



**Victorian
Public Sector
Commission**

Annual
Report
2019–2020



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Responsible Body's declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the Victorian Public Sector Commission's Annual Report for the year ending 30 June 2020.

A handwritten signature in black ink, appearing to read 'Adam Fennessy', followed by a period.

Adam Fennessy PSM
Commissioner
Victorian Public Sector Commission
6 October 2020

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Erratum

1. In the Victorian Public Sector Commission Annual Report 2018-19, the Comparative Workforce Data for Casual FTE 2019 was incorrectly reported as '1' and should have been '0.56'.
2. In the Victorian Public Sector Commission Annual Report 2018-19, the cash flow statement for the financial year ended 30 June 2019 was incorrectly reported as 'gifts and transfer payments' and should have been 'grants and transfer payments'.

Section 1: Year in review

Message from the Commissioner

I am pleased to present the Victorian Public Sector Commission's Annual Report 2019-20. This was a challenging yet productive year for our team, the third under the Commission's Strategic Plan 2017-20.

In addition to maintaining the Commission's core functions, we advised and supported a resilient public sector that is responding to the significant impact on Victoria of the coronavirus (COVID-19). We maintained the focus on our vision of a trusted Victorian public sector that delivers exceptional outcomes for the Victorian community. We will achieve this through a public sector that is diverse, inclusive, engaged, skilled and purpose driven.

The Commission's objectives under the *Public Administration Act 2004* are to strengthen the efficiency, effectiveness and capability of the public sector, and maintain its professionalism and integrity.

We report a number of achievements this year:

- We developed a workforce capability framework to identify the knowledge, skills and abilities the public sector will need in the future
- We restructured the State of the Public Sector in Victoria report to focus discussion on current workforce issues
- We added 2 new streams to the Victorian Government graduate program to recruit a diverse mix of talent
- We broadened pre-employment screening and established an executive induction program to improve integrity.

The Commission is recognised as the go-to source of information about the public sector.

The data we collect provides public sector organisations with an evidence base to continually improve the way they build, manage and lead the workforce.

We restructured the State of the Public Sector in Victoria report this year to focus on current issues: building workforce capability, strengthening senior leadership, workplace mental health and wellbeing, and a values-based culture.

When combined with insights from the People Matter Survey, this information supports the public sector to build an inclusive, high-performing and engaged workforce. This will assist us as we take a data-driven approach to recalibration of the Victorian public sector in response to coronavirus (COVID-19).

In developing the workforce capability framework, we identified five domains of capability that the public sector will need in its future workforce. The domains are meaningful outcomes, enabling delivery, authentic relationships, people leadership and personal attributes. These capabilities provide a solid foundation for a wide range of workforce management and development activities including role design, recruitment, learning and development, and workforce planning.

We recruited 92 people to the 2020 Victorian Government graduate program, adding new streams in data analytics and program delivery.

Our inclusive recruitment practices increased participation by Aboriginal and Torres Strait Islander people and people with disability. Thirteen people were recruited to the Aboriginal pathway, up from 1 last year and 9 to the disability pathway, up from 5 last year.

To improve integrity in recruitment, we broadened pre-employment screening, extending VPS executive screening to cover non-executives too. The Victorian Leadership Academy established an induction program for executives which explains the integrity, governance and ethical standards required of leaders in senior public service roles. 39 people joined the first induction program, reinforcing the critical role that leaders play in modelling and upholding a values-based culture.

The Commission provided HR guidance to help the public sector transition to remote management of the employee lifecycle during coronavirus (COVID-19), publishing a guide for remote recruitment. We also supported the Department of Premier and Cabinet to develop a remote working checklist and prepare advice about managing performance development plans remotely.

I would like to thank a number of significant people who led the Commission through a period of renewal. Dr Paul Grimes PSM was the Commissioner from January 2018 until January 2020, investing in our people, processes and technology to change what we do and the way we work.

Julia Griffith PSM was Acting Commissioner from January to July 2020, when she resumed the position of Deputy Commissioner. Julia has worked closely with the Commission's stakeholders to understand their needs and adjust our activity accordingly.

