of *Absolutely Everyone: State Disability Plan 2017-2020*.

VPSC provided recommendations to the Office of Disability in June 2017. The recommendations are designed around a model for flexible and sustainable employment and underpinned by a cycle of awareness and cultural change, aiming not only to attract people with disability to work for Victorian Government, but support, develop and progress people with disability in their careers within the VPS.

Maintain and advocate for public sector professionalism and integrity

Integrity Strategy

Government and community trust in public sector integrity is critical to the effectiveness of public sector employees and organisations. This trust enables the public sector to implement policy and deliver services for the benefit of all Victorians. VPSC has a statutory responsibility to maintain and advocate for public sector integrity. In 2016-17, VPSC updated its Integrity Strategy to guide work in this area. The objective of the strategy is to achieve sustained community and government trust in the VPS. This objective relies on:

- strong organisational systems, with clear codes of conduct, policies and procedures in place
- effective leadership that models integrity and the public sector values
- employees having the awareness and understanding to act with integrity as a core feature of their work

The updated strategy outlines VPSC's progress on integrity initiatives in 2016 and details the program of work to be undertaken in 2017, which focuses on building awareness and understanding of leaders and employees to demonstrate integrity behaviours at work.

Gifts, Benefits and Hospitality Policy Framework

In collaboration with VPS Departments and Integrity Subcommittee of the Victorian Secretaries Board, VPSC updated the framework to provide greater clarity and improved reporting and transparency. Mandatory minimum accountabilities in the policy framework include:

- distinguish between token and non-token offers. A token offer cannot be worth more than an estimated \$50
- adopt a principles-based approach, recognising that each person needs to assess and determine whether an offer presents an actual, potential or perceived conflict of interest and then whether it has a legitimate business purpose
- incorporate stronger reporting and transparency requirements. Individuals must record all non-token offers of gifts, benefits and hospitality on their organisation's register, irrespective of whether or not the offer was accepted. Organisations are required to publish their gifts, benefits and hospitality policy and register on their public website

VPSC also developed new resources to help manage gifts, benefits and hospitality. This includes a model gifts, benefits and hospitality policy and templates for a declaration form and register.

Managing Poor Behaviour in the Workplace

In March 2016, the Victorian Secretaries Board made a commitment to review guidance on breaches of the Code of Conduct. In collaboration with the Departments, VPSC updated its guide *Managing Poor Behaviour in the Workplace*.

VPSC prepared the guide to assist managers to develop relevant policies and procedures for addressing behavioural issues with their employees in the workplace. This can include both unsatisfactory performance and misconduct. The guide aims to:

- encourage organisations to optimise their people management practices by addressing behavioural concerns effectively and constructively
- provide practical assistance as to how disciplinary procedures, if required, should be handled
- help reduce the incidence of employee grievances relating to behavioural matters

Employment Standards

The *Standards for Applying the Victorian Public Sector Employment Principles* give public sector employers valuable information about the employment processes they must have in place to achieve a positive workplace where staff are treated well, have career opportunities and can safely raise their concerns.

VPSC issued revised standards on 1 February 2017. The standards now include human rights and career public service. They explain how the employment principles apply throughout the employee life cycle from attraction to separation. They also explain how the principles complement and sometimes compete with one another.

VPSC has published a scenario based presentation about the standards on its website. Employers may customise the presentation for their own use.

Monitoring Integrity Standards

VPSC maintains and advocates for public sector professionalism and integrity. This includes monitoring how well public sector organisations apply the values, codes of conduct, employment principles and standards. Anyone, including public sector employees or members of the public may raise concerns about these matters with VPSC. VPSC may request information from public sector organisations and may make recommendations to change or introduce new processes.

In addition, public sector employees may apply to VPSC for review of an employment related action, such as discipline, in four circumstances:

1. the employer did not conduct an initial review
2. the initial review process was unfair
3. the employer personally took the action or was the primary decision maker
4. the employee was victimised for previously applying to VPSC for a review

In 2016-17, VPSC answered 310 enquiries and managed 29 reviews, including reviews of actions and complaints about organisations not complying with the values, codes, principles or standards. This was a significant increase from last year. The most common queries were:

- about the policies VPSC had issued during the year such as the *Conflict of Interest Model Policy* or the *Gifts, Benefits and Hospitality Policy Framework*
- review functions of VPSC
- issues such as the application of merit

The reviews most commonly covered issues such as discipline outcomes, termination of employment, bullying and integrity. VPSC recommended changed or new processes in 24 per cent of these cases. This included recommending that public sector organisations review their processes against the VPSC's recently updated *Managing Poor Behaviour in the Workplace*.

During 2016-17, VPSC continued and built upon activities that support public sector organisations in providing a reasonable avenue of redress, including:

Review of Actions Resource Suite

The suite has resources for each party in a review including the registrar, decision-maker, applicant, representative and reviewer. The materials were reviewed this year and a self-guided application form for VPS employees was introduced, to assist employees to decide whether to apply for a review of actions. The materials have improved the resolution of complaints to public sector organisations.

Register of Review Officers

There are currently 16 independent investigators and reviewers listed on the register, including five that joined this year. Employers may engage any of the investigators or reviewers through their normal procurement processes.

Review of Actions Registrars Network

The network meets bi-monthly to share best practice in managing and resolving complaints.

Monitoring Integrity Reform in the Department of Education and Training

In July 2015, the Deputy Premier and Minister for Education, The Hon. James Merlino MP requested VPSC independently monitor and assess the Department of Education and Training's response to issues identified in investigations by the Independent Broad-based Anti-corruption Commission (IBAC).

VPSC has examined the Department's activity to build a culture of integrity and strengthen its systems, processes and controls. Work continues to consider the impact of the Department's activities and the extent to which DET is better protected from the corrupt conduct highlighted by IBAC.

Lobbyist Register

The *Public Administration Act 2004* and the Victorian Government Professional Lobbyist Code of Conduct require VPSC to maintain a Register of Lobbyists. The objectives of the code and the register are to ensure that contact between Government representatives and Lobbyists is conducted in accordance with public expectations of transparency, integrity and honesty.

VPSC answered 103 enquiries and approved 41 applications for registration during the year. The majority of enquiries were about registering new clients or resetting passwords. Process and technical improvements planned for next year are expected to reduce administrative enquiries about the Register, such as password enquiries. The majority of applications to VPSC were Lobbyists registrations of new employees. VPSC received no complaints in 2016-17 about the activities of Lobbyists.

People Matter Survey

The annual People Matter Survey collects employee views on how well the VPS values and employment principles are applied within their workplace. The survey also gathers information on a range of people management issues such as job satisfaction and employee engagement.

