**Victorian Public Sector Commissioner**

**Annual Report 2018–19**

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# Section 1 – Year in Review

## From The Victorian Public Sector Commissioner

The Victorian Public Sector Commission’s work in 2018–19 was guided by the statutory framework established under the Public Administration Act 2004. This framework requires the VPSC to focus on two broad objectives: to strengthen the efficiency, effectiveness and capability of the public sector; and to maintain, and advocate for, public sector professionalism and integrity. As a relatively small specialist agency, the VPSC must consider how it best gives effect to these objectives within its available resources.

We commenced 2018–19 with a significant work program to strengthen the foundations of the VPSC’s capabilities and programs and establish a platform to best position the VPSC in supporting Victorian public sector departments and agencies to deliver the high-quality public services and functions Victorians expect.

I am pleased to report that the VPSC successively achieved many key milestones in 2018–19 and made substantial progress in addressing those areas for improvement identified in the Auditor General’s report   
on the effectiveness of the VPSC in 2017.

One of the most powerful mechanisms the VPSC has for meeting its statutory objectives is the collection, analysis and transparent public reporting of data on the workforce performance of Victorian public sector agencies. This includes workforce data providing insights into how effectively public sector agencies  
are living the public sector values and how effectively public sector workplaces are led and managed.

In 2018–19, we overhauled our data collection and analysis systems to substantially lift the scope  
and depth of our reporting on public sector workplaces and to ensure that performance is reported  
transparently in the State of the Public Sector in Victoria report. We improved the report to provide   
richer insights about key workforce issues such as leadership, diversity, professional development,   
bullying and sexual harassment.

The VPSC has a central role to play in promoting integrity and impartiality across the Victorian Public Sector. Public servants have an obligation to conduct their work in a nonpartisan and impartial fashion while serving the government of the day in executing its policy and program decisions. Consistent with the public sector values enshrined in the Public Administration Act 2004, Victorian Public Sector leaders must promote respectful and professional workplaces.

An important priority for the VPSC in 2018–19 was supporting the Victorian Secretaries Board in its efforts  
to address and combat sexual harassment in Victorian public sector workplaces. In particular, the VPSC  
led whole of government collaboration to develop preventative approaches and best practice responses  
to sexual harassment. We published a model policy, guidance material and model action plan committing each department to report on their progress.

The VPSC also progressed a number of key initiatives to promote workforce diversity, develop senior leaders and attract talented people to work in the Victorian public sector.

In October 2018 we launched Getting to Work, the Victorian public sector’s first disability employment action plan. It outlines 21 actions employers can take to improve employment opportunities and provide inclusive work experiences for people with disability.

We continued the implementation of the Aboriginal employment strategy for the Victorian Public Service, Barring Djinang. Eleven out of 15 Barring Djinang initiatives are now in operation, with focus on attraction, career progression, cultural safety and support. Particular highlights in 2018–19 were the establishment of regional Aboriginal staff networks across Victoria, and the successful piloting of a new intensive leadership development program for future and emerging Aboriginal leaders.

We also revitalised the Victorian Government graduate program by restructuring the learning and development journey, streamlining the recruitment process and modernising the attraction strategy. A stronger brand,  
an easy-to-use website, and creative marketing campaign saw applications double in 2018–19.

The central job portal administered by the VPSC on behalf of departments and public sector agencies, Careers.Vic, is now used by all departments and 90 public sector agencies. It showcases the Victorian public sector as an employer of choice and now attracts nearly 45,000 job seekers each week.

In 2018–19, we took an entirely new approach to the Victorian Leadership Academy’s executive development programs and established a new twelve-month transformational leadership program for director level executives – 176 directors commenced the new program this year.

Following a comprehensive review of executive officer employment arrangements, the VPSC supported departments and administrative offices in the implementation of a wide ranging Senior Executive Reform Program for the Victorian Public Service. The reforms — including the application of consistent classification structures aligned with clear remuneration bands established by the Victorian Independent Remuneration Tribunal, and stronger performance management arrangements — are now substantially progressed, and are scheduled to be fully implemented in 2020. The VPSC also developed an executive pre-employment screening policy for the Victorian Public Service that commenced in October 2018.

Looking back on a year of many achievements, I would like to thank the dedicated staff of the VPSC   
for their professionalism, hard work and commitment to public service throughout 2018–19.

Dr Paul Grimes

Commissioner

23 September 2019

## About The Victorian Public Sector Commission

The VPSC was established on 1 April 2014 to achieve objectives set out in the *Public Administration  
Act 2004* (the Act). 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.

The 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.

The VPSC supports public 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, employment principles and standards.
* Reviewing employment related actions and making relevant recommendations.
* Maintaining a register of lobbyists.

In 2018–19 a number of programs were administered by the VPSC on behalf of, and for, public sector bodies. These included:

* The Government Sector Executive Remuneration Panel (GSERP)1
* Recruitment experience and Careers.Vic
* The Government Appointments and Public Entities Database (GAPED)
* The Graduate Recruitment and Development Scheme (GRADS)
* The Victorian Leadership Academy (VLA)
* *Barring Djinang: Aboriginal Employment Strategy*
* *Getting to Work: Disability Employment Action Plan (DEAP)*
* The People Matter Survey

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

1   
The GSERP and policy were replaced by the Victorian Government Public Entity Executive Remuneration Policy in November 2018, which is administered by the Victorian Independent Remuneration Tribunal (VIRT), supported by the Department of Premier and Cabinet (DPC).

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Description automatically generated

# Performance Reporting – non-financial

## Strengthen the efficiency, effectiveness and capability of the public sector

### Victorian Leadership Academy

The VLA equips senior executives of the Victorian Public Service (VPS) with increased capability in the areas of leader mindsets, stewardship, people and performance.

Participating executives are provided with insights and frameworks to support them in leading future reforms while building a collaborative and service-oriented culture that benefits Victorians.

Following the launch of a new comprehensive 12-month leadership development program for directors  
in September 2018, the VLA has commenced designing programs for executives at the deputy secretary and executive director levels.

The design of these programs has been informed by a comprehensive consultation process with 96 executives, including members of the Victorian Secretaries Board (VSB), to ensure the VLA delivers real  
and actionable outcomes.

In 2018–19, the VLA:

* completed its leadership development program for 234 executives who participated in the VLA’s previous development program – focusing on fostering talent and building capability
* delivered foundational leadership capability uplift for 176 executives at director level (reaching 83 per cent of its target)
* facilitated coaching and mentoring workshops for 111 senior executives who manage executives participating in the leadership capability uplift program.

To track the effectiveness of its programs, the VLA is implementing a rigorous evaluation system.  
The cutting-edge approach to evaluation that is being adopted, blends the discipline of social impact  
with the science of implementation.

### Senior Executive Service Reform

To function effectively the Victorian Public Sector requires a Senior Executive Service (SES) workforce  
that is capable, mobile, efficient and talented. The VPSC is progressing a range of programs to position  
the VPS and Public Entity executive workforce for the future.

Since November 2018, the VPSC has had responsibility for public sector executive employment policy  
and advisory services. The VPSC works closely with the new Victorian Independent Remuneration Tribunal (VIRT), which has responsibility for determining the executive remuneration bands.

In 2018–19, the VPSC led the development of a reform program for the VPS. The program aims to:

* support the attraction, retention and mobility of highly capable senior executives across the VPS
* clarify accountabilities and work value standards
* ensure competitive and fair remuneration
* promote transparent and rigorous decision making.

The foundations of a dynamic and renewed SES for Victoria were approved by the VSB in late 2018,  
with the endorsement of frameworks for executive classification and performance management.

### VPS Executive Classification Framework

The VPSC supported departments and their agencies to commence implementation of a new executive classification framework, which was endorsed by the VSB in September 2018. The new classification framework promotes consistency, fairness and objectivity in the classification of executive roles. It drives high performance, supports career development and helps foster a positive workplace culture.

The framework provides clarity on the expectations of the work that executives at different levels will undertake and classifies executive positions into one of three bands. It includes the introduction of a standard position titles model, with deputy secretaries being classified as SES band 3, executive directors as SES band 2 and directors as SES band 1.

To support the implementation of this framework, the VPSC:

* has published the framework and associated resources on the VPSC website
* is providing executive classification assessment services for VPS organisations through  
  a fee for service model
* is uplifting VPS HR capability to complete assessments in the long term.

The framework is expected to be fully implemented in the VPS by December 2020.

### VPS Executive Performance Management Framework

A new performance management framework for executives in the VPS was endorsed by the VSB in September 2018. The framework outlines foundational principles to drive high performance and support career development, where outcomes and expectations align with organisational and government priorities, public sector values and leadership capabilities.

To support the implementation of this framework, the VPSC has published the framework and resources on the VPSC website.

### Public Entity Senior Executive Service Workforce Reform

In October 2018 the VPSC accepted a recommendation from the Victorian Ombudsman to develop an executive employment handbook for public sector executives, drawing on the approach adopted in the existing *Victorian Public Service Executive Employment Handbook*.

In early 2019, the VPSC undertook a program of consultation and developed a new public entity executive employment handbook that was published in July 2019.

The handbook promotes executive employment arrangements across the public sector that are consistent and transparent, to ensure appropriate use of public funds and the minimisation of integrity risks. It also assists public entities to manage employment contracts, remuneration and employment matters relating to executives.

### Workforce Data Collection

#### Implementation of a New Workforce Data Collection Framework

In 2018–19 the VPSC implemented a new data collection and validation tool. This represents a significant technological improvement to the VPSC’s foundation systems for the efficient gathering of quality data from public sector employers. The new tool provides greater flexibility, capacity for improved data validation and better communication with agencies in the collection of:

* the VPSCs annual Workforce Data Collection
* the Public Entity Executive Renumeration Survey (PEERS), formerly the GSERP collection
* executive data
* progression data.

#### Workforce Collection and Reporting

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

In 2018, data was collected on over 347,000 employees from 1,815 separate employers, including schools and health services. Based on the data, the VPSC produced over 200 reports for employer agencies that provided individualised comparative data on the composition and characteristics of their workforces. The data was also used to inform the *State of the Public Sector in Victoria Report*.