I'd also like to acknowledge Merran Kelsall for her longstanding service as Chair of the Audit and Risk Management Committee since 2014 when the Commission was established. We welcomed Greg Wilson as the new Chair in February 2020.

We face significant pressures and challenges into 2021 as we reorient the Commission to support the Victorian public sector in response to coronavirus (COVID-19). I am confident, building on the gains reflected in this Annual Report, that we are well positioned to take on this task.

I look forward to continuing momentum beyond 2020 in pursuit of our vision: a trusted public sector that delivers exceptional outcomes for the Victorian community.



Adam Fennessy PSM
Commissioner
Victorian Public Sector Commission

About The Victorian Public Sector Commission

The Commission was established on 1 April 2014. Our purpose is set out in s. 38 of the *Public Administration Act 2004* (PAA). It is described as two objectives, each with supporting functions.

Objective A:

Strengthen the efficiency, effectiveness and capability of the public sector to meet existing and emerging needs and deliver high quality services.

We do this by:

- assessing, advising and supporting on issues relevant to public sector administration, governance, service delivery and workforce management and development
- researching and disseminating best practice in relation to public sector administration, governance, service delivery and workforce management and development
- collecting and reporting on whole of government data
- conducting inquiries as directed by the Premier.

Objective B:

Maintain and advocate for public sector professionalism and integrity.

We do this by:

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

The Commission provides services to the Victorian Public Service and broader Victorian public sector. Our performance measurement framework groups services into streams:

- workforce data collection, workplace climate measurement, workforce insights and analysis, development and reporting
- workforce programs and employment pathways
- development and delivery of programs tailored to each band of the Senior Executive Service of the VPS
- VPS executive service reform and public entity executive reforms
- issuing, maintaining and promoting Codes of Conduct and Employment Standards
- maintaining a register of Lobbyists.

Performance reporting – non-financial

Strengthen the efficiency, effectiveness and capability of the public sector

The Commission uses a performance measurement framework to report on services we deliver under the PAA. The summary below shows key indicators for service streams aligned to Objective A: strengthen the efficiency, effectiveness and capability of the public sector to meet existing and emerging needs and deliver high quality services.

Service stream 1

Workforce data collection, workplace climate measurement, workforce insights analysis, development and reporting

Key effectiveness indicators	Target	Actual	Achieved
Proportion of employees who undertake the People Matter Survey across all participating agencies	>61%	Unreported ¹	–
Percentage of agencies that participate in the People Matter Survey	>80%	Unreported ¹	–
Key efficiency indicators			
Report distribution for all data collections (Workforce, Executive, PEERS) within 4 months of the data collection (excluding the State of the Public Sector in Victoria report)	100%	100%	✓
Production of the State of the Public Sector in Victoria report (data taken as submission to Victorian Secretaries' Board)	Prior to the end of Q3	February 2020	✓

Service stream 2

Workforce programs and employment pathways

Key effectiveness indicators	Target	Actual	Achieved
Careers.Vic Customer Satisfaction Score (CSAT)	40%	47%	✓
Careers.Vic conversion rate ²	6%	4.5%	✗
Proportion of graduates participating in the Aboriginal and disability pathways	10%	21%	✓
Overall satisfaction with engagement, consultation and responsiveness from the VPSC GRADS team	85%	90%	✓
Key efficiency indicators			
Real cost per graduate recruitment and development over 12 months	< \$17634	\$15,481	✓
Springboard ³ cost per transaction	< \$30.00	\$28.95	✓

Service stream 3

Development and delivery of programs tailored to each band of the Senior Executive Service of the Victorian Public Service

Key effectiveness indicators	Target	Actual	Achieved
Total number of modules delivered by the VLA	30	46	✓
Program relevance to the Victorian Public Service	80%	88%	✓
Program suitability to the executive level	80%	81%	✓
Overall participant satisfaction with the VLA	80%	85%	✓
Percentage of new executives participating in the VPSC induction program	78%	78%	✓
Key efficiency indicators			
Completion rate across programs delivered by the VLA	80%	85%	✓