During the reporting period, 170 organisations participated in the survey and 69,200 employees responded, representing a record high response rate of 38%.

Survey results were reported back to participating organisations in 3,900 reports produced by VPSC. These reports provided data at organisation level and work group level for use in benchmarking.

Data Insights

Drawing on the People Matter Survey, VPSC published a series of short research pieces focusing on specific workforce issues with the aim of generating insights that prompt leaders to take action.

The papers addressed:

- becoming a better workplace for people with disabilities
- employee engagement in the VPS
- bullying in the VPS
- workplace cultural diversity and inclusiveness
- women in public sector executive roles

In addition, VPSC conducted case studies with five public sector organisations which demonstrate that there are a number of common approaches that have been successfully employed to improve workplace cultures. The case studies were published in the paper, *Turning the Tide on Bullying and Poor Workplace Cultures: Case Studies*.

SECTION 2 – Governance and Organisational Structure

Organisational Structure

VPSC is led by a Commissioner and reporting to the Commissioner is the Deputy Commissioner, Executive Director of Leadership and Workforce and the Executive Director of Performance and Integrity. Together, this team creates VPSC's Executive Leadership Team.

Belinda Clark – Commissioner

Belinda is a lawyer with over 30 years public sector management experience. Prior to her appointment as the Victorian Public Sector Commissioner in April 2014, she held a number of senior Government roles in New Zealand including:

- Secretary and Chief Executive of the Ministry of Justice
- Director of the Office of Treaty Settlements
- Chief Executive of the Tertiary Education Commission

Dr Damian West – Deputy Commissioner

Damian comes with extensive policy and program delivery experience within the public sector. Prior to VPSC he was a Senior Executive Service Officer at the Australian Public Service Commission (APSC) where he led the development of sector wide workforce strategies and implemented significant policy programs.

Linda Holmes – Executive Director, Leadership and Workforce

Linda has led a number of programs and teams with a specific interest in people-related issues such as organisational change management, strategic communications, culture transformation, leadership, organisational design, and analytics.

Linda also has significant experience in operating model design, effectiveness and efficiency reviews, governance, process improvement and delivery of complex, high profile ICT programs.

Karen Lau – Executive Director, Performance and Integrity

Karen has extensive experience leading public sector reviews and inquiries.

Karen has expertise in public administration, policy, governance, organisation capability, system design and ethical workplace behaviour and has led statutory, advisory and data and analytic services across the public sector.

Prior to VPSC, Karen delivered cross-portfolio strategic projects for the Department of Human Services.

The Executive Leadership Team forms two divisions and six branches, which is illustrated below:

LEADERSHIP AND WORKFORCE

- Workforce Frameworks & Programs
- Workforce Strategy
- Victorian Leadership Academy

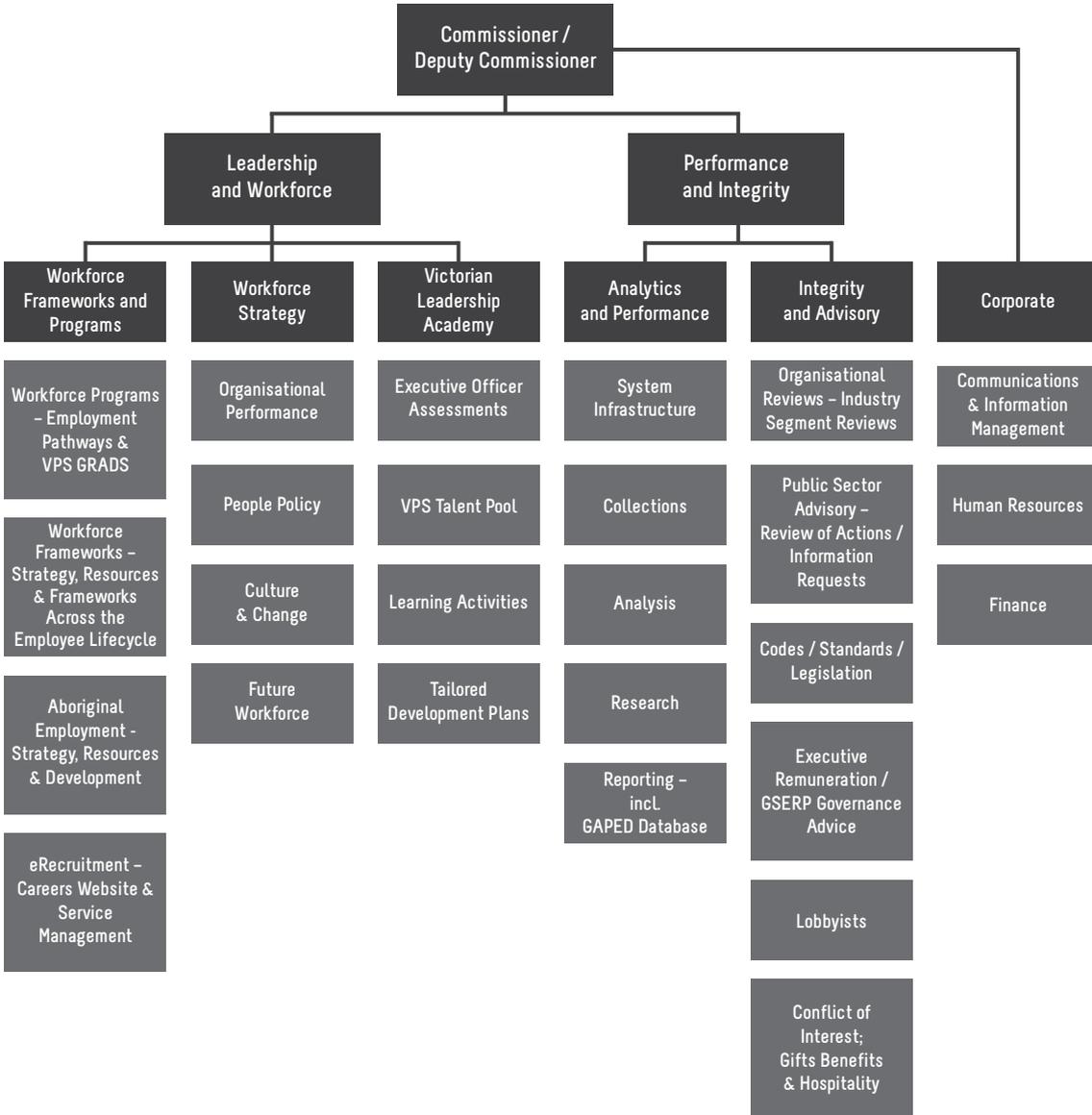
Corporate

- Communications & Information Management
- Human Resources
- Finance

PERFORMANCE AND INTEGRITY

- Analytics & Performance
- Integrity & Advisory

VICTORIAN PUBLIC SECTOR COMMISSION ORGANISATIONAL CHART 2016-17



Governance

Audit and Risk Management Committee Membership and Roles

VPSC’s Audit and Risk Management Committee acts as an advisory service to the Accountable Officer (the Victorian Public Sector Commissioner) and ensures VPSC discharges its responsibilities as prescribed in the *Financial Management Act 1994*, *Audit Act 1998* and other relevant legislation.