### The State of the Public Sector in Victoria Report

The VPSC published the *State of the Public Sector in Victoria Report 2017–18* in March 2019. The 2017–18 report was significantly expanded on previous years and provided greater information about key workforce issues, to both inform and encourage continuous improvement in the performance of public sector workplaces. Its key focus areas included:

* Strengthening organisational leadership.
* Increasing the diversity of the public sector workforce (including the participation of Aboriginal people  
  and people with disability).
* Strengthening the professional development of people working across the Victorian public sector.
* Combating workplace bullying, harassment and sexual harassment.

For the first time the report incorporated data derived from the VPSC’s annual People Matter Survey.  
This added data on employee perceptions and experiences to the public sector workforce profile,  
providing greater insight into the nature and characteristics of employment. The improvements introduced  
in 2018–19 represent an initial step in the further development of public sector workforce reporting  
by the VPSC.

### Government Sector Executive Remuneration Panel

In November 2018, the GSERP and associated policy administered by the VPSC were superseded by the Victorian government *Public Entity Executive Remuneration Policy*, administered by the Office of Public Sector Remuneration (OPSER) within DPC.

In March 2019, the Victorian Independent Remuneration Tribunal (VIRT) was established by the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019*. The VIRT has responsibility for determining the remuneration bands for both VPS and public entity executives.

In the VPSC’s former role supporting the GSERP, the VPSC answered 173 enquiries and finalised 26 submissions up to 7 November 2018 and transferred one submission to OPSER. The largest number of submissions came from Department of Health and Human Services portfolio entities. The most common enquiries related to remuneration policy and the determination of individual total remuneration packages (TRP).

### Barring Djinang: Aboriginal Employment Strategy

The VPSC completed its second year of delivering *Barring Djinang*, the Victorian public sector Aboriginal Employment Strategy for 2017–2022.

*Barring Djinang* identifies five focus areas, supported by 15 initiatives operating with a strong focus on enhancing the careers and experiences of Aboriginal staff. The initiatives include programs, coordination and performance monitoring.

The five focus areas are to:

* Improve attraction and retention.
* Create progressive career experiences.
* Create culturally safe workplaces.
* Enhance supports for Aboriginal staff.
* Provide central oversight and strong governance.

Of the 15 initiatives, 11 are fully operational or completed. Three are currently in progress, with one initiative, the Career Pathways Framework, yet to commence.

In 2018–19 *Barring Djinang* achieved:

* A record number of applicants (14) to the Aboriginal Pathway to the Victorian Government graduate program.
* The establishment of Regional Staff Networks, with 150 Aboriginal public sector employees attending meetings held across Victoria.
* The publication of the Cultural Capability Toolkit, an online resource for public sector employers and employees to help guide and build their cultural capability.
* The publication of the *Guide for Offering Inclusive Employee Assistance Programs*, which has inclusive contract terms and standards for employee assistance programs providers.
* The successful completion of the Aboriginal Future Leaders Pilot. The pilot informed the development of the Barring Djinang Leadership Program, a program that also includes eligible staff from Aboriginal Community Controlled Organisations.

### Recruitment Experience and Careers.Vic

In 2018–19 the VPSC played a key role in enabling Victorian public sector entities to attract and recruit high-quality candidates, through its management of the Careers.Vic website, the whole of Victorian government contract for the Springboard Applicant Tracking System, and the management of a senior recruiter’s network.

The Careers.Vic website is the front door to employment opportunities within the Victorian public sector, attracting almost 45,000 job seekers each week. It showcases the Victorian public sector as an employer of choice, promotes diversity and showcases the many pathways into the sector.

### Springboard eRecruitment network

The VPSC is responsible for the contract management and coordination of the Springboard eRecruitment system. Springboard is used by all departments, Victoria Police and over 80 entities across the public sector, providing an end-to-end pathway from planning through to evaluation.

In 2018–19, the VPSC worked with departments and sector partners to identify opportunities to broaden  
the functionality of Careers.Vic and to meet emerging whole of Victorian government workforce capability and mobility demands.

Throughout May and June 2019, the VPSC worked closely with DPC to implement a Jobs & Skills Exchange for the Victorian Government using the Springboard eRecruitment platform to support its activities and service offerings. The successful delivery has established the stage one release of the Jobs and Skills Exchange service.

The team also worked closely with departments and other entities transition to other HCM systems to support their recruitment.

### Government Appointments and Public Entities Database

The government appoints people to over 11,000 official positions in Victoria. The VPSC manages the GAPED to record and monitor these appointments and to assist the government to manage the appointments process. This includes monthly reporting against the government’s policy of women comprising 50 per cent of all appointments to major public boards.

In 2018–19 several enhancements were made to further improve the quality of GAPED data by:

* mandating the use of all diversity fields
* improving system notifications and increasing exception reporting for data quality monitoring
* improving data flow between the Get on Board site, where people register interest, and apply for board positions, and GAPED to increase completeness and currency of data.

### VPS Graduate Recruitment and Development Scheme

VPS GRADS is the flagship entry level pathway to a career in the VPS for tertiary graduates. During the 12-month program, graduates rotate through three departments or agencies to learn about working in the public service, lead projects and contribute to a variety of initiatives.

In October 2018 the VPSC, in collaboration with the Graduate Recruit Alumni Society, hosted an event to commemorate 35 years of GRADS. The Special Minister of State was joined by 300 guests to celebrate the career success of over 2,000 individuals who have participated in the GRADS.

In 2018–19, the VPSC contributed to work with stakeholders to refresh GRADS, in response to the findings of the Victorian Auditor-General’s *Audit of the Effectiveness of the Victorian Public Sector Commission* (2017). The GRADS refresh has focused on strengthening governance arrangements and new systems and process for data collection and analytics, impact measurement and reporting, and a continuous cycle of review.

Several initiatives were successfully implemented in 2018–19, including a refreshed marketing and attraction campaign and a new website, featuring a contemporary visual identity for GRADS coupled with targeted digital advertising and strengthened engagement strategies. The new attraction campaign was associated with a 105 per cent increase in the number of applications received, a doubling of the application rate for candidates with disability and a quadrupling of the application rate for Aboriginal candidates.

The introduction of a more flexible, robust and inclusive recruitment and selection process in 2018–19 reduced recruitment time from 16 to 10 weeks, and provided a streamlined candidate journey. GRADS will now run two recruitment rounds in each calendar year, with two new streams being introduced in July 2019 – data analytics and project delivery.

Other achievements in 2018–19 include:

* A refreshed learning and development program for the 2019 GRADS cohort to support their development as public servants.
* The establishment of a buddy program, matching incoming graduates with graduates from the previous year.
* The introduction of a one to one ratio for the Executive Mentoring program, with 88 VPS Executives participating.

### Getting to Work: Disability Employment Action Plan

*Getting to Work: Victorian public sector disability employment action plan 2018–2025* was launched by the Minister for Disability in October 2018. It is designed to lift the representation of people with disability across all levels of the public sector by tackling employment barriers, such as attitudes and behaviour, job design, inaccessible work environments and lack of ongoing workplace development and support. It also supports the development of a capable and diverse public sector that reflects the diversity of the Victorian community and benefits from the experience that people with disability bring to the workplace.

*Getting to Work* includes 21 actions across the three focus areas of:

* Building awareness through access to information.
* Attracting and recruiting people with disability.
* Supporting employees with disability.

The plan will assist the VPS to achieve the government’s disability employment targets of six per cent of the public service workforce by 2020, increasing to 12 per cent in 2025, committed to in *Every opportunity: Victorian economic participation plan for people with disability 2018–20*.

Highlights of the VPSC’s work to support *Getting to Work* in 2018–19 included:

* Establishing a Disability Champion Round Table at deputy secretary level, and a Disability Employment Community of Practice, to help embed the collaborative approach required to deliver and drive progress for meeting disability employment targets.
* Developing a Disability Employment Toolkit that provides online access to disability information and resources.
* Introducing a disability pathway to the GRADS.
* Developing a Workplace Adjustment Passport.
* Publishing a disability confident EAP guideline.

### Reviews

Over the course of the financial year, the VPSC conducted a number of reviews in line with its objective to strengthen the efficiency, effectiveness and capability of the public sector. These reviews include those conducted at the request of the Department of Premier and Cabinet, the Department of Education and Training and the Department of Environment, Land Water and Planning.

## Maintain and advocate for public sector professionalism and integrity

#### Monitoring Integrity Standards

The VPSC maintains and advocates for public sector professionalism and integrity. In doing so it monitors the application of the public sector 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 the VPSC. The VPSC may request information from public sector organisations and may make recommendations to change or introduce new processes.

In 2018–19, the VPSC provided, in partnership with the Department of Premier and Cabinet, an education session to public sector staff on the topic of an apolitical and professional public sector, with a particular focus on the behaviour of public servants during the state election and the observance of caretaker conventions. The VPSC also published *Guidance on* *Observance of Caretaker Conventions* on its website prior to commencement of the caretaker period from 30 October 2018.

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

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

In 2018–19, the VPSC answered 350 enquiries and managed 22 reviews, including reviews of actions and complaints about organisations not complying with the values, codes, principles or standards.  
The most common enquiries related to:

* avenues of redress for employment related decisions
* conditions of employment
* conflict of interest
* managing and publicly recording offers of gifts, benefits and hospitality.

The reviews of action most commonly covered issues such as recruitment selection processes, bullying, discrimination, performance management and termination of employment.

During 2018–19, the VPSC continued to deliver activities to support building the capability of public sector organisations to provide a reasonable avenue of redress, including:

* Maintaining a Register of Review Officers. There are currently 18 independent investigators and reviewers listed on the register, including two that joined this year. Employers may engage any of the investigators  
  or reviewers through their normal procurement processes.
* Supporting the Review of Actions Registrars Network. The network met quarterly to share best practice in managing and resolving complaints.

### Lobbyist Register

The *Public Administration Act 2004* and *The Victorian Government Professional Lobbyist Code of Conduct* require the VPSC to maintain a Register of Lobbyists. The Code and the Register contribute to the objective that contact between government representatives and lobbyists is conducted in a manner consistent with public expectations of transparency, integrity and honesty.

In 2018–19, the Register listed the details of 130 lobbyist firms (sole traders, partnerships and corporations), 278 individual lobbyists and 53 Government Affairs Directors. The VPSC answered 422 enquiries with respect to lobbyists and processed 92 applications for registration during the year. Technical improvements planned for 2019–20 will reduce administrative enquiries about the Register, such as password enquiries and changes of lobbyist details.