Service stream 4

VPS executive service reform and public entity executive reforms

Key effectiveness indicators	Target	Actual	Achieved
VPS executive classification assessments completed on schedule	80%	65% ⁴	✗
Public entity executive reform products developed and delivered on schedule	80%	80%	✓
Key efficiency indicators			
Percentage of executive employment queries responded to within standard Time Frame ⁵	80%	85%	✓

Notes

1. The Commission is unable to report on this measure. The 2020 People Matter Survey that was scheduled for April and May was postponed due to coronavirus (COVID-19). The Commission is planning to run a topical survey in late 2020 to help organisations support employee wellbeing.
2. This measure monitors the effectiveness of government job advertising and the Careers.Vic website to convert candidates viewing a job advertisement to applying for a role. Through the year, we observed variance across months with a peak of 6.5% and a low of 2.8% conversion rate. We will use these insights to inform an appropriate benchmark for the 2020-21 year, refine the quality of data used and identify improvement opportunities.
3. Springboard is the recruitment system back end that runs Careers.Vic and the Jobs and Skills Exchange.
4. The Commission has completed a smaller proportion of total assessments than anticipated. This is due to the transition to a remote working environment during coronavirus (COVID-19) and shifting priorities within organisations during this time.
5. The Standard Time Frame for the 2019-20 period was 5 business days.

Senior Executive Service Reform

Last year we established the VPS executive classification framework to enable a consistent and transparent approach to classifying and titling executive roles in the Victorian Public Service. This year we completed 708 executive classification assessments for departments and their connected service agencies, representing 65% of the estimated total number of roles to be classified.

To achieve consistency in executive employment across the public sector, we consulted with Chief Executive Officers and Board Chairs to develop the public entity executive classification framework. It matches the approach taken in the public service with refinements that recognise the operating environment of public entities. We will start implementing in 2020-21.

Once implemented, the frameworks will reduce remuneration disparities within and between employers, increase executive mobility between Victoria and other jurisdictions, and improve the public sector's ability to attract and retain high performing executives.

The Commission continues to provide advice and support on executive employment matters. In addition to the resources already available for VPS executives, we published an employment handbook and standard contract for public entity executives. Remuneration matters are now handled separately by the Victorian Independent Remuneration Tribunal.

Workforce frameworks

The Commission developed 2 new frameworks this year: a VPS workforce capability framework and a strategic workforce planning framework. The VPS workforce capability framework outlines common knowledge, skills and abilities needed to deliver effective services for the community. It is the foundation for a wide range of workforce management and development activities including role design, recruitment, learning and development, and workforce planning. The Commission worked with VPS departments and Victoria Police to identify five domains of capability critical to all staff. They are meaningful outcomes, enabling delivery, authentic relationships, people leadership and personal attributes. A capable workforce can target, maintain and improve government services, adapting to change and unexpected events. The capability framework is already in use by the Jobs and Skills Exchange (JSE) and will soon be integrated into the Human Capital Management System.

We refined the existing strategic workforce planning framework to supplement the capability framework. It enables organisations to identify risks and vulnerabilities from a people perspective and is implemented over 3 stages: discover, design and build. Organisations identify future business requirements, determine their ideal workforce architecture and develop a roadmap to establish the workforce required.

Team functions, roles and capabilities are aligned to make evidence-based decisions on recruitment and capability development needs. The Commission piloted this approach with business units in the Department of Transport and Department of Treasury and Finance. When scaled, it will help departments and missions ensure their workforce can deliver on strategic outcomes into the future.

Building on these frameworks, the Commission researched and analysed current practice in learning and development across the VPS. We shared our findings with the Human Resources Directors Network and recommended that we develop learning intentions that align with the new capability framework. This work will commence in 2020-21.

Workforce data collection

The Commission collects data to provide the Victorian public sector with insights on diversity and inclusion, employment arrangements and remuneration of its workforce. This year we collected data on 323,220 employees from 1,817 employers. We produced 311 reports comparing the composition and characteristics of their workplaces.

We added disability status to the annual data collection to help employers better understand issues of employment and equity, and track progress in meeting disability employment targets set in Every Opportunity: the Victorian Government's plan to improve the economic participation of people with disability.