During 2016-17, the Committee consisted of the following members:

- Chairperson:** Merran Kelsall – independent member
- Members:** Shaun Condron – Chief Finance Officer, Department of Justice
Paul Bradshaw – Principal Adviser, VPSC

Standing Invitees:

- Belinda Clark – Commissioner
- Dr Damian West – Deputy Commissioner
- Ingrid Klein – Chief Financial Officer, Department of Premier and Cabinet/VPSC
- Sharon Dekker – Victorian Auditor General’s Office (VAGO)
- Bernadette Fallon – Manager, Corporate Services, VPSC
- Mark Holloway – HLB Mann Judd, VPSC’s internal auditors

Advisory Board

VPSC’s Advisory Board was established in 2015 to assist VPSC to develop its strategic directions that align with the Government’s objectives which seeks to maintain and build on Victoria’s public sector governance. The Advisory Board consists of the following members:

- Chairperson:** Chris Eccles, AO – Secretary, Department Premier and Cabinet
- Members:** Anita Roper
Barbara Belcher
Cath Bowtell
Ross McPherson
William Confalonieri
- Standing Invitees:** Belinda Clark – Commissioner
Dr Damian West – Deputy Commissioner

**All Advisory Board members are independent; VPSC provides Secretariat support.*

Occupational Health & Safety

VPSC has a clear and uncompromising commitment to occupational health and safety compliance as well as general staff health and well-being. During the reporting year, VPSC supported this commitment through:

Item	2016-17	2015-16
Ergonomic Assessments	7	7
Number of sit/stand desks recommended:	22*	1
Number of special ergonomic aids recommended:	8	5
Number of Flu Vaccinations:	38	10

**During the reporting period, VPSC accommodated every staff desk move with a sit/stand replacement*

Incident Management**

Item	2016-17	2015-16
Number of incidents reported	3	0
Number of hazards reported	1	1

***Data provided by Marsh, VPSC's OHS Service Provider*

Employment & Conduct Principles

Merit Selection Policy

VPSC is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination.

SECTION 3 – Workforce Data

Public Administration Values and Employment Principles

The principles underpin employment processes within the VPS. The standards guide the development of employment processes.

Public sector employers must have employment processes which are consistent with the public sector employment principles and any mandatory standards VPSC issues.

The standards and principles help shape the type of working environment we offer to our employees which help set the right conditions for productive and harmonious working relationships by ensuring employees are treated well, have career opportunities and can safely raise their concerns.

Comparative Workforce Data

Staffing Trends from 2015 – 2017

	2015	2016	2017
Headcount including ongoing and fixed term employees. (Not including statutory appointments.)	53	56	75
FTE	50.19	52.64	70.84

Summary of Employment Levels (30 June 2016 and 30 June 2017)

Data as per June payroll (FTE report)	2016		2017	
	Headcount	FTE	Headcount	FTE
Total head count , not including statutory appointments	56	52.64	75	70.84
Ongoing – Full Time	34	34	32	32
Ongoing – Part Time	5	3.31	11	7.41
Fixed Term – Full Time	9	9	27	27
Fixed term – Part Time	2	1.4	2	1.43
Inoperative Paid – Maternity Leave	0	0	1	1
Inoperative Unpaid (Seconded out)	6	4.93	2	2

Workforce Data – VPSC Staff as at 30 June 2016 and 30 June 2017

The data below is based on 30 June 2017 payroll FTE report which is further broken down by gender and employment grade. This does not include statutory appointments.

	2016		2017			2016		2017	
	Female	Male	Female	Male		Female	Male	Female	Male
Age					Grade				
Under 25	1	-	2	1	VPSG2	3	-	2	1
25-34	5	4	10	7	VPSG3	5	-	6	-
35-44	14	7	22	10	VPSG4	4	4	6	8
45-54	10	3	11	4	VPSG5	9	8	18	10
55-64	8	4	4	3	VPSG6	12	4	12	4
Total	38	18	49	25	STS	1	1	-	-
					EO3	2	-	3	1
					EO2	2	1	2	-
					EO1	-	-	-	1

Workforce Inclusion Policy

VPSC adopts the comparable policy of the Department of Premier and Cabinet (DPC).

The relevant policy is DPC's Equal Opportunity and Diversity Policy and Procedure which seeks to promote social inclusion, diversity and equity to increase participation from the Victorian community.

Executive Officer Data

All VPSC executives receive a total remuneration in excess of \$100,000. All are contract-appointed ensuring no executive is appointed as ongoing or for special projects.

The Executive Officer data is based on the 30 June payroll FTE report for the period 2016 and 2017. This does not include statutory appointments.

VPSC Executive Officer Data

	2016			2017		
	Male	Female	Total	Male	Female	Total
E03	0	2	2	1	4	5
E02	1	2	3	0	2	2
E01	0	0	0	1	0	1

SECTION 4 – Other Disclosures

Local Jobs First – Victorian Industry Participation Policy (VIPP)

In October 2003, the Victorian Parliament passed the *Victorian Industry Participation Policy Act 2003*, which requires public bodies and departments to report on the implementation of the *Victorian Industry Participation Policy (VIPP)*.

VIPP was developed by Government to ensure that procurement and industry assistance activities across the whole of Government use local suppliers whenever and wherever they offer the best value for money.

A major focus of VIPP, is on improving the ability of regional suppliers to tender for projects that will boost the State's overall development and the growth of regional economies.

During the reporting period, VPSC did not commence or conclude any contracts to which VIPP applied.

Changes in Financial Position

Consultancies

In 2016-17, there were eight consultants where the total fees payable to the consultant was \$10,000 or greater. The total expenditure incurred during 2016-17 in relation to these consultancies is \$1,174,253 excluding GST. Details are outlined below.