The VPSC received no complaints in 2018–19 regarding the activities of lobbyists.

### People Matter Survey 2019

The People Matter Survey is one of the Victorian government’s largest internally-facing programs, providing a rich source of data about workplace climate in the public sector and acting to fulfil the Commission’s legislative functions. In late 2018 the VPSC successfully completed an extensive review of the People Matter Survey, the Victorian public sector employee survey, and received support from the Victorian Secretaries Board for 13 reform recommendations.

The review engaged widely across departments and the sector, using new approaches to consultation,  
such as a well-received open forum to test emerging findings with senior people leaders from across all Victorian public service departments and major agencies.

The VPSC has now commenced implementation of the reforms to the People Matter Survey,  
focussed on providing:

* a refreshed purpose and content to give a clearer understanding of workplace climate
* improved reporting and analytical services to help organisations identify strengths and areas  
  for improvement
* a new technology platform to provide a dynamic user interface and advanced analytics services.

A record number of 196 public sector organisations and 92,215 employees participated in the 2019 survey, representing a response rate of 46 per cent. The 2019 Survey introduced a series of improvements  
which included:

* The development of a new theoretical framework underpinning the survey.
* Improved survey questions that are shorter, use simpler English and are easier to understand.
* Revised survey questions covering new areas of insight, including collaboration, innovation and occupational violence. Key questions from the 2018 optional survey modules have been retained, including questions on sexual harassment, wellbeing, diversity, change management, career  
  and learning, and the free text questions are now more focused.
* Enhanced reporting that allows public sector organisations to better understand the data and analysis  
  to support better decision-making.
* Increased engagement post results to support organisations in action planning.

### Preventing and Responding to Sexual Harassment

On 22 March 2018, the Victorian Secretaries Board (VSB) released a statement on sexual harassment, sending a clear message to the Victorian public sector: *We will listen to and work with people affected  
by sexual harassment*.

Building on this statement, the Sexual Harassment in the Victorian Public Service Working Group was established under the auspices of the Integrity and Corporate Reform Sub-committee of the VSB.   
Chaired by the VPSC Deputy Commissioner. This group is promoting best practice prevention and response strategies to sexual harassment in the workplace and the delivery of consistent outcomes.

In 2018–19 the working group developed a Model Policy for Preventing and Responding to Sexual Harassment and a Guide for the Prevention of Sexual Harassment in the Workplace to assist departments with preventing sexual harassment and responding to allegations. The working group also developed a Respectful Workplaces Framework and Prevention of Sexual Harassment Model Action Plan that were approved by the VSB and made available on the VPSC’s website.

### Managing Conflicts of Interest in Consensual Personal Relationships

A Model Conflict of Interest policy, issued by the VPSC, was updated in late 2018 to include high level processes for the management of consensual personal relationships in the workplace. Following broad consultation, and consideration by the VSB, the Policy and its associated Practice Guide supports departments and public sector bodies to review and revise their policies and procedures on identifying, reporting and managing conflicts of interest.

The Policy applies to staff who are in a consensual personal relationship and who work in the same organisation. The Model Policy and Practice Guide accommodates the diverse nature of different organisations while also providing key considerations for managing employee relationships.

### Integrity in Recruitment

Integrity vulnerabilities in the Victorian public sector recruitment processes have been the subject of several integrity body reports. Inadequate pre employment screening, allowing the recycling of employees with  
a history of misconduct, has been identified as a key integrity risk.

In response to ongoing integrity risks, in 2018–19 the VPSC issued the VPS Executive Pre-Employment Screening Policy, applying to VPS executives, that would seek to prevent employees moving between  
public sector employers without their past misconduct being known.

The VPSC also continued work and consultation towards the development of a pre-employment screening policy for replication across the Victorian public service and the broader public sector.

### Support to Regional Agencies and Boards

In May 2017, the VPSC accepted a Victorian Auditor-General recommendation to develop guidelines for boards on the activities they should examine in their independent assessment of a board’s performance.

The VPSC developed *Board and Director Performance Assessments – Guidance for Victorian Public Entity Boards*, in conjunction with the Good Governance Community of Practice and launched the guidelines in March 2019. The Guidance is principles-based and complements the existing technical support that departments provide to their public sector entitles. The Guidance covers:

* A framework of board, chair and director assessments.
* Formal obligations as well as the benefits of regular assessments.
* The planning and execution of assessments (including methodology and areas of focus).
* What boards should do with the results of assessments (including reporting results,  
  dealing with recommendations, and addressing poor performance).

## Performance Reporting – Financial

### Victorian Public Sector Commission – Five year summary

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2019** | **2018** | **2017** | **2016** | **2015** |
| Total income from transactions | 17,792,385 | 17,112,268 | 15,813,088 | 11,712,981 | 11,428,081 |
| Total expenses from transactions | 19,434,276 | 14,293,808 | 14,299,609 | 10,349,537 | 11,481,778 |
| Net result from transactions | -1,641,891 | 2,818,460 | 1,513,479 | 1,363,444 | -53,697 |
| Other economic flows included in net result | -90,827 | -1,173 | -22,222 | -37,983 | -7,671 |
| Net cash flows from operations | -1,732,718 | 2,817,287 | 1,491,257 | 1,325,461 | -61,368 |
| Total assets | 13,023,799 | 13,799,370 | 9,893,930 | 7,460,460 | 5,816,801 |
| Total liabilities | 4,885,613 | 4,271,466 | 3,619,993 | 2,677,780 | 2,359,582 |
| **Net worth** | **8,138,186** | **9,527,904** | **6,273,937** | **4,782,680** | **3,457,219** |

#### Current financial year review and significant changes in financial position

In 2018–19, the VPSC produced a net result from transactions of $1.64 million. The deficit in net results from transactions is mainly due to the VLA, Executive Officer Review and Implementation, Graduate Recruitment Scheme and the Disability Workforce using funds received in prior financial years during 2018–19.

#### Financial position – balance sheet

The VPSC’s net asset base as at 30 June 2019 is $8.13 million. This is a decrease of $1.40 million from 2017–18. The lower net asset base has been primarily driven by the VPSC using prior year funds for 2018–19 initiatives as outlined in the above section.

#### Significant changes in the financial position and major changes affecting performance

There were no significant changes or major changes which affected the VPSC’s performance during the reporting period.

#### Capital projects

During 2018–19 financial year, the VPSC completed the below capital projects:

* Victorian Government Career Portal
* Statewide Workforce Data Analytics and Collection Application Project

#### Disclosure of grants and transfer payments

The VPSC provided a $5,000 grant to the Victorian Public Sector Enablers Network.

#### Subsequent events

There are no subsequent events to report.

# Section 2 – Governance and Organisational Structure

## Ministers

The VPSC is overseen by the Special Minister of State, Mr Gavin Jennings, MLC. The Special Minister  
of State is responsible for government transparency, integrity, accountability and public sector administration and reform.

Under the Public Administration Act 2004, the Premier may direct the VPSC to conduct an inquiry into any matter relating to a public sector body other than the:

* Independent Broad-based Anti-Corruption Commission
* Office of the Ombudsman
* Victorian Auditor-General’s Office
* Victorian Electoral Commission
* Victorian Inspectorate.

## Organisational Structure

The VPSC is led by the Commissioner. The Deputy Commissioner reports to the Commissioner.

In 2018–19, the Commissioner and Deputy Commissioner were supported by the:

* Executive Director, People and Analytics
* Executive Director, Integrity and Advisory
* Executive Director, Workforce and Engagement
* Director, Victorian Leadership Academy
* Manager, Governance and Corporate.

#### Dr Paul Grimes – Commissioner

Dr Paul Grimes PSM was appointed Victorian Public Sector Commissioner in January 2018. A career public servant, Dr Grimes previously served as Secretary of the Australian Government Department of Agriculture and, earlier, Secretary of the Australian Government Department of Sustainability, Environment, Water, Population and Communities.

#### Elizabeth Langdon – Deputy Commissioner2

Elizabeth Langdon was appointed Deputy Commissioner in January 2018, following a seven-month period as Acting Commissioner. Ms Langdon joined the VPS in 2005, spending eight years in the Department of Premier and Cabinet (DPC) in policy and corporate leadership roles before moving to the then Department of Health in 2013 and subsequently to the role of Deputy Secretary, People, Capability and Oversight. Ms Langdon commenced a secondment as Deputy Secretary, Jobs and Skills Exchange, DPC on 17 June 2019.

2 Julia Griffith, PSM, was seconded as Deputy Commissioner, VPSC from the Department of Justice and Community Safety, effective 17 June 2019.

##### VICTORIAN PUBLIC SECTOR COMMISSION ORGANISATIONAL CHART



## 2018–19 Governance

### Audit and Risk Management Committee Membership and Roles

The Audit and Risk Management Committee (ARMC) consists of the following members:

**Chairperson:** Merran Kelsall – independent member

**Members:** Shaun Condron – Chief Financial Officer, Department of Transport, Alison Abud – Project Manager, Executive Development, Victorian Leadership Academy, VPSC3

The main responsibilities of the ARMC are to:

* Review and report independently to the Commissioner and ministers on the annual report and all other financial information published by the VPSC.
* Assist the Commissioner and ministers in reviewing the effectiveness of the VPSC’s internal control environment covering:
  + effectiveness and efficiency of operations
  + reliability of financial reporting
  + compliance with applicable laws and regulations.
* Determine the scope of the internal audit function and ensure its resources are adequate and used effectively, including coordination with the external auditors.
* Maintain effective communication with external auditors.
* Consider recommendations made by internal and external auditors and review the implementation of actions to resolve issues raised.
* Oversee the effective operation of the risk management framework.

### Advisory Board

The VPSC’s Advisory Board was established in 2015 to provide advice in relation to the preparation of the VPSC’s annual and strategic plans and matters relevant to its objects and functions. Membership of the Advisory Board up until conclusion of their term of appointment in October 2018 was:

**Chairperson:** Chris Eccles, AO – Secretary, DPC

**Members:** Ms Barbara Belcher, Ms Cath Bowtell, Mr William Confalonieri, Mr Ross McPherson, Mrs Anita Roper, FAIM, GAICD

**Standing Invitees:** Dr Paul Grimes – Commissioner, VPSC, and Elizabeth Langdon – Deputy Commissioner, VPSC

*Note: All Advisory Board members are independent; the VPSC provides secretariat support*

Appointment of the succeeding Advisory Board have not yet been made.