The Commission provided the Victorian Independent Remuneration Tribunal with 2018–19 public sector remuneration data. This data supports their mission to create consistent and transparent executive remuneration frameworks.

State of the Public Sector in Victoria Report

The Commission published the State of the Public Sector in Victoria (SOPSIV) 2018–19 report in April this year. It combines facts and figures about the public sector with insights from the whole of Victorian public sector People Matter Survey and case studies of good practice. SOPSIV supports the public sector to build an inclusive, high-performing and engaged workforce that creates better outcomes for Victoria. This year's report focused on building workforce capability, strengthening senior leadership, workplace mental health and wellbeing, and a values-based culture.

The facts and figures in SOPSIV provide a consolidated picture of the structure and composition of the public sector, its workforce, executives and boards of governance. People Matter Survey insights provide more information on employee opinion, perception and experience. The case studies share initiatives that help drive improvement. Five-year comparative data is included where available to show change over time. We listed several data sets in excel format at data.vic.gov.au.

Some of the information in the 2019–20 report was new to the public domain. For example, we included reported incidence of aggression or violent behaviour, deeper analysis of psychological safety and work-related stress, gender composition of major boards and employee perceptions of workplace inclusivity, workplace culture, application of the public sector values and employment principles such as merit-based employment.

Victorian Leadership Academy

The Victorian Leadership Academy (VLA) brings executives together to share challenges and deepen the leadership and specialist skills needed to deliver policy and services of greatest value to Victorians. The Commission designs and delivers leadership programs that support executives to embed new ways of thinking, leading and working. This year we launched the senior executive induction program and delivered leadership programs for Directors, Executive Directors and Deputy Secretaries.

Thirty-nine people joined the first induction program, which explains the integrity, governance and ethical standards required of leaders in senior public service roles. One hundred and sixty-seven people took part in the director's leadership program and 127 commenced the executive director's leadership program. Eighty Deputy Secretaries were enrolled in the Into the Future program which included two leadership forums, one co-hosted with the Australia and New Zealand School of Government, featuring The Right Honourable Sir Bill English KNZM, former Prime Minister of New Zealand. The Deputy Secretary group held 3 round table discussions to explore priority leadership topics, reflect on shared challenges and solve problems together.

During coronavirus (COVID-19), we moved from face to face programs and introduced Leadership Plus, a suite of virtual learning modules and programs to support people leaders working remotely with their teams. This included the introduction of the first VPS wide micro-credential program. Three hundred and ninety-three people leaders enrolled in Leadership Plus and 352 (90%) participated. We will continue to work with the Department of Premier and Cabinet to support and safeguard the mental health and wellbeing of leaders.

The Commission maintains an evidence-based approach to VLA programs to ensure we meet the needs of the Victorian Public Service (VPS). We developed and implemented a rigorous evaluation approach that uses consistent criteria and a centralised, system-level dataset to measure outcomes.

Barring Djinang Aboriginal employment strategy

Barring Djinang is the Victorian Government's 5-year strategy to enhance Aboriginal employment outcomes across the Victorian public sector. There are 16 initiatives that focus on: improving attraction and recruitment, creating progressive career experiences, creating culturally safe workplaces, enhancing support for Aboriginal staff, and providing strong governance.

Participation in Barring Djinang programs is growing. The internship program attracted 34 participants this year, up from 6 last year, and the vocational educational and training graduate program attracted 10 participants in its pilot year. Other programs maintained strong participation too. Nineteen people completed the leadership program, 26 joined the career development program and 85 people attended one of the regional staff network events.

Continued investment in Aboriginal employees is part of the Victorian Government's commitment to support Aboriginal self-determination. All Victorians benefit from the unique skills and experience that Aboriginal people bring to the workplace.

eRecruitment experience services – Careers.Vic

The Commission manages the Careers.Vic website and recruitment systems that connect to it. Together these provide a central place for people to search and apply for jobs in the Victorian public sector. Careers.Vic positions the public sector as an employer of choice, details pathways to employment and helps recruit the workforce of the future.