Consultant	Purpose of Consultancy	Start Date	End Date	Total Approved Project Fee	Expenditure 2016-17 (excl. GST)	Future Expenditure (excl. GST)
Rachel Hunter Consulting Pty Ltd	DET Monitoring & Integrity Review	15/09/2016	31/12/2017	115,000	25,000	90,000
Hudson Global Resources (Aust)	Independent Assessor for the Victorian Leadership Academy	16/09/2016	23/12/2020	2,535,741	861,118	1,674,623
Deloitte Touche Tohmatsu	Independent evaluator for the Victorian Leadership Academy	05/12/2016	20/10/2017	242,491	134,464	108,027
Jo Grisard	Strategic advice: Victorian Leadership Academy	08/08/2016	31/12/2016	27,353	27,353	-
Michael Kinnane	Independent Lead Reviewer – Organisational Capability Review of Ambulance Victoria	17/08/2016	31/12/2016	55,000	28,110	-
Akiko Jackson	Lead Reviewer – Review of Remuneration of Public Health Organisation Boards	11/10/2016	13/12/2016	30,800	23,292	-
David Butler	Independent Lead Reviewer – Organisational Capability Review of Ambulance Victoria	13/08/2016	31/12/2016	99,000	59,222	-
Ellis Jones	Advise VPSC on the most effective and appropriate communication modes to maximise effectiveness and reach	02/06/2017	24/08/2017	35,000	15,694	19,305

Information and Communication Technology Expenditure

	All operational ICT expenditure Business as Usual (BAU) ICT expenditure (Total)	ICT expenditure related to projects to create or enhance ICT capabilities Non-Business as Usual (non-BAU) (Total = Operational expenditure and capital expenditure)	Operational Expenditure	Capital Expenditure
Appropriation Account	831,732	69,000	-	69,000
Trust Account	560,240	30,000	-	30,000

The ICT expenditure reflected in the above table refers to VPSC's costs in providing business enabling ICT services within the current reporting period.

Environmental Reporting

The environmental report has been prepared in accordance with the Financial Reporting Directions issued by the Minister for Finance. Office-based environmental impact data is based on information provided by Cushman and Wakefield.

Reporting of office-based environment impacts based on information provided by Cushman and Wakefield

	2016-17	2015-16
Energy		
Total electricity usage (gigajoules)	652	500
Total green electricity (gigajoules)	0	0
Total gas usage (gigajoules)	0	0
Percentage of electricity purchased as Green Power (%)	0.00%	0.00%
Units of energy used per Full Time Employee (megajoules per FTE)	9616	10726
Units of energy used per unit office area (megajoules per m ²)	634	613
Paper		
Total units of paper used (A4 reams equivalent)	770	410
Reams of paper used per FTE	11.35	8.6
Percentage of recycled content paper purchased (%)	80%	80%
Water		
Total units of metered water consumed (kilolitres)	29204	18542
Units of metered water consumed per FTE (kilolitres/FTE)	430	386
Units of measured water consumed in offices per unit of office area (kilolitres/m ²)	28	22

Waste							
	Total units office waste disposed of by destination (kg per year)		Units of office waste disposed of per FTE by destination (kg per FTE)		Recycling rate (% of total waste by weight)	Greenhouse gas emissions associated with waste disposal (tonnes CO ₂ -e)	
	Landfill	Other	Landfill	Other	%	Landfill	Other
2015-16	3423	3296	72	69	49	4.44	2.97
2016-17	1900	3244	28	48	64	2.7	4.5

Transport								
	Total energy consumed by vehicles (MJ)	Total Vehicle table associated with entity operations (km)	Total greenhouse gas emissions from vehicle fleet (tonnes of CO ₂ equivalent)	Greenhouse gas emissions from vehicle fleet per 1,000km travelled (tonnes of CO ₂ equivalent)	Total distance travelled by aeroplane (km)	Percentage of employees regularly (75% attendance days) using public transport, cycling, walking or car-pooling to and from work or working from home by locality type		
						CBD	Metro	Regional
2015-16	3,536	1,286	0.25	0.19	Figures not available at time of reporting			
2016-17	Figures not available at time of reporting				145,742	Figures not available at time of reporting		

Greenhouse Gas Emissions		
	2016-17	2015-16
Total greenhouse gas emissions from energy (t CO ₂ e)	1.08	0.03
Total greenhouse gas emissions from vehicle use (t CO ₂ e)	n/a	0.25
Total greenhouse gas emissions from air travel (t CO ₂ e)	n/a	n/a
Total greenhouse gas emissions from waste (t CO ₂ e)	4.50	4.41
Total greenhouse gas emissions offsets purchased (t CO ₂ e)	0.00	0.00

Compliance

The Building Act 1993

VPSC does not own or control any Government buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993* (for publicly owned buildings controlled by VPSC).

The Freedom of Information Act 1982

VPSC is subject to the *Freedom and Information Act 1982*. VPSC complied with its responsibilities for implementing the *Government's Freedom of Information policy* in 2016-17.

National Competition Policy

As a portfolio agency, VPSC's information on compliance is included in the Department of Premier and Cabinet's Annual Report.

The Protected Disclosure Act 2012 (formerly Whistleblowers Protection Act 2001)

The *Protected Disclosure Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to prepare people who make disclosures in accordance with the Act and establishes a system for the matters to be disclosed, investigated and rectifying action to be taken.

VPSC does not tolerate improper conduct of employees, nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

VPSC will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure to the extent it is legally possible.

Reporting Procedures

Disclosures of improper conduct or detrimental action by the Department or any of its employees and/or officers may be made to VPSC's Protected Disclosure Coordinator or alternatively, disclosures may be made directly to the Independent Broad-based Anti-corruption Commission:

Level1, North Tower
459 Collins Street
Melbourne, VIC 3000
Phone: 1300 735 135
ibac.vic.gov.au

Further Information

The *Protected Disclosure Policy and Procedures*, which outline the procedure for reporting disclosures of improper conduct or detrimental action by VPSC or any of its employees and/or officers are available on the VPSC website.

Disclosures under the *Protected Disclosure Act 2012*

The table below indicates the number of disclosures made by an individual to the Department and notified to the Independent Broad-based Anti-corruption Commission.

	2016-17	2015-16	2014-15
Assessable disclosures	0	0	n/a

The *Carers Recognition Act 2012*

VPSC has taken all practical measures to comply with its obligations under the Act. This includes considering the carer relationship principles set out in the Act when setting policies and providing services (e.g. reviewing our employment policies such as flexible working arrangements and leave provisions to ensure these comply with the statement of principles in the Act).

Other Information

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the terms listed below have now been retained by the Department and are available on request, subject to the provisions of the *Freedom of Information Act 1982*.

- a statement that declarations of pecuniary interest have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by the entity, about the entity, and the places where publications can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the entity
- details of any major external reviews carried out by the entity
- details of any major research and development activities undertaken by the entity
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and the services it provides
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within the entity and details of time lost through industrial action and disputes
- a list of major committees sponsored by the entity, the purposes of each committee, and the extent to which the purposes have been achieved

Attestation for Compliance with Ministerial Standing Direction 3.7.1

I, Elizabeth Langdon, certify that the Victorian Public Sector Commission has complied with the Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes. The Audit and Risk Management Committee (ARMC) for VPSC has verified this.