3   
Alison Abud was the VPSC’s representative on the committee until 28 March 2019. Stephen Bourchier, Principal Adviser, Integrity and Advisory, VPSC is the VPSC representative effective 26 June 2019.

## VPSC People Strategy to June 2020

The VPSC has an important people leadership role to play within the VPS and the broader Victorian public sector in realising its vision for “a trusted public sector that delivers excellence for the Victorian Community”. To support the VPSC team to deliver on this vision, in early 2019 the VPSC introduced the VPSC People Strategy that contains the following priority areas:

* Develop our capabilities – develop the leadership, management and communication capabilities  
  of our people to enable our people to achieve the VPSC vision and goals.
* Enrich our culture – through our respect for each other and active modelling of VPS values to embrace diversity, inclusion and workplace flexibility.
* Connect our people – promote collaboration and engagement as a natural part of our work to foster responsiveness, high-quality, adaptability and integration.

#### Improvement initiatives

To enable the VPSC to achieve the goals in each of these priority areas, the Strategy outlines 17 improvement initiatives to be implemented by June 2020. Considerable progress has been made towards implementing these initiatives, with many either completed or well underway towards being finalised.

### Occupational Health and Safety

The 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, the VPSC supported this commitment through:

|  |  |  |
| --- | --- | --- |
| Item | 2018–19 | 2017–18 |
| Ergonomic assessments | 1 | 11 |
| Number of sit/stand desks recommended | 0 | 2 |
| Number of special ergonomic aids recommended | 2 | 2 |
| Number of Flu Vaccinations | 46 | 39 |

Note: All desks at the VPSC have been converted to sit/stand desks.

### Incident Management

|  |  |  |
| --- | --- | --- |
| Item | 2018–19 | 2017–18 |
| Number of incidents reported | 1 | 0 |
| Number of hazards reported | 1 | 0 |

Note: Data provided by Marsh, the VPSC’s OHS Service Provider

### Employment and Conduct Principles

#### Merit Selection Policy

The 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. Employees have been correctly classified in workforce data collections.

# Section 3 – Workforce Data

## Public Administration Values and Employment Principles

The Public Administration Values and Employment Principles underpin employment processes within the Victorian public service (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 the 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 2017 – 2019

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** | **2018** | **2019** |
| Headcount including ongoing and fixed term employees, not including statutory appointments. | 73 | 69 | 90 |
| FTE | 68.8 | 66.1 | 85.13 |

##### Summary of employment levels (30 June 2018 and 30 June 2019)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2018** | | **2019** | |
| **Data as per June payroll (FTE report)** | **Headcount** | **FTE** | **Headcount** | **FTE** |
| Total head count, not including statutory appointments | 69 | 66.1 | 90 | 85.13 |
| Ongoing – Full Time | 34 | 34 | 47 | 47 |
| Ongoing – Part Time | 7 | 4.9 | 7 | 4.46 |
| Fixed Term – Full Time | 25 | 25 | 27 | 27 |
| Fixed term – Part Time | 2 | 1.2 | 5 | 3.2 |
| Inoperative Paid – Maternity Leave | 1 | 1 | 3 | 2.91 |
| Casual | 0 | 0 | 1 | 1 |

#### Workforce data – VPSC staff as at 30 June 2018 and 30 June 2019

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2018** | | | **2019** | | |
|  | **Female** | **Male** | **Self**-**described** | **Female** | **Male** | **Self**-**described** |
| **Age** | | | | | |  |
| Under 25 | 0 | 2 | 0 | 0 | 5 | 0 |
| 25–34 | 14 | 5 | 0 | 20 | 6 | 1 |
| 35–44 | 15 | 9 | 0 | 18 | 9 | 0 |
| 45–54 | 11 | 3 | 0 | 11 | 5 | 0 |
| 55–64 | 7 | 3 | 0 | 11 | 3 | 0 |
| Over 65 | 0 | 0 | 0 | 1 | 0 | 0 |
| Total | 47 | 22 | 0 | 61 | 28 | 1 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2018** | | | **2019** | | |
|  | **Female** | **Male** | **Self**-**described** | **Female** | **Male** | **Self**-**described** |
| **Grade** | | | | | |  |
| VPSG1 | 0 | 1 | 0 | 0 | 2 | 0 |
| VPSG2 | 0 | 1 | 0 | 0 | 0 | 0 |
| VPSG3 | 5 | 0 | 0 | 8 | 2 | 0 |
| VPSG4 | 9 | 4 | 0 | 12 | 3 | 0 |
| VPSG5 | 16 | 9 | 0 | 20 | 11 | 1 |
| VPSG6 | 12 | 7 | 0 | 16 | 8 | 0 |
| STS | 0 | 0 | 0 | 1 | 0 | 0 |
| EO3 | 4 | 0 | 0 | 1 | 0 | 0 |
| EO2 | 0 | 0 | 0 | 2 | 1 | 0 |
| EO1 | 1 | 0 | 0 | 1 | 0 | 0 |

#### Workforce Data – Annualised total salary as at 30 June 2019, by $20,000 bands, for executives and other senior non executive staff

|  |  |  |  |
| --- | --- | --- | --- |
| **Income band (salary)** | **Executives** | **STS** | **Other** |
| 180,000 – 199,999 | 1 | 0 | 0 |
| $200,00 – 219,999 | 1 | 1 | 0 |
| 220,000 – 239,999 | 1 | 0 | 0 |
| 260,000 – 279,999 | 1 | 0 | 0 |
| $320 000 – $339,999 | 1 | 0 | 0 |
| Total | 5 | 1 | 0 |

*Note: The salaries reported above are for the full financial year, at a 1.0 FTE rate, excluding superannuation.*

## Workforce Inclusion Policy

The VPSC adopts the comparable policy of the Department of Premier and Cabinet.

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 2018 and 2019.  
This does not include statutory appointments.

#### VPSC Executive Officer Data

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **As at 30 June 2018** | | | | **As at 30 June 2019** | | | |
|  | **Male** | **Female** | **Self-Described** | **Total** | **Male** | **Female** | **Self-Described** | **Total** |
| **EO3** | 0 | 4 | 0 | 4 | 0 | 1 | 0 | 1 |
| **EO2** | 0 | 0 | 0 | 0 | 1 | 2 | 0 | 3 |
| **EO1** | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 1 |

# Section 4 – Other Disclosures

## Local Jobs First

The Local Jobs First Act 2003 introduced in August 2018 brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG) policy which were previously administered separately.

Departments and public sector bodies are required to apply the Local Job first policy in all projects valued at $3 million or more in Metropolitan Melbourne or for statewide projects, or $1 million or more for projects in regional Victoria.

MPSG applies to all construction projects valued at $20 million or more. The MPSG guidelines and VIPP guidelines will continue to apply to MPSG applicable and VIPP applicable projects respectively where contracts have been entered prior to 15 August 2018.

## Changes in Financial Position

### Details of consultancies (valued at $10,000 or greater)

In 2018–19, there were four consultants where the total fees payable to the consultant was $10,000 or greater. The total expenditure incurred during 2018–19 in relation to these consultancies is $226,037.50 excluding goods and services tax (GST). Details are outlined below.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Consultant** | **Purpose of Consultancy** | **Start Date** | **End Date** | **Total  Approved Project Fee** | **Expenditure 2018–19  (excl. GST)** | **Future Expenditure  (excl. GST)** |
| Accessible Action | Implementation of Getting to Work | 16/01/2019 | 31/5/2019 | $22,910 | $22,910 | $0.00 |
| Accessible Action | Provide specialist advice to the VPSC and disability employment | 03/9/2018 | 30/8/2019 | $33,636 | $28,363 | $5,273 |
| Bridging Policy & Practice | Professional services | 10/3/2019 | 25/06/2019 | $21,000 | $21,000 | $0.00 |
| McGrathNicol | Forensic investigation services | 21/8/2018 | 1/11/2018 | $174,764.50 | $174,764.50 | $0.00 |
| NCEconomics | Professional services | 1/05/2018 | 31/7/2018 | $17,881 | $17,881 | $0.00 |
| Think Impact Pty Ltd | Specialist advice in relation to VPSC Executive Leadership Development Programs. | 6/6/2019 | 30/6/2020 | $100,000 | $0.00 | $100,000 |

### Details of consultancies under $10,000

In 2018-19, there were four consultancies engaged during the year, where the total fees payable to the individual consultancies was less than $10 000. The total expenditure incurred during 2018-19 in relation to these consultancies was $17 200 (excl. GST).

### Disclosure of government advertising expenditure

In 2018-19, the VPSC had no government advertising campaigns.

### Digital Office Upgrade

Over the last financial year, the VPSC invested in and introduced technology to promote flexible work  
and mobility while enhancing our capability to collaborate across the Commission.

After a successful testing period, all staff were provided with Microsoft Surface Pro laptops and transitioned to Office 365.

The VPSC also made the transition to Voice over Internet Protocol (VoIP) from our previous telephony system to reduce costs and remove disruptions caused by office or desk moves.

In light of the 2017 People Matter Survey results and subsequent staff consultations all built-in desks have been replaced with sit/stand models to address health concerns from sitting for long periods of time while utilising the space within our current building to its optimum capacity.