This year we improved the quality of service and candidate experience for job seekers. Although coronavirus (COVID-19) has caused significant disruptions to recruitment activity and job seeker behaviour, we have increased user satisfaction with the Careers.Vic website from 35% in July 2019 to 59% in June 2020. This was achieved through design iteration and technical enhancements to the Springboard recruitment system. The Commission also supported digital enablement of the JSE and applied a human centred design approach to review the Get on Board website.

HR advisory

The Commission provides HR advice to the public sector. This year we provided guidance on HR projects and HR responses to coronavirus (COVID-19). We commenced a refresh of 2 toolkits and scoped a whole of Victorian Government (WOVG) diversity and inclusion strategy.

Some of the projects we advised on included: special measures in recruitment, conducting police checks, the VPS capability framework, Human Capital Management System implementation and the JSE assessment guidelines. We provided guidance to help the public sector transition to remote management of the employee lifecycle during coronavirus (COVID-19), publishing a WOVG guide for remote recruitment. We also supported DPC to develop a remote working checklist and prepare advice about managing performance development plans remotely.

The Commission worked with departments to co-design refreshed versions of the recruitment and selection toolkit and disability toolkit. We also commenced work on a WOVG mental health and wellbeing toolkit.

Government Appointments and Public Entities Database

The Commission manages the Government Appointment and Public Entities Database (GAPED), the Get on Board application and the associated Public Board and Appointments Victoria website. These provide transparency on who is appointed to public boards.

The Commission liaised with departments to ensure information in GAPED is kept current. We provided monthly reports to DPC on upcoming appointments and performance against the Victorian Government's Women on Boards commitment. We also participated in working groups led by DPC to support Fairer Victoria in promoting diversity of members on public boards. We provided reports and interpretation of GAPED data, updated and revised the Get on Board application and contributed policy advice. Diversity of members will ensure public boards better reflect the Victorian community they serve.

We commenced work on redesigning the Get on Board website. A better user interface and experience will support talent attraction and clearer information about use and security of data will increase the number of candidates who record their diversity details.

Victorian Government graduate program

The Commission delivers the graduate program on behalf of the VPS. We recruit a diverse group of high potential graduates eager to learn, share and apply their knowledge. Our structured learning and development program creates a well-informed and resilient cohort of early career public servants. There were 90 people in the 2019 program. 78 graduated and 12 took up higher opportunities in the VPS.

We recruited 92 graduates to the 2020 program; 13 to the Aboriginal pathway, up from 1 last year and 9 to the disability pathway, up from 5 last year. Our inclusive recruitment practices remove barriers to participation for Aboriginal and Torres Strait Islander people and people with disability.

The graduate program pathways contribute to the Victorian Government's employment targets under Barring Djinang, the Aboriginal employment strategy and Getting to Work, the disability employment strategy.

In response to workforce needs, we added 2 new streams to the graduate program this year; data analytics and program delivery. During coronavirus (COVID-19), we shifted to remote recruitment, conducting all interviews and assessment centres for the 2021 cohort online.

Getting to Work disability employment action plan

2019-20 was the second year of implementation under Getting to Work: Victorian public sector disability employment action plan 2018-2025. Getting to Work includes 21 actions across 3 focus areas: building awareness through access to information, attracting and recruiting people with disability and supporting employees with disability. Actions are designed to increase the engagement, representation and meaningful employment of people with disability across every level of the Victorian public sector.

The Commission led communication across departments to drive change. We produced an animation to raise awareness, an image bank to ensure people with disability are represented in photos of our workforce, and an online platform to share information and resources. We chaired the Deputy Secretary Disability Champions Round Table, co-hosted events with the Enablers Network and joined the interjurisdictional National Disability Employment Working Group to collaborate and share resources and experience with other states. During coronavirus (COVID-19) we provided advice to support employees with disability and their managers to work remotely, including specific information to support neurodiverse employees.

We introduced several new disability data points into the annual Workforce Data Collection. This will help us track progress toward the Victorian Government's disability employment targets of 6% by 2020 and 12% by 2025.

Maintain and advocate for public sector professionalism and integrity

Performance

The Commission uses a performance measurement framework to report on services we deliver under the PAA. The summary below shows key indicators for service streams aligned to Objective B: maintain and advocate for public sector professionalism and integrity.