A handwritten signature in black ink, appearing to read 'Elizabeth Langdon', with a long horizontal flourish extending to the right.

Elizabeth Langdon
A/Commissioner

Victorian Public Sector Commission
6 September 2017

Disclosure Index

This annual report of VPSC is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of compliance with statutory disclosure and other requirements.

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VPSC FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

Comprehensive operating statement for the financial year ended 30 June 2017

		2017	2016
	Notes	\$	\$
Continuing operations			
Income from transactions			
Grants	2.1.1	13,143,075	9,491,293
Provision of services	2.1.2	2,670,013	2,221,688
Total income from transactions		15,813,088	11,712,981
Expenses from transactions			
Employee benefits expenses	3.1.1	8,539,924	6,303,788
Depreciation	4.3	102,265	169,105
Interest expense		3,963	1,635
Capital asset charge	3.2	69,008	67,000
Grant expenses		12,500	-
Other operating expenses	3.3	5,571,949	3,808,009
Total expenses from transactions		14,299,609	10,349,537
Net result from transactions (net operating balance)		1,513,479	1,363,444
Other economic flows included in net result			
Net gain/(loss) on disposal of property, plant and equipment		-53,788	386
Net gain/(loss) arising from revaluation of leave liabilities		31,566	-38,369
Total other economic flows included in net result		-22,222	-37,983
Net result		1,491,257	1,325,461
Comprehensive result		1,491,257	1,325,461

The accompanying notes form part of these financial statements.

Balance sheet as at 30 June 2017

		2017	2016
	Notes	\$	\$
Assets			
Financial assets			
Cash and deposits		600	600
Receivables	5.1	9,627,928	6,652,291
Total financial assets		9,628,528	6,652,891
Non-financial assets			
Prepayments	5.3	42,533	466,590
Property, plant and equipment	4.1	110,928	173,068
Intangible assets	4.2	111,941	167,911
Total non-financial assets		265,402	807,569
Total assets		9,893,930	7,460,460
Liabilities			
Payables	5.2	514,300	337,257
Borrowings	6.1	90,596	74,588
Employee related provisions	3.1.2	1,937,874	1,557,118
Unearned income	5.4	1,077,223	708,817
Total liabilities		3,619,993	2,677,780
Net assets		6,273,937	4,782,680
Equity			
Contributed capital		3,481,626	3,481,626
Accumulated surplus		2,792,311	1,301,054
Net worth		6,273,937	4,782,680

The accompanying notes form part of these financial statements.

Cash flow statement for the financial year ended 30 June 2017

		2017	2016
	Notes	\$	\$
Cash flows from operating activities			
Receipts			
Receipts from government		13,701,822	11,244,487
Total receipts		13,701,822	11,244,487
Payments			
Payments to suppliers and employees		-13,606,915	-11,160,933
Capital asset charge paid		-69,008	-67,000
Interest paid and other costs of finance paid		-3,963	-1,635
Total payments		-13,679,886	-11,229,568
Net cash flows from operating activities	6.2	21,936	14,919
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		-	10,818
Net cash flows from investing activities		-	10,818
Cash flows from financing activities			
Repayment of finance leases		-21,936	-25,737
Net cash flows used in financing activities		-21,936	-25,737
Net increase in cash held		-	-
Cash at the start of the year		600	600
Cash at the end of the year		600	600

The accompanying notes form part of these financial statements.

Statement of changes in equity for the financial year ended 30 June 2017

	Contributions by owner	Accumulated surplus	Total
	\$	\$	\$
Balance at 30 June 2015	3,481,626	-24,407	3,457,219
Net result for the year		1,325,461	1,325,461
Balance at 30 June 2016	3,481,626	1,301,054	4,782,680
Net result for the year		1,491,257	1,491,257
Balance at 30 June 2017	3,481,626	2,792,311	6,273,937

1. About this report

The Victorian Public Sector Commission (the Commission) was established on 1 April 2014 through an amendment to the *Public Administration Act 2004* (the Act) and replaced the State Services Authority which was abolished pursuant to clause 3 of Schedule 3 of the Act.

A description of the nature of the Commission's operations and its principal activities is included in the **"Report of operations"** which does not form part of these financial statements.

The Commission's principal address is:

**3 Treasury Place
Melbourne
Victoria
3002**

Basis of preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

These financial statements cover the Commission as an individual reporting entity and include all the controlled activities of the Commission.

Compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs) including Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. Where relevant, those paragraphs of the AASs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

2. Funding delivery of our services

Introduction

The Commission's objectives is to:

- strengthen the efficiency, effectiveness and capability of the public sector in order to meet existing and emerging needs and deliver high quality services; and
- maintain, and advocate for, public sector professionalism and integrity.

The Commission is predominantly funded by accrual based Parliamentary appropriations for the provision of outputs. These appropriations are received by the Department of Premier and Cabinet and on-forwarded to the Commission in the form of grants.

Structure

2.1. Summary of income that funds the delivery of our services

2.1. Summary of income that funds the delivery of our services

		2017	2016
	Notes	\$	\$
Income from transactions			
Grants	2.1.1	13,143,075	9,491,293
Provision of services	2.1.2	2,670,013	2,221,688
Total income from transactions		15,813,088	11,712,981

Income is recognised to the extent that it is probable that the economic benefits will flow to the Commission and the income can be reliably measured.

2.1.1. Income from grants

	2017	2016
	\$	\$
Grants from Department of Premier and Cabinet	8,163,773	7,431,908
Other grants from Victorian Government agencies ^(a)	4,979,302	2,059,385
Total grants	13,143,075	9,491,293

Note:

(a) In line with the Commission's grant revenue recognition policy discussed below, \$387,593 of Aboriginal Employment Unit and \$970,301 of Executive Officer Review grants are recognised as income during 2016-17 as these are non-reciprocal grants. The costs of providing these services will be incurred in future financial years when these services are provided by the Commission.

Income from grants is recognised when the Commission obtains control over the grant. Where grants are reciprocal (i.e. equal value is given back by the Commission to the provider), the Commission is deemed to have assumed control when it has satisfied its performance obligations under the terms of the grant. Non-reciprocal grants are recognised as income when the grant is received or receivable.

2.1.2. Income from provision of services

	2017	2016
	\$	\$
Training for Departmental Graduate Recruitment Scheme	1,268,220	1,017,236
Other services	1,401,793	1,204,452
Total provision of services	2,670,013	2,221,688

Income from the provision of services is recognised when the services are provided or by reference to the stage of completion of the services being provided.