### 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 | $727,522 | $542,336 | – | $542,336 |
| Trust Account | $927,266 | $27,640 | – | $27,640 |

The ICT expenditure reflected in the above table refers to the 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 (FRD) issued by the Minister for Finance. Office-based environmental impact data is based on information provided by JLL.

|  |  |  |
| --- | --- | --- |
|  | **2018–19** | **2017–18** |
| **Energy** | | |
| Total electricity usage (gigajoules) | 664 | 677 |
| Total green electricity (gigajoules) | 0 | 0 |
| Total gas usage (gigajoules) | 0 | 0 |
| Percentage of electricity purchased as Green Power (%) | 0 | 0 |
| Units of energy used per Full Time Employee (megajoules per FTE) | 78034 | 10,2425 |
| Units of energy used per unit office area (megajoules per m2) | 625.62 | 637.50 |
| **Paper** | | |
| Total units of paper used (A4 reams equivalent) | 420 | 580 |
| Reams of paper used per FTE | 4.934 | 8.85 |
| Percentage of recycled content paper purchased (%) | 100 | 100 |
| **Water** | | |
| Total units of metered water consumed (kilolitres) | 561 | 580 |
| Units of metered water consumed per FTE (kilolitres/FTE) | 6.64 | 8.85 |
| Units of measured water consumed in offices per unit of office area (kilolitres/m2) | 0.53 | 0.54 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Waste6** | | | | | | |
|  | **Total units office waste disposed of by destination (kg per year)** | | | **Units of office waste disposed of per FTE by destination (kg per FTE)** | | |
| **Landfill** | **Co-mingled recycling** | **Organics** | **Landfill** | **Co-mingled recycling** | **Organics** |
| **2018–19** | 575 | 824 | 650 | 6.8 | 9.7 | 7.7 |
| **2017–18** | 3,930 | 3,108 | 2,782 | 55.5 | 43.77 | 39.18 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Recycling rate (% of total waste by weight)** | **Organics rate (% of total waste by weight)** | **Greenhouse gas emissions associated with waste disposal(tonnes CO2-e)** | | |
| **%** | **%** | **Landfill** | **Co-mingled recycling** | **Organics** |
| **2018–19** | 71.9 | 31.7 | 0.7 | N/A | N/A |
| **2017–18** | 31.65 | 28.3 | 5.55 | N/A | N/A |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Transport** | | | | | | | | |
|  | **Total energy consumed by vehicles (MJ)** | **Total  Vehicle table associated with entity operations (km)** | **Total greenhouse gas emissions from vehicle fleet (tonnes of CO2 equivalent)** | **Greenhouse gas emissions from vehicle fleet per 1,000km travelled (tonnes of CO2 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 type7** | | |
| **CBD** | **Metro** | **Regional** |
| **2018–19** | 9886 | 3,993 | 0.73 | 0.18 | 25,846 | 100 | 97 | 100 |
| **2017–18** | 111,355 | 25,596 | 7.5 | 0.3 | 126,213 | 100 | 93 | 100 |

|  |  |  |
| --- | --- | --- |
| **Greenhouse Gas Emissions** | | |
|  | **2018–19** | **2017–18** |
| Total greenhouse gas emissions from energy – Scope 2 | 197 | 194 |
| Total greenhouse gas emissions from energy – Scope 3 | 18.45 | 18 |
| Total greenhouse gas emissions from vehicle use | 0.73 | 7.58 |
| Total greenhouse gas emissions from air travel | 4.58 | 30.819 |
| Total greenhouse gas emissions from waste | 5.55 | 4.710 |
| Total greenhouse gas emissions offsets purchased | 0 | 0 |

## Compliance

### The *Building Act 1993*

The 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 the VPSC).

### The *Freedom of Information Act 1982*

The VPSC is subject to the *Freedom and Information Act 1982*. The Act allows the public a right of access to documents held by the VSPC. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, ministers and other bodies subject to the Act.

The Act allows a department to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include:

* cabinet documents
* some internal working documents
* law enforcement documents
* documents covered by legal professional privilege, such as legal advice
* and personal information about other people.

From 1 September 2017, the Act has been amended to reduce the Freedom of Information (FOI) processing time for requests received from 45 to 30 days. In some cases, this time may be extended.

If an applicant is not satisfied by a decision made by the VPSC, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

#### Making a request

FOI requests can be lodged online at www.foi.vic.gov.au. An application fee of $28.40 applies. Access charges may also be payable if the document pool is large and the search for material time consuming.

Access to documents can also be obtained through a written request to the VPSC, as detailed in s17 of the *Freedom of Information Act 1982*.

When making an FOI request, applicants should ensure requests are in writing and clearly identify what types of material and documents are being sought.

Requests for documents in the possession of the VPSC should be addressed to:

Freedom of Information  
Victorian Public Sector Commission  
3 Treasury Place  
East Melbourne VIC 3002

#### FOI statistics/timeliness

During 2018–19, the VPSC received six applications, of which two requests were transferred to other agencies.

The VPSC made five FOI decisions during the 12 months ended 30 June 2019, with one decision being made from an application received in the previous financial year.

The average time taken to finalise requests in 2018 19 was 57 days.

During 2018–19, one request was subject to a complaint/internal review by the OVIC.

#### Further information

Further information regarding the operation and scope of FOI can be obtained from the Act,  
regulations made under the Act and www.foi.vic.gov.au.

### Competitive Neutrality Policy

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

As a portfolio agency, the 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.

The 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.

The 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 the VPSC’s Protected Disclosure Coordinator or alternatively, disclosures may be made directly to the Independent Broad-based Anti-corruption Commission (IBAC):

Level 1, North Tower  
459 Collins Street  
Melbourne VIC 3000  
Phone: 1300 735 135  
[www.ibac.vic.gov.au](http://www.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 the VPSC or any of its employees and 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 VPSC and notified to the IBAC.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2018–19** | **2017–18** | **2016–17** |
| Assessable disclosures | 0 | 0 | 0 |

### The Carers Recognition Act 2012

The 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  
(for example, reviewing our employment policies such as flexible working arrangements and leave provisions  
to ensure these comply with the statement of principles in the Act).

### Compliance with the Disability Act 2006

The *Disability Act 2006* reaffirms and strengthens the rights of people with a disability and recognises that this requires support across the government sector and within the community.

The Act requires that public sector bodies prepare a disability action plan and report on its implementation  
in their annual report.

A disability action plan is a strategic plan which helps an organisation to remove barriers that prevent people with a disability from using the organisation’s goods, services and facilities, and from gaining and keeping employment. Disability action planning also strives to promote inclusion and participation in the community and achieve changes in attitudes and practices that may result in discrimination.

*Absolutely everyone: state disability plan for 2017–2020* is the Victorian government’s framework for enabling people with a disability to participate and contribute to the social, economic and civic life of their community. Over time the government will consider ways to align disability action plans to the state plan.

The *VPSC Accessibility Action Plan 2019–2022* has also been recently finalised and will be implemented over the next three-year period. This plan draws upon the work of the VPSC in leading the development and introduction of *Getting to Work: Victorian public sector disability employment action plan 2018–2025*.

Utilising the initiatives in this plan, we seek to increase our efforts to attract and retain talented employees from all abilities and backgrounds and to provide a workplace environment and culture that is genuinely accessible and inclusive.

### Other Information

In compliance with the requirements of the *Standing Directions 2018 under the Financial Management   
Act 1994*, details in respect to 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 financial management compliance with Standing Directions 5.1.4

#### Financial Management Compliance Attestation Statement

The Victorian Public Sector Commission has not identified any Material Compliance Deficiencies or the financial year ended 30 June 2019.

I, Paul Grimes, certify that the Victorian Public Sector Commission has complied with the applicable Standing Directions of the Minister for *Finance under the Financial Management Act 1994* and Instructions.

Dr Paul Grimes PSM  
Commissioner  
Victorian Public Sector Commission

16 September 2019

## Disclosure Index

This annual report of the 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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| *Local Jobs Act 2003* | Page 26 |
| *Financial Management Act 1994* | Page 35 |

# VPSC Financial Statements for the year ended 30 June 2019

## Comprehensive operating statement for the financial year ended 30 June 2019

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2019** | **2018** |
|  | **Notes** | **$** | **$** |
| Continuing operations | | | |
| **Income from transactions** | | | |
| Grants | 2.2 | 13,990,880 | 13,797,768 |
| Provision of services | 2.3 | 3,794,905 | 3,313,300 |
| Other operating income |  | 6,600 | 1,200 |
| Total income from transactions |  | 17,792,385 | 17,112,268 |
| **Expenses from transactions** | | | |
| Employee benefits expenses | 3.2.1 | 12,095,610 | 8,891,605 |
| Depreciation | 4.3 | 215,573 | 80,903 |
| Interest expense |  | 2,567 | 6 |
| Capital asset charge | 3.3 | 69,008 | 69,008 |
| Other operating expenses | 3.4 | 7,051,518 | 5,252,286 |
| **Total expenses from transactions** |  | **19,434,276** | **14,293,808** |
| Net result from transactions (net operating balance) |  | (1,641,891) | 2,818,460 |
| Other economic flows included in net result |  |  |  |
| Net gain/(loss) on disposal of property, plant and equipment |  | (4,309) | (2,967) |
| Net gain/(loss) arising from revaluation of leave liabilities |  | (86,518) | 1,794 |
| **Total other economic flows included in net result** |  | **(90,827)** | **(1,173)** |
| Net result |  | (1,732,718) | 2,817,287 |
| Comprehensive result |  | (1,732,718) | 2,817,287 |

*The accompanying notes form part of these financial statements.*

## Balance sheet as at 30 June 2019

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2019** | **2018** |
|  | **Notes** | **$** | **$** |
| **Assets** | | | |
| Financial assets | | | |
| Cash and deposits |  | 600 | 600 |
| Receivables | 5.1 | 11,005,279 | 12,428,286 |
| Total financial assets |  | 11,005,879 | 12,428,886 |
|  |  |  |  |
| Non-financial assets |  |  |  |
| Prepayments | 4.1 | 260,881 | 66,134 |
| Property, plant and equipment | 4.2 | 1,628,562 | 1,245,176 |
| Intangible assets | 5.4 | 128,477 | 59,174 |
| Total non-financial assets |  | 2,017,920 | 1,370,484 |
|  |  |  |  |
| **Total assets** |  | 13,023,799 | 13,799,370 |
|  |  |  |  |
| **Liabilities** | | | |
| Employee benefits | 3.2.2 | 2,516,050 | 1,973,606 |
| Payables | 5.2 | 1,618,790 | 1,347,406 |
| Borrowings | 6.1 | 60,558 | 55,386 |
| Unearned income | 5.3 | 601,212 | 895,068 |
| Other provisions | 5.5 | 89,003 | – |
| Total liabilities |  | 4,885,613 | 4,271,466 |
|  |  |  |  |
| **Net assets** |  | 8,138,186 | 9,527,904 |
|  |  |  |  |
| **Equity** | | | |
| Accumulated surplus |  | 3,876,880 | 5,609,598 |
| Contributed capital |  | 4,261,306 | 3,918,306 |
|  |  |  |  |
| **Net worth** |  | 8,138,186 | 9,527,904 |