Service stream 1

Issuing, maintaining and promoting Codes of Conduct and Employment Standards

Key effectiveness indicators	Target	Actual	Achieved
Number of enquiries received relating to the codes and standards	>200	251	✓
Percentage of agencies who interacted with VPSC and who indicated VPSC advice and support assisted them to improve integrity capability	85%	85%	✓
Key efficiency indicators			
Percentage of enquiries related to Codes of Conduct and Employment Standards responded to within Standard Time Frame ¹	95%	100%	✓

Service stream 2

Maintaining a Register of Lobbyists

Key efficiency indicators	Target	Actual	Achieved
Enquiries and applications relating to the Lobbyist Register and Code are responded to within Standard Time Frame ¹	95%	95%	✓

Notes

1. The Standard Time Frame for the 2019–20 period was 5 business days.

Integrity advice and support

The Commission provides guidance to support the codes of conduct and standards we issue under the PAA. We also have functions under the PPA to conduct research and disseminate best practice in relation to public administration and governance, and to assess and provide advice and support.

This year we provided a range of outputs and products to support codes and standards. We also provided ad-hoc advice to public sector stakeholders on request, including on matters related to public sector governance and remaining apolitical. For example, we advised on conflict of interest guidance for Aboriginal Representative Body (Assembly) members, protocols for hosting Ministerial events, and the merit in employment principle and its interaction with the JSE. More than 85% of agencies who interacted with the Commission this year indicated that our outputs assisted them to improve integrity capability.

Reviews and inquiries

The Commission must undertake Reviews of Action validly lodged under the PAA. This function supports our objective to maintain and advocate for public sector professionalism and integrity. It also ensures processes within public service bodies comply with the Act, the Regulations and binding Standards issued by the Commissioner.

This year we conducted several reviews of employment related decisions under s.64 of the *Public Administration Act 2004* and the Public Administration (Review of Action) Regulations 2015. These reviews were appropriately assessed and actioned against the criteria established in the Regulations. We also undertook a capability review of Forensicare which will support the entity to improve its operations. The Forensicare review is available at vpsc.vic.gov.au.

Register of lobbyists

The Commission continued to maintain a Register of Lobbyists in accordance with the Victorian Government Professional Lobbyist Code of Conduct. This a legislative requirement under the PAA. It is one of our integrity functions that contributes to an accountable democracy and trust in government.

People Matter Survey

The People Matter Survey is the Victorian public sector's employee climate survey. It helps public sector employers strengthen their organisational culture and maximise employee wellbeing. Continued support for employee wellbeing is a priority, especially this year as we recover from bushfires and respond to coronavirus (COVID-19).

Building on the survey reforms implemented last year, we undertook detailed analysis to further validate and improve the survey's theoretical framework and questions, according to expert advice from Dr Simon Albrecht, an organisational psychology specialist from Deakin University. We consulted with the program's advisory group, comprised of representatives across the public sector to improve the survey and enhance the way results are reported.

This year's People Matter Survey was postponed due to time and resource pressure associated with coronavirus (COVID-19). This will make 2020-21 data unavailable for year on year comparison in future. The Commission will instead run a Wellbeing Check in October 2020 and schedule the next full People Matter Survey to run in 2021.

Preventative integrity action

The Commission focused preventative integrity action on two key areas: improving integrity in recruitment and addressing sexual harassment. To improve integrity in recruitment, we broadened pre-employment screening, combined related policies, and established reporting requirements. There is significant public value in reducing risks of fraud and corruption in the public sector. Preventing individuals with relevant, problematic misconduct histories from gaining employment in public sector roles helps reduce risks of fraud and corruption and maintain the government and community's trust.

In October last year we extended VPS executive pre-employment screening to cover non-executives too. We combined 2 separate policies, one for each, into a single accessible document for the VPS. To implement, we chaired a working group who helped us develop a minimum data set and central contact register. The data set guides recording of implementation issues and recruitment outcomes, providing ongoing quantitative data. The register makes it easy for departments to identify their internal contact who can validate completed declarations while maintaining appropriate confidentiality.