3. The cost of delivering services

Introduction

This section provides an account of the expenses incurred by the Commission in delivering services.

Structure

- 3.1. Expenses incurred in delivery of services
- 3.2. Capital asset charge
- 3.3. Other operating expenses

3.1. Expenses incurred in delivery of services

		2017	2016
	Notes	\$	\$
Employee benefits	3.1.1	8,539,924	6,303,788
Depreciation	4.3	102,265	169,105
Interest expense		3,963	1,635
Capital asset charge	3.2	69,008	67,000
Grant expenses		12,500	-
Other operating expenses	3.3	5,571,949	3,808,009
Total expenses incurred in delivery of services		14,299,609	10,349,537

3.1.1. Employee benefits in comprehensive operating statement

	2017	2016
	\$	\$
Salaries and wages, annual leave and long service leave	7,909,005	5,769,529
Defined contribution superannuation expense	554,100	414,025
Defined benefit superannuation expense	76,819	120,234
Total employee benefits	8,539,924	6,303,788

Employee benefits include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. The Commission does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, the Department of Treasury and Finance discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State of Victoria as the sponsoring employer).

3.1.2. Employee benefits in balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2017	2016
	\$	\$
Current provisions:		
Annual leave		
Unconditional and expected to be settled within 12 months	511,189	376,283
Unconditional and expected to be settled after 12 months	101,390	44,140
Long service leave		
Unconditional and expected to be settled within 12 months	194,069	163,316
Unconditional and expected to be settled after 12 months	951,344	783,476
Performance bonus	-	56,323
Total current provisions for employee benefits	1,757,992	1,423,538
Non-current provision:		
Long service leave	179,882	133,580
Total provisions for employee benefits	1,937,874	1,557,118

Wages and salaries, annual leave and sick leave: Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the Commission does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the Commission expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the Commission does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

Unconditional LSL is disclosed as a current liability; even where the Commission does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value – if the Commission expects to wholly settle within 12 months; or
- present value – if the Commission does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an ‘other economic flow’ in the net result.

3.2. Capital asset charge

	2017	2016
	\$	\$
Capital asset charge	69,008	67,000

A capital asset charge is a charge levied on the written down value of controlled non-current physical assets in the Commission’s balance sheet which aims to attribute to the opportunity cost of capital used in service delivery and provide incentives to the Commission to identify and dispose of underutilised or surplus assets in a timely manner. The capital asset charge is calculated on the budgeted carrying amount of applicable non-current physical assets.

3.3. Other operating expenses ^(a)

	2017	2016
	\$	\$
Supplies and services	3,118,669	1,714,620
Operating lease payments	513,798	442,312
Other expenses	1,939,482	1,651,077
Total other operating expenses	5,571,949	3,808,009

Note:

(a) Certain expenses have been reclassified to more appropriately reflect their nature. Prior year comparatives have been adjusted accordingly.

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

Supplies and services and **Other expenses** are recognised as an expense in the reporting period in which they are incurred.

Operating lease payments (including contingent rentals) are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

The Department of Premier and Cabinet has been centrally funding the services provided to the Commission for nominal consideration. The services that are utilised include the use of the financial systems, payroll systems, accounts payable asset register and information technology network.

4. Key assets available to support delivery of services

Introduction

The Commission controls property plant and equipment that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to the Commission to be utilised for delivery of services.

Structure

- 4.1. Total property, plant and equipment
- 4.2. Intangible assets
- 4.3. Depreciation

4.1. Total property, plant and equipment

	Gross carrying amount		Accumulated Depreciation		Net carrying amount	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Leasehold improvements	852,881	943,790	-836,299	-851,366	16,582	92,424
Office and computer equipment	87,590	87,590	-82,923	-80,766	4,667	6,824
Motor vehicles under finance lease	129,715	91,771	-40,036	-17,951	89,679	73,820
Net carrying amount	1,070,186	1,123,151	-959,258	-950,083	110,928	173,068

Initial recognition

Items of property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The cost of leasehold improvements is capitalised and depreciated over the shorter remaining term of the lease or their estimated useful lives.

The initial cost for non-financial physical assets under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent measurement

Property, plant and equipment with the exception of leasehold improvements and motor vehicles under finance are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset).

4.2. Intangible assets

	2017	2016
	\$	\$
Capitalised software development – at cost	391,793	391,793
Less: accumulated depreciation	-279,852	-223,882
Total intangible assets	111,941	167,911
Reconciliation of carrying amounts		
Carrying value at start of the year	167,911	223,882
Depreciation expense	-55,970	-55,971
Carrying value at end of the year	111,941	167,911

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- an intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

4.3. Depreciation

Charge for the period

	2017	2016
	\$	\$
Leasehold improvements	22,054	94,226
Office and computer equipment	2,157	2,934
Motor vehicles under finance lease	22,084	15,974
Intangible assets	55,970	55,971
Total depreciation	102,265	169,105

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

All office and computer equipment and other non-financial physical assets (excluding items under operating leases) that have finite useful lives are depreciated. Depreciation is calculated on a straight line basis at rates that allocate the asset's value, less any estimated residual value, over its expected useful life.

The estimated useful lives, residual values and depreciation method are reviewed at least annually. Typical estimated useful lives applicable for the years ended 30 June 2017 and 30 June 2016 are as follows:

Leasehold improvements	10 years
Office and computer equipment	4-5 years
Motor vehicles under finance lease	2-3 years
Intangible assets	7 years

Impairment

Non-financial assets, including items of property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an 'other economic flow', except to the extent that it can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

4.3.1. Reconciliation of movements in carrying amount of property, plant and equipment

	Leasehold improvements	Office and computer equipment	Motor vehicles under finance lease	Total
	\$	\$	\$	\$
2017				
Carrying amount at start of the year	92,424	6,824	73,820	173,068
Additions			37,943	37,943
Disposals	-53,788			-53,788
Depreciation expense	-22,054	-2,157	-22,084	-46,295
Carrying amount at end of the year	16,582	4,667	89,679	110,928
2016				
Carrying amount at start of the year	186,650	9,758	65,249	261,657
Additions			34,977	34,977
Disposals			-10,432	-10,432
Depreciation expense	-94,226	-2,934	-15,974	-113,134
Carrying amount at end of the year	92,424	6,824	73,820	173,068

5. Other assets and liabilities

Introduction

This section sets out those assets and liabilities that arose from the Commission's controlled operations.

Structure

- 5.1. Receivables
- 5.2. Payables
- 5.3. Prepayments
- 5.4. Unearned revenue

5.1. Receivables

	2017	2016
	\$	\$
Contractual		
Receivables	1,209,758	678,720
Statutory		
Amounts receivable from government departments	8,394,662	5,952,039
GST recoverable	23,508	21,532
Total receivables	9,627,928	6,652,291
<i>Represented by:</i>		
Current receivables	9,503,712	6,545,753
Non-current receivables	124,216	106,538

Contractual receivables are classified as financial instruments and measured as amortised cost. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment) but are not classified as financial instruments.