*The accompanying notes form part of these financial statements.*

## Cash flow statement for the financial year ended 30 June 2019

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2019** | **2018** |
|  | **Notes** | **$** | **$** |
| **Cash flows from operating activities** | | | |
| Receipts |  |  |  |
| Receipts from government |  | 19,654,143 | 14,648,417 |
| Total receipts |  | 19,654,143 | 14,648,417 |
|  |  |  |  |
| Payments |  |  |  |
| Payments to suppliers and employees |  | (19,216,729) | (13,808,562) |
| Gifts and transfer payments |  | (5,000) | – |
| Capital asset charge paid |  | (69,008) | (69,008) |
| Interest paid and other costs of finance paid |  | (2,567) | (6) |
| Total payments |  | (19,293,304) | (13,877,576) |
|  |  |  |  |
| **Net cash flows from operating activities** | 6.2 | 360,839 | 770,841 |
|  |  |  |  |
| Cash flows from/ (used in) investing activities |  |  |  |
| Payments for property, plant and equipment |  | (114,401) | – |
| Proceeds from the sale of property, plant and equipment |  | 24,318 | 24,818 |
| Payment for intangible assets |  | (570,154) | (1,189,206) |
| **Net cash flows from/ (used in) investing activities** |  | (660,237) | (1,164,388) |
|  |  |  |  |
| Cash flows from/ (used in) financing activities |  |  |  |
| Repayment of finance leases |  | (43,602) | (43,133) |
| Capital contribution from government |  | 343,000 | 436,680 |
| **Net cash flows from/ (used in) financing activities** |  | 299,398 | 393,547 |
|  |  |  |  |
| **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 2019

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Contributions by owner** | **Accumulated surplus** | **Total** |
|  | **$** | **$** | **$** |
| Balance at 1 July 2017 | 3,481,626 | 2,792,311 | 6,273,937 |
| Capital contribution from government | 436,680 | – | 436,680 |
| Net result for the year | – | 2,817,287 | 2,817,287 |
| Balance at 30 June 2018 | 3,918,306 | 5,609,598 | 9,527,904 |
| Capital contribution from government | 343,000 | – | 343,000 |
| Net result for the year | – | (1,732,718) | (1,732,718) |
|  |  |  |  |
| **Balance at 30 June 2019** | 4,261,306 | 3,876,880 | 8,138,186 |

*The accompanying notes form part of these financial statements.*

## 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.

The Commission’s principal address is:

3 Treasury Place  
Melbourne Victoria 3002

A description of the nature of the principal services is included in the “Report of operations” of the Annual Report which does not form part of these financial statements.

### Basis of preparation

These financial statements are prepared 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.

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.

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 on a going concern basis 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 appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance, reliability and the substance of the underlying transactions  
or other events.

### Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to  
an understanding of the financial statements are provided throughout the notes to the financial statements.

## Funding delivery of our services

### Introduction

The Commission’s services include:

* Strengthening the efficiency, effectiveness and capability of the public sector in order to meet existing  
  and emerging needs and deliver high quality services.
* Maintaining, and advocating for, public sector professionalism and integrity.

The Commission is predominantly funded by Parliamentary appropriations for the provision of outputs.  
The Parliamentary appropriations are received by the Department of Premier and Cabinet (DPC) and  
on-forwarded to the Commission in the form of grants. Other than grants from DPC the Commission  
also receives grants and fee for service income from other Victorian government agencies.

### Structure

2.1 Income that funds the delivery of our services

2.2 Grants

2.3 Provision of services

#### Income that funds the delivery of our services

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2019** | **2018** |
|  | **Notes** | **$** | **$** |
| **Income from transactions** | | | |
| Grants | 2.2 | 13,990,880 | 13,797,768 |
| Provision of services | 2.3 | 3,794,905 | 3,313,300 |
| Other operating income |  | 6,600 | 1,200 |
| Total income from transactions |  | 17,792,385 | 17,112,268 |

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.

#### 2.2 Grants

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
|  | **$** | **$** |
| Grants from Department of Premier and Cabinet(i) | 9,991,075 | 6,717,842 |
| Other grants from Victorian government agencies(ii) | 3,999,805 | 7,079,926 |
| Total grants | 13,990,880 | 13,797,768 |

Income from grants (other than contribution by owners) 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. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

#### 2.3 Provision of services

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
|  | **$** | **$** |
| Training income | 2,000,687 | 1,540,225 |
| Other services | 1,794,218 | 1,773,075 |
| Total provision of services | 3,794,905 | 3,313,300 |

Income is recognised with reference to the stage of completion of the services by the Commission.  
The income is recognised when:

* the amount of the income and associated transaction costs incurred and to be incurred, can be reliably measured
* it is probable that the economic benefits associated with the transaction will flow to the Commission.

The main sources of provision of services income include training income, income from the Victorian Leadership Academy and eRecruitment services

## Cost of delivering our services

### Introduction

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

### Structure

3.1 Expenses incurred in the delivery of services

3.2 Employee benefits

3.3 Capital asset charge

3.4 Other operating expenses

#### 3.1 Expenses incurred in delivery of services

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2019** | **2018** |
|  | **Notes** | **$** | **$** |
| Employee benefits | 3.2.1 | 12,095,610 | 8,891,605 |
| Capital asset charge | 3.3 | 69,008 | 69,008 |
| Other operating expenses | 3.4 | 7,051,518 | 5,252,286 |
| Total expenses incurred in delivery of services |  | 19,216,136 | 14,212,899 |

Expenses incurred in the delivery of services has increased in 2019 due to substantial work performed by the Commission on its training programs and eRecruitment services.

#### 3.2 Employee benefits

**3.2.1 Employee benefits in the comprehensive operating statement**

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
|  | **$** | **$** |
| Salaries and wages, annual leave and long service leave | 11,209,528 | 8,192,644 |
| Defined contribution superannuation expense | 816,565 | 628,397 |
| Defined benefit superannuation expense | 69,517 | 70,564 |
| Total employee benefits | 12,095,610 | 8,891,605 |

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

**3.2.2 Employee benefits in the balance sheet**

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

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
|  | **$** | **$** |
| **Current provisions:** | | |
| Annual leave | 845,763 | 565,847 |
| Long service leave | 1,307,888 | 1,212,968 |
| Total current provisions for employee benefits | 2,153,651 | 1,778,815 |
|  |  |  |
| **Non-current provision:** | | |
| Long service leave | 362,399 | 194,791 |
|  |  |  |
| **Total employee benefits** | 2,516,050 | 1,973,606 |

**Current provisions**

The annual leave liability is classified as a current liability 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.

Unconditional long service leave 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.

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 included as a component of the provision for employee benefits.

**Non-current provisions**

Conditional long service leave is disclosed as a non-current liability where 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 long service leave is measured at present value.

Any gain or loss following revaluation of the present value of non-current long service leave 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.

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 (DTF) 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 as the sponsoring employer).

#### 3.3 Capital asset charge

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
|  | **$** | **$** |
| Capital asset charge | 69,008 | 69,008 |

A capital asset charge is a charge on the written down value of non-current physical assets in the  
Commission’s balance sheet which aims to attribute 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.

#### 3.4 Other operating expenses

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
|  | **$** | **$** |
| Operating lease rentals | 636,575 | 669,200 |
| Supplies and services | 1,098,393 | 798,521 |
| Purchase of services | 3,661,762 | 2,294,508 |
| Information technology | 1,654,788 | 1,490,057 |
| Total other operating expenses | 7,051,518 | 5,252,286 |

Other operating expenses generally represent the day-to-day running costs incurred in delivering services  
of the Commission.

Other operating expenses (except the lease rentals) are recognised as an expense in the reporting period in which they are incurred.

Operating lease rentals 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.

## Key assets available to support delivery of our services

### Introduction

The Commission controls property, plant and equipment in fulfilling its objectives and conducting its activities. These assets represent the key resources that the Commission uses for the delivery of these services.

### Structure

4.1 Property, plant and equipment

4.2 Intangible assets

4.3 Asset depreciation

#### 4.1 Property, plant and equipment

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Gross carrying  amount** | | **Accumulated Depreciation** | | **Net carrying  amount** | |
|  | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
|  | **$** | **$** | **$** | **$** | **$** | **$** |
| Leasehold improvements | 171,804 | 852,881 | (2,760) | (844,356) | 169,044 | 8,525 |
| Assets under construction | 31,600 | – | – | – | 31,600 | – |
| Office and computer equipment | – | 10,773 | – | (8,260) | – | 2,513 |
| Motor vehicles under finance lease | 87,341 | 68,388 | (27,104) | (13,292) | 60,237 | 55,096 |
| Net carrying amount | 290,745 | 932,042 | (29,864) | (865,908) | 260,881 | 66,134 |

**Initial recognition**

Items of property, plant and equipment, are measured initially at cost. Where an asset is acquired for nil  
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 remaining term of the lease  
or the estimated useful life of the improvements, whichever is the shorter.

The cost of motor vehicle 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, as determined at the inception  
of the lease.

**Subsequent measurement**

Property, plant and equipment is 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).

**Impairment**

Property, plant and equipment is tested for impairment whenever there is an indication that an asset  
may be impaired.

**4.1.1 Reconciliation of movements in carrying amount of property, plant and equipment**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Leasehold improvements** | | **Office and computer equipment** | | **Motor vehicles under finance lease** | | **Total** | |
|  | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
|  | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| Opening balance | 8,525 | 16,582 | 2,513 | 4,667 | 55,096 | 89,679 | 66,134 | 110,928 |
| Additions | 171,804 | – | – | – | 49,397 | 30,444 | 221,201 | 30,444 |
| Disposals | (2,111) | – | (538) | – | (25,978) | (50,305) | (28,627) | (50,305) |
| Transfer | – | – | – | – | (623) | – | (623) | – |
| Depreciation | (9,174) | (8,057) | (1,975) | (2,154) | (17,655) | (14,722) | (28,804) | (24,933) |
| Closing balance | 169,044 | 8,525 | – | 2,513 | 60,237 | 55,096 | 229,281 | 66,134 |

*Notes:  
(a) The reconciliation of movements table is exclusive of Construction in Progress balance of $31,600 for building  
fit out works.*

#### 4.2 Intangible assets

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Gross carrying amount** | | **Accumulated Depreciation** | | **Net carrying amount** | |
|  | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
|  | **$** | **$** | **$** | **$** | **$** | **$** |
| Capitalised software | 2,150,974 | 463,793 | (522,591) | (335,822) | 1,628,383 | 127,971 |
| Work-in-progress | 179 | 1,117,205 | – | – | 179 | 1,117,205 |
| Net carrying amount | 2,151,153 | 1,580,998 | (522,591) | (335,822) | 1,628,562 | 1,245,176 |

**4.2.1 Reconciliation of movements in carrying amounts of intangible assets**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Capitalised software** | | **Work-in-progress** | | **Total** | |
|  | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
|  | **$** | **$** | **$** | **$** | **$** | **$** |
| Opening balance | 127,971 | 111,941 | 1,117,205 | – | 1,245,176 | 111,941 |
| Additions | – | – | 570,155 | 1,189,205 | 570,155 | 1,189,205 |
| Transfer between classes | 1,687,181 | 72,000 | (1,687,181) | (72,000) | – | – |
| Depreciation | (186,769) | (55,970) | – | – | (186,769) | (55,970) |
| Net carrying amount | 1,628,383 | 127,971 | 179 | 1,117,205 | 1,628,562 | 1,245,176 |

Intangible assets which comprise capitalised software and work-in-progress represent separately identifiable assets without physical substance. Work-in-progress represents the enhancement work on the Victorian Government Careers website and the development work on the State Workforce Data Analysis and Collection Application.

**Initial recognition**

Purchased intangible assets are initially measured at cost when the recognition criteria in AASB 138 Intangible Assets are met. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Commission.

**Subsequent measurement**

Intangible assets with finite useful lives are amortised as an ‘expense from transactions’ on a straight-line basis over their useful lives.

**Impairment**

Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

#### 4.3 Depreciation

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
|  | **$** | **$** |
| Capitalised software | 186,769 | 55,970 |
| Motor vehicles under finance lease | 17,655 | 14,722 |
| Leasehold improvements | 9,174 | 8,057 |
| Office and computer equipment | 1,975 | 2,154 |
| Total depreciation | 215,573 | 80,903 |

Depreciation is calculated on a straight-line basis, at rates that allocate the asset’s value, less any estimated residual value, to its useful life. Depreciation begins when the asset is available for use in the location and condition necessary for it to be capable of operating in the manner intended by the Commission.

The estimated useful lives, residual values and depreciation method are reviewed at least annually.  
Typical estimated useful lives applicable for the different classes are included in the table below:

**Useful life of assets**

|  |  |
| --- | --- |
| **Asset class** | **Useful life (years)** |
| Leasehold improvements | 10 |
| Office and computer equipment | 4–5 |
| Motor vehicles under finance lease | 2–3 |
| Intangible assets | 7 |

## Other assets and liabilities

### Introduction

This section sets out those assets and liabilities that arose from the Commission’s delivery of services.

Structure

5.1 Receivables

5.2 Payables

5.3 Unearned income

5.4 Other non-financial assets

5.5 Other provisions

#### 5.1 Receivables

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
|  | **$** | **$** |
| **Contractual** | | |
| Receivables | 1,682,253 | 1,434,082 |
| **Statutory** | | |
| Amounts receivable from government departments(i) | 9,220,237 | 10,976,791 |
| GST recoverable | 102,789 | 17,413 |
| Total receivables | 11,005,279 | 12,428,286 |
|  | | |
| *Represented by:* | | |
| Current receivables | 10,823,153 | 12,367,574 |
| Non-current receivables | 182,126 | 60,712 |

*Note:*

*(i) Amounts receivable from government departments represent funds held in the Public Account within the DTF.  
These funds belong to VPSC and are available for operations of VPSC.*

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 recognition they are measured at amortised cost using the effective interest method, less any impairment.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

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

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
|  | **$** | **$** |
| **Contractual** | | |
| Creditors and accruals | 1,618,790 | 1,347,406 |
| Total payables | 1,618,790 | 1,347,406 |
|  | | |
| *Represented by:* | | |
| Current receivables | 1,618,790 | 1,347,406 |

Payables consist predominantly of creditors and accruals. Payables represent liabilities for goods and services provided to the Commission that are unpaid at the end of the financial year. Payables are initially measured at fair value, being the cost of the goods and services, and then subsequently measured at amortised cost.

#### 5.3 Unearned income

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
|  | **$** | **$** |
| Unearned income | 601,212 | 895,068 |

Unearned income predominantly represents fees and charges received for training courses and assessments to be held in future periods for the Graduate Recruitment Scheme and Classification Assessment Implementation, which are disclosed in other income. Such income is recognised as unearned income within the liabilities section of the balance sheet.

#### 5.4 Prepayments

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
|  | **$** | **$** |
| Prepayments | 128,477 | 59,174 |

Prepayments represent payments in advance of receipt of goods or services or the payments made  
for services covering a term extending beyond that financial accounting period.

#### 5.5 Other provisions

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
|  | **$** | **$** |
| Make-good provision | 89,003 | – |

The make-good provision is recognised in accordance with the agreement over the leased premises.  
The Commission is required to remove any leasehold improvements from the leased premises and restore  
the premises to its original condition at the end of the lease term.

The make-good provision relates to the new leasing agreement the Commission entered during 2018–19 financial year on the existing premises.

## How we financed our operations

### Introduction

This section provides information on the sources of finance available to 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 also includes disclosures on commitments for expenditure.

### Structure

6.1 Finance lease liabilities (Borrowings)

6.2 Reconciliation of net result for the year to cash flow from operating activities

6.3 Commitments for expenditure

#### 6.1 Finance lease liabilities (Borrowings)

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
|  | **$** | **$** |
| Secured |  |  |
| Current lease liabilities | 25,865 | 11,980 |
| Non-current lease liabilities | 34,693 | 43,406 |
| Total finance lease liabilities | 60,558 | 55,386 |

Borrowings of the Commission relate to finance lease liabilities on motor vehicles.

Finance leases are recognised as assets and liabilities of the Commission at amounts equal to the fair value of the lease asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The lease asset is depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

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.

Leases are secured borrowings as the rights to the leased assets will revert to the lessor in the event of a default.

There were no defaults and breaches of any lease condition during the current or previous year.

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

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
|  | **$** | **$** |
| Net result | (1,732,718) | 2,817,287 |
| **Non-cash movements** | | |
| Depreciation | 215,573 | 80,903 |
| (Profit)/loss on disposal of non-current assets | 4,309 | 2,967 |
| **Change in operating assets and liabilities:** | | |
| (Increase)/decrease in receivables | 1,423,006 | (2,800,358) |
| (Increase)/decrease in prepayments | (69,303) | (16,641) |
| Increase/(decrease) in creditors and accruals | 271,384 | 833,106 |
| Increase/(decrease) in provisions | 542,444 | 35,732 |
| Increase/(decrease) in other liabilities | (293,856) | (182,155) |
|  | | |
| Net cash flows from operating activities | 360,839 | 770,841 |

#### 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 goods and services tax (GST). Where it is considered appropriate, additional relevant information such as 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.

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
|  | **$** | **$** |
| **Outsourcing commitments** | | |
| Commitments under outsourcing for recruitment services, payable: | | |
| Within one year | 1,388,176 | 1,048,531 |
| Later than one year but not later than five years | 931,754 | 270,153 |
| Total commitments (inclusive of GST) | 2,319,930 | 1,318,684 |
| Less GST recoverable | (210,903) | (111,608) |
| Total commitments (exclusive of GST) | 2,109,027 | 1,207,076 |
|  | | |
| **Capital commitments** | | |
| Commitments for developing the State Workforce Data Analysis and Collection Application are payable as follows: | | |
| Within one year | – | 288,242 |
| Total commitments (inclusive of GST) | – | 288,242 |
| Less GST recoverable | – | (26,204) |
| Total commitments (exclusive of GST) | – | 262,038 |
|  | | |
| **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 | 701,757 | 690,554 |
| Later than one year but not later than five years | – | 3,013,034 |
| Total commitments (inclusive of GST) | 701,757 | 3,703,588 |
| Less GST recoverable | (63,796) | (336,690) |
| Total commitments (exclusive of GST) | 637,961 | 3,366,898 |

## 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 Categorisation of financial instruments

7.3 Financial risk management objectives and policies

7.4 Contingent assets and contingent liabilities

#### 7.1 Financial instruments specific disclosures

**Introduction**

Financial instruments arise out of contractual agreements between entities 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*. For example, statutory receivables do not meet the definition of financial instruments as they do not arise under contract. The Commission’s statutory receivables are disclosed in note 5.1.

From July 2018, the Commission applies AASB 9 *Financial Instruments* and classifies all its financial assets based on the business model for managing the assets and the asset’s contractual terms.

**Categories of financial assets under AASB 9**

**Financial assets at amortised cost**Financial assets are measured at amortised costs. These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The Commission recognises the following assets in this category:

* cash and deposits
* trade receivables (excluding statutory receivables).

**Categories of financial assets previously under AASB 139**

**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.

Receivables and cash include trade receivables, but not statutory receivables.

**Categories of financial liabilities under AASB 9 and previously under AASB 139**

**Financial liabilities at amortised cost**  
Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs.

Financial instrument liabilities measured at amortised cost include all of the Commission’s contractual  
payables and borrowings.

**Derecognition of financial assets and liabilities**

**Derecognition of financial assets**  
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets)  
is derecognised when the rights to receive cash flows from the asset have expired.

**Derecognition of financial liabilities**  
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

#### 7.2 Categorisation of financial instruments

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Financial assets** | **Note** | **Category** | **Carrying amount** | |
| **2019** | **2018** |
| **$** | **$** |
| Cash and deposits |  | Financial assets at amortised cost | 600 | 600 |
| Receivables(a) | 5.1 | Financial assets at amortised cost | 1,682,253 | 1,434,082 |
|  |  |  | 1,682,853 | 1,434,682 |
| **Financial liabilities** | | | | |
| Payables | 5.2 | Financial liabilities at amortised cost | 1,618,790 | 1,347,406 |
| Borrowings | 6.1 | Financial liabilities at amortised cost | 60,558 | 55,386 |
|  |  |  | 1,679,348 | 1,402,792 |

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

#### 7.3 Financial risk management objectives and policies

As a whole, the Commission’s financial risk management program seeks to manage the risks arising from volatility in financial instruments.