5.2. Payables

	2017	2016
	\$	\$
Contractual		
Payables	514,300	337,257
Total payables	514,300	337,257
<i>Represented by:</i>		
Current receivables	514,300	337,257

Contractual payables are classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the Commission prior to the end of the financial year that are unpaid.

Payables for supplies and services have an average credit period of 30 days. The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements and as they are not legislative payables, they are not classified as financial instruments.

5.3. Prepayments

	2017	2016
	\$	\$
Prepayments	42,533	466,590

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

5.4. Unearned income

	2017	2016
	\$	\$
Unearned income	1,077,223	708,817

Unearned income represents fees and charges that relate to courses to be held in future periods. Such income is recognised as unearned revenue within liabilities.

6. Financing our operations

Introduction

This section provides information on the sources of finance utilised by the Commission during its operations, along with interest expenses (the cost of finance lease liabilities) and other information related to financing activities of the Commission.

This section includes disclosures of balances that are financial instruments (such as finance lease liabilities and cash balances).

Structure

- 6.1. Borrowings (Leases)
- 6.2. Reconciliation of net result to cash flow from operating activities
- 6.3. Commitments for expenditure

6.1. Borrowings (Leases)

	2017	2016
	\$	\$
Secured		
Current lease liabilities	46,258	16,776
Non-current lease liabilities	44,338	57,812
Total finance lease liabilities	90,596	74,588

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Assets pledged as security

The carrying amounts of assets pledged as security are:

	2017	2016
	\$	\$
Motor vehicles under finance lease	89,679	73,820

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases are recognised as assets and liabilities of the Commission at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The leased asset is depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Lease assets held at the reporting date, being motor vehicles, are depreciated over two to three years.

Minimum finance lease payments are apportioned between reduction of the lease liability and periodic finance charges which are calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement.

6.1.1. Maturity analysis of finance lease liabilities ^(a)

	Maturity dates						Greater than 5 years
	Carrying amount	Nominal amount	Less than 1 month	1-3 months	3 months-1 year	1-5 years	
	\$	\$	\$	\$	\$	\$	
2017							
Motor vehicles under finance lease	90,596	94,670	2,326	4,651	42,274	45,419	-
2016							
Motor vehicles under finance lease	74,588	79,923	1,656	3,312	14,902	60,053	-

Note:

(a) Maturity analysis is presented using the contractual undiscounted cash flows.

6.2. Reconciliation of net result to cash flow from operating activities

	2017	2016
	\$	\$
Net result	1,491,257	1,325,461
Non-cash movements		
Depreciation	102,265	169,105
(Profit)/loss on disposal of non-current assets	53,788	-386
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	-2,975,637	-1,375,583
(Increase)/decrease in prepayments	424,057	-412,636
Increase/(decrease) in creditors and accruals	177,044	-47,178
Increase/(decrease) in provisions	380,756	-206,660
Increase/(decrease) in other liabilities	368,406	562,796
Net cash flows from operating activities	21,936	14,919

6.3. Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

	2017	2016
	\$	\$
Outsourcing commitments		
Commitments under outsourcing for recruitment services, payable:		
Within one year	766,012	454,524
Later than one year but not later than five years	-	378,770
Later than five years	-	-
Total commitments (inclusive of GST)	766,012	833,293
Less GST recoverable	69,637	75,754
Total commitments (exclusive of GST)	696,375	757,539
Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases, not recognised as liabilities, are payable as follows:		
Within one year	48,346	47,449
Later than one year but not later than five years	-	-
Later than five years	-	-
Total commitments (inclusive of GST)	48,346	47,449
Less GST recoverable	4,395	4,314
Total commitments (exclusive of GST)	43,951	43,135

7. Risks, contingencies and valuation judgements

Introduction

The Commission is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements.

This section sets out financial instrument specific information (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Commission relates mainly to fair value determination.

Structure

- 7.1. Financial instruments specific disclosures
- 7.2. Contingent assets and contingent liabilities

7.1. Financial instruments specific disclosures

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Commission's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

Categories of financial instruments

Receivables and cash

Receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, receivables and cash are measured at amortised cost using the effective interest method, less any impairment.

The Commission recognises the following assets in this category:

- cash and deposits; and
- trade receivables (excluding statutory receivables).

Financial liabilities at amortised cost

Financial instrument liabilities are recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost using the effective interest rate method.

The Commission recognises the following liabilities in this category:

- contractual payables;
- unearned income; and
- borrowings.

Offsetting financial instruments

Financial instrument assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Commission concerned has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

7.1.1. Categorisation of financial instruments

Financial assets	Note	Category	Carrying amount	
			2017	2016
			\$	\$
Cash and deposits		Cash	600	600
Receivables*	5.1	Loans and receivables	1,209,758	678,720
			1,210,358	679,320
Financial liabilities				
Payables		Financial liabilities at amortised cost	514,300	337,257
Borrowings	6.1	Financial liabilities at amortised cost	90,596	74,588
			604,896	411,845

* Receivables disclosed here exclude statutory receivables (i.e. amounts receivable from government departments and GST recoverable)

7.1.2. Financial risk management objectives and policies

Financial instruments: Credit risk

Credit risk arises from the financial assets of the Commission, which comprise cash and receivables. The Commission's exposure to credit risk arises from the potential default of counterparties on their contractual obligations resulting in financial loss to the Commission. Credit risk is measured at fair value and is monitored on a regular basis.

Financial instruments: Liquidity risk

The Commission's exposure to liquidity risk is deemed insignificant based on prior period data and a current assessment of risk. Maximum exposure to liquidity risk is the carrying amount of financial liabilities. The Commission manages its liquidity risk by maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short term obligations.

Financial instruments: Market risk

The Commission has no exposure to interest rate, foreign currency or other price risks. Interest rates on the Commission's finance lease liabilities are fixed.

7.2. Contingent assets and contingent liabilities

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - the amount of the obligations cannot be measured with sufficient reliability.; and
- classified as either quantifiable or non-quantifiable.

There were no contingent assets or contingent liabilities for the Commission at 30 June 2017 (30 June 2016: Nil).

8. Other disclosures

Introduction

This section includes additional material disclosures required by accounting standards or otherwise for the understanding of this financial report.