The Commission’s main financial risks include credit risk, liquidity risk and market risk. The Commission manages these financial risks in accordance with its financial risk management policy.

**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.

Credit risk associated with the Commission’s financial assets is minimal because the main debtor  
is the Victorian government.

**Liquidity risk**Liquidity risk arises when the Commission is unable to meet its financial obligations as they fall due.  
The Commission operates under the Victorian government’s fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The Commission’s exposure to liquidity risk is deemed insignificant based on prior period data  
and a current assessment of this 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 used at short notice to meet its short-term obligations.

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

#### 7.4 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

**Contingent assets**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.

There were no contingent assets based on the above definitions relating to the Commission as at 30 June 2019 (30 June 2018: Nil).

**Contingent liabilities**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.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

There were no contingent liabilities based on the above definitions relating to the Commission as at 30 June 2019 (30 June 2018: Nil).

## 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 Subsequent events

8.2 Changes in accounting policies

8.3 Responsible persons

8.4 Remuneration of executives

8.5 Related parties

8.6 Remuneration of auditors

8.7 Australian Accounting Standards issued that are not yet effective

#### 8.1 Responsible persons

There were no subsequent events that had the potential to significantly affect the ongoing structure  
and financial activities of the Commission.

#### 8.2 Changes in accounting policies

This note explains the impact of the adoption of AASB 9 Financial Instruments on the Commission’s financial statements.

The Commission has elected to apply the limited exemption in AASB 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a result:

* any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period with the difference recognised in opening retained earnings
* financial assets and provision for impairment have not been reclassified and/or restated in the comparative period.

**8.2.1 Changes to classification and measurement**

On initial application of AASB 9 on 1 July 2018, the Commission’s management has assessed all the financial assets based on the Commission’s business models for managing the assets. The following is the change  
in the classification of the Commission’s financial assets:

(a) Contractual receivables previously classified as other loans and receivables under AASB 139 are now reclassified as financial assets at amortised cost under AASB 9. There was no difference between the previous carrying amount and the revised carrying amount at 1 July 2018 to be recognised in opening retained earnings.

The accounting for financial liabilities remains largely the same as it was under AASB 139.

The accounting policies for financial assets and liabilities are set out in note 7.1.

**8.2.2 Changes to the impairment of financial assets**

Under AASB 9, all loans and receivables as well as other debt instruments not carried at fair value through net result are subject to AASB 9’s new expected credit loss (ECL) impairment model, which replaces AASB 139’s incurred loss approach.

For other loans and receivables, the Commission applies the AASB 9 simplified approach to measure expected credit losses based on the change in the ECLs over the life of the asset. Application of the lifetime ECL allowance method results in no difference to the nil impairment loss allowance.

#### 8.3 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons  
for the reporting period.

**Names**

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

|  |  |  |
| --- | --- | --- |
| Position | Name | Term |
| Responsible Minister | The Hon Daniel Andrews, MP, Premier | 1 July 2018 to 30 June 2019 |
| Accountable Officer | Dr Paul Grimes, Commissioner | 1 July 2018 to 30 June 2019 |

**Remuneration**

Remuneration received or receivable by the Accountable Officer, in connection with the management of the Commission during the reporting period was in the range of $540,000 – $549,999 ($500,000 – $509,999 in 2017–18).

Amounts relating to the Minister are reported in the financial statements of the Department of Parliamentary Services.

#### 8.4 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 provide  
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
* termination benefits include termination of employment payments, such as severance packages.

**Remuneration of executive officers**

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
| **Compensation of KMPs** | **$** | **$** |
| Short-term employee benefits | 1,094,840 | 1,088,575 |
| Post-employment benefits | 103,892 | 138,268 |
| Other long-term benefits | 90,558 | 48,785 |
| Termination benefits | 24,359 | 88,400 |
| Total remuneration | 1,313,649 | 1,364,028 |
| Total number of executives | 8 | 10 |
| Total annualised employee equivalents(a) | 4.8 | 5.9 |

*Notes:*

*(a) Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for the reporting period*

#### 8.5 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
* all cabinet ministers and their close family members
* all departments and public sector entities that are controlled and consolidated into the whole  
  of State consolidated financial statements.

**Significant transactions with government-related entities**

The Commission received grants from DPC of $9.9 million (2018: $6.7 million)

During 2018–19, the Commission received funding of $2.5 million ($2.3 million in 2017–18) for the annual operating contribution to the Victorian Leadership Academy (VLA). The funding comprised equal contributions by the seven State departments and Victorian Police.

VLA is an emerging and progressive program to support leadership development aligned to the future needs of the sector. VLA’s goal is to provide 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 during the financial year include the Portfolio Minister being the Hon. Daniel Andrews MP, the Commissioner Dr Paul Grimes and the members of the Senior Executive Team.

|  |  |
| --- | --- |
| **Key management personnel** | **Role at Victorian Public Sector Commission** |
| Dr Paul Grimes | Commissioner (1 July 2018 to 30 June 2019) |
| Elizabeth Langdon | Deputy Commissioner (1 July 2018 to 17 June 2019) |
| Verity Harris | Executive Director, Integrity and Advisory (30 July 2018 to 30 June 2019) |
| Janine Bush | Taskforce Director (15 September 2018 to 28 February 2019) |
| Natasha Thompson | Executive Director, People and Analytics (12 March 2019 to 30 June 2019) |
| Daen Dorazio | Executive Director Workforce (23 April 2019 to 30 June 2019) |
| Julia Griffith | Acting-Deputy Commissioner (17 June 2019 to 30 June 2019) |

The compensation detailed below excludes the salary and benefit the Portfolio Minister receives.  
The Minister’s remuneration and allowance are set by the *Parliamentary Salaries and Superannuation Act 1968* and are reported in the financial report of the Department of Parliamentary Services.

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
| **Compensation of KMPs** | **$** | **$** |
| Short-term employee benefits | 1,265,450 | 929,685 |
| Post-employment benefits | 85,401 | 75,888 |
| Other long-term benefits | 84,130 | 24,410 |
| Termination benefits | 24,359 | 88,400 |
| Total remuneration | 1,459,340 | 1,118,383 |

*Notes:*

*(a) The Overall 2019 KMP Compensation is higher compared to the previous year, as there were a few executive positions vacant for most of the previous year.*

**Transactions with KMPs and other related parties**

Given the breadth and depth of state government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the VPSC. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with the Commission, there were no related party transactions that involved KMPs and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

#### 8.6 Remuneration of auditors

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
|  | **$** | **$** |
| Audit fees paid or payable to the Victorian Auditor-General’s Office |  |  |
| Audit of the annual financial statements | 17,100 | 16,700 |

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

#### 8.7 Australian Accounting Standards issued that are not yet effective which are applicable to the Victorian Public Sector Commission

The following AASs become effective for reporting periods commencing after 1 July 2019:

* AASB 16 Leases
* AASB 15 *Revenue from Contract with Customers*
* AASB 1058 *Income of Not-for-Profit Entities*.

**Leases**

AASB 16 Leases replaces AASB 117 Leases, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 Operating *Leases-Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases on the balance sheet by recording a Right-Of-Use (RoU) asset and a lease liability except for leases that are shorter than 12 months and leases where the underlying asset is of low value (deemed to be below $10,000).

AASB 16 also requires the lessees to separately recognise the interest expense on the lease liability and the depreciation expense on the RoU asset and remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The amount of the remeasurement of the lease liability will generally be recognised as an adjustment to the RoU asset.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

The effective date is for annual reporting periods beginning on or after 1 January 2019. The Commission intends to adopt AASB 16 in the 2019–20 financial year when it becomes effective.

The Commission will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of the accumulated surplus at 1 July 2019, with no restatement of comparative information.

Various practical expedients are available on adoption to account for leases previously classified by a lessee as operating leases under AASB 117. The Commission will elect to use the exemptions for all short-term leases (lease term less than 12 months) and low value leases (deemed to be below $10,000).

The Commission has performed a detailed impact assessment of AASB 16 and the potential impact in the initial year of application has been estimated as follows:

* increase in RoU ($2,159,729),
* increase in related depreciation ($716,240),
* increase in lease liability ($2,258,840),
* increase in related interest ($67,314) calculated using the effective interest method, and
* decrease in rental expense ($684,444).

**Revenue and Income**

AASB 15 supersedes AASB 118 Revenue, applying to all revenue arising from contracts with its customers. AASB 15 establishes a five-step model to account for revenue arising from an enforceable contract that imposes a sufficiently specific performance obligation on an entity to transfer goods or services. AASB 15 requires entities to only recognise revenue upon the fulfilment of the performance obligation. Therefore, entities need to allocate the transaction price to each performance obligation in a contract and recognise  
the revenue only when the related obligation is satisfied.

To address specific concerns from the ‘not-for-profit’ sector in Australia, the AASB also released the following standards and guidance:

* AASB 2016-8 *Amendments to Australian Accounting Standards – Australian implementation guidance  
  for NFP entities* (AASB 2016-8), to provide guidance on application of revenue recognition principles under AASB 15 in the not-for-profit sector.
* AASB 1058 Income of *Not-for-Profit Entities*, to supplement AASB 15 and provide criteria to be applied by not-for-profit entities in establishing the timing of recognising income for government grants and other types of contributions previously contained within AASB 1004 Contributions.

AASB 15, AASB 1058 and the related guidance will come into effect for not-for-profit entities for annual reporting periods beginning on or after 1 January 2019. The Commission intends to adopt these standards in the 2019–20 financial year when it becomes effective.

The Commission has performed an impact assessment in readiness to adopt AASB 15 and AASB 1058 from financial year 2019–20. The impacted revenue stream for the Commission would be the Graduate Recruitment Services provided to Victorian government departments and agencies. The Commission is currently undertaking a comprehensive review of its cost recovery model, which will identify the performance obligations to allocate revenue as required by AASB 15.

At the balance date, this review is yet to be completed, therefore the Commission does not have sufficient information to quantify the potential impacts on adoption of the new revenue standards.

The Commission will apply the new standards using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of the accumulated surplus at 1 July 2019, with no restatement of comparative information.

## 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 2019 and the financial position of the Victorian Public Sector Commission as at 30 June 2019.

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 27 August 2019.

Andrew Davis, Chief Financial Officer, Melbourne 27 August 2019

Dr Paul Grimes, Victorian Public Sector Commissioner, Melbourne 27 August 2019

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