Structure

- 8.1. Responsible persons
- 8.2. Remuneration of executives
- 8.3. Related parties
- 8.4. Remuneration of auditors
- 8.5. Other accounting policies
- 8.6. Australian Accounting Standards issued that are not yet effective

8.1. Responsible persons

The persons who held the positions of Minister and Accountable Officer in the Commission during the financial year were as follows:

Responsible Minister	The Hon Daniel Andrews, MP, Premier
Accountable Officer	Belinda Clark, Victorian Public Sector Commissioner

Total remuneration received or receivable by the Accountable Officer, in connection with the management of the Commission during the reporting period was in the range: \$460,000 – \$469,999 (\$460,000 – \$469,999 in 2015-16).

8.2. Remuneration of executives

The number of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee expenses in all forms of consideration paid, payable or provided by the entity or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories:

- short-term employee expenses include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services;
- post-employment benefits include employer contributions for members of both defined benefit and defined contribution superannuation plans;
- other long-term benefits include long service leave, other long-service benefit or deferred compensation; and
- termination benefits include termination of employment payments, such as severance packages.

	2017
Remuneration of executive officers	\$
Short-term employee benefits	1,372,163
Post-employment benefits	169,907
Other long-term benefits	31,360
Termination benefits	78,729
Total remuneration ^(a)	1,652,159
Total number of executives	9
Total annualised employee equivalents ^(b)	6.9

Notes:

(a) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under Financial Reporting Direction 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.

(b) Annualised employee equivalent is based on the time fraction worked over the reporting period.

8.3. Related parties

The Commission is a wholly owned and controlled entity of the State of Victoria. Related parties of the Commission include:

- all key management personnel and their close family members; and
- all cabinet ministers and their close family members.

Significant transactions with government-related entities

During 2016-17, the Commission received funding of \$3.3 million for the setup and establishment of the Victorian Leadership Academy (VLA). The funding comprised of equal contributions by the seven State departments and Victorian Police.

VLA is a new and progressive model to support leadership development aligned to the future needs of the sector. Its goal is to equip leaders with the required skills and capabilities to operate in an increasingly complex and changeable environment and to deliver on the Government's priorities for Victoria.

Key management personnel (KMP) of the Commission include the Premier, the Hon. Daniel Andrews MP, the Special Minister of State, the Hon. Gavin Jennings MLC and the members of the Senior Executive Team, which includes:

Key management personnel	Role at Victorian Public Sector Commission
Belinda Clark	Commissioner
Damian West	Deputy Commissioner
Karen Lau	Executive Director, Performance and Integrity
Linda Holmes	Executive Director, Leadership and Workforce

The compensation detailed in the following page excludes the salary and benefit the Premier and the Special Minister of State receive. The Premier and the Special Minister of State's remuneration and allowance, set by the *Parliamentary Salaries and Superannuation Act 1968*, are reported within the financial report of the Department of Parliamentary Services.

	2017
Compensation of KMPs	\$
Short-term employee benefits	1,073,911
Post-employment benefits	81,399
Other long-term benefits	23,752
Termination benefits	-
Total remuneration	1,179,062

8.4. Remuneration of auditors

	2017	2016
Audit fees paid or payable to the Victorian Auditor-General's Office	\$	\$
Audit of the annual financial statements	16,300	15,900

No other services were provided by the Victorian Auditor-General's Office.

8.5. Other accounting policies

Contributions by owners

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Commission.

8.6. Australian Accounting Standards issued that are not yet effective

The following Australian Accounting Standards (AASs) become effective for reporting periods commencing after the 30 June 2017.

These AASs have been published, but are not mandatory for the 30 June 2017 reporting period. The Department of Treasury and Finance (DTF) has assessed the impact of all these new standards and advised the Department of their applicability and early adoption where applicable. The table below details the AASs issued but not yet effective for the 2016-17 reporting period.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1-Jan-18	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	<p>The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <ul style="list-style-type: none"> ▪ The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and ▪ Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. 	1-Jan-18	<p>The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss.</p> <p>Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI).</p> <p>Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge.</p> <p>For entities with significant lending activities, an overhaul of related systems and processes may be needed.</p>
AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1-Jan-18	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1-Jan-18	The assessment has indicated that there will be no significant impact for the public sector.
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1-Jan-18	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	<p>Amends the measurement of trade receivables and the recognition of dividends.</p> <p>Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.</p> <p>Dividends are recognised in the profit and loss only when:</p> <ul style="list-style-type: none"> ▪ the entity's right to receive payment of the dividend is established; ▪ it is probable that the economic benefits associated with the dividend will flow to the entity; and ▪ the amount can be measured reliably. 	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1-Jan-18	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	<p>This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require:</p> <ul style="list-style-type: none"> ▪ A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; ▪ For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and ▪ For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). 	1-Jan-18	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.
AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for- Profit Entities</i>	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1-Jan-19	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	<p>This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments:</p> <ul style="list-style-type: none"> ▪ require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and ▪ clarifies circumstances when a contract with a customer is within the scope of AASB 15. 	1-Jan-19	The assessment has indicated that there will be no significant impact for the public sector, other than the impacts identified for AASB 9 and AASB 15 above.
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1-Jan-19	<p>The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase.</p> <p>Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.</p> <p>There will be no changes for lessors.</p>
AASB 2016-4 <i>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>	The standard amends AASB 136 <i>Impairment of Assets</i> to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities.	1 Jan 2017	The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 <i>Fair Value Measurement</i> is the same as the depreciated replacement cost concept under AASB 136.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 1058 <i>Income of Not-for-Profit Entities</i>	This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.	1-Jan-19	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2016-17 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* [AASB 112]
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurements of Share-based Payment Transactions*
- AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments*
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle*

Accountable Officer's and Chief Financial Officer's declaration

The attached financial statements for the Victorian Public Sector Commission have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister of Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, cash flow statement, statement of changes in equity and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2017 and the financial position of the Commission as at 30 June 2017.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 6 September 2017.



Joseph Yeung
Chief Financial Officer

Melbourne 6 September 2017



Elizabeth Langdon
Acting Victorian Public Sector Commissioner

Melbourne 6 September 2017

Independent Auditor's Report

To the Commissioner of the Victorian Public Sector Commission

Opinion	<p>I have audited the financial report of the Victorian Public Sector Commission (the Commission) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2017 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • Accountable Officer's and Chief Financial Officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the Commission as at 30 June 2017 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's responsibilities for the audit of the financial report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Commission in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Commissioner's responsibilities for the financial report	<p>The Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Commissioner determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Commissioner is responsible for assessing the Commission's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian 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 report, 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 Commission's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner.
- conclude on the appropriateness of the Commissioner'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 Commission'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 report 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 Commission to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Commissioner 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.

MELBOURNE
11 September 2017



Timothy Maxfield
as delegate for the Auditor-General of Victoria