In response to the Victorian Auditor-Generals Office (VAGO) 2019 Personal Security performance audit report, we have commenced work on our action plan to acquit recommendations relating to strengthening pre-employment screening guidance and conflicts of interest.

In May this year, we provided the Department of Treasury and Finance with additional guidance on misconduct screening for labour hire staff. It will be included as a new section in the next staffing services state purchase contract.

To address sexual harassment, we continued to chair a working group of representatives from departments and Victoria Police who helped us develop a minimum data set for tracking progress and identifying areas for improvement.

In response to the VAGO 2019 Sexual Harassment in the Victorian Public Service performance audit report, we have commenced work on our action plan to acquit recommendations relating to providing additional guidance to departments on investigating allegations of sexual harassment and reporting matters to Victoria Police.

Support to regional agencies and boards

When the Victorian Ombudsman investigated allegations of improper conduct by officers at Goulburn Murray Water in 2018, they recommended the Commission develop a board induction package.

In 2019, we workshopped the concept with the Victorian Government Solicitor's Office and the Victorian Managed Insurance Authority and agreed to develop a best practice resource suite that could be used by departments and public entities to develop specific and localised induction. We have commenced work on a suite that will include instruction on areas identified by the Victorian Ombudsman: codes of conduct; gifts, benefits and hospitality; managing conflicts of interest and executive employment policy. These will be released in 2020-21.

Performance reporting – financial

Performance

The summary below shows key measures of financial performance according to the Commission's performance measurement framework.

Operating Position	Target	Actual	Achieved
Net result ¹ from transactions is balanced (Y/N +/- 2.5%)	0 +/- 5%	0	✓
Liquidity Position			
Current ratio (Current assets / Current liabilities > 1)	>1	2	✓
Efficiency			
Average accounts receivable collection period (target 30 days)	90%	Unreported ²	–
Average time for accounts payable invoices are within government norms (30 days)	90%	33% ³	✗

Notes

1. Net results of output appropriation and does not include trust funds.
2. This figure is unreported due to a transition between finance systems during the reporting period.
3. Variance between the target and actual is due to a transition between finance systems during the reporting period.

Five-year financial summary

	2020	2019	2018	2017	2016
Total income from transactions	19,932,142	17,792,385	17,112,268	15,813,088	11,712,981
Total expenses from transactions	20,091,717	19,434,276	14,293,808	14,299,609	10,349,537
Net result from transactions	(159,575)	(1,641,891)	2,818,460	1,513,479	1,363,444
Other economic flows included in net result ^(a)	(26,568)	(90,827)	(1,173)	(22,222)	(37,983)
Net result for the period ^(b)	(186,143)	(1,732,718)	2,817,287	1,491,257	1,325,461
Net cash flow from operating activities ^(b)	712,109	360,839	770,841	21,936	14,919
Total assets	13,783,258	13,023,799	13,799,370	9,893,930	7,460,460
Total liabilities	5,825,576	4,885,613	4,271,466	3,619,993	2,677,780

Notes

- a. Includes gains or losses from disposal of non-financial assets and revaluation of leave liabilities for changes in the government band rate.
- b. The 'net result for the period' was incorrectly labelled as 'net cash flow from operating activities' in prior periods. The 'net cash flow from operating activities' has been restated.

Current financial year review and significant changes in financial position

In 2019–20, the Commission is reporting a net deficit from transactions of \$0.15 million. The small deficit is mainly due to the Victorian Leadership Academy program and the Executive Classification Assessment Implementation program utilising funds received from prior financial years.

Financial position – balance sheet

There were no significant changes in the total assets of the Commission. The small increase is mainly due to an increase in receivables due to timing effects of drawing down funds to meet expenses. The increase in liabilities is also due to timing of expenses. Also, there is an increase in unearned income due to income received in advance from other government agencies for services to be provided in the 2020-21 financial year.

Significant changes in the financial position and major changes affecting performance

There were no significant changes which affected the Commission's performance during the reporting period.

Capital projects

During 2019–20 financial year, the Commission completed the below capital project:

- Refurbishment of Level 2, 3 Treasury Place.

Disclosure of grants and transfer payments

The Commission provided a \$5,000 grant to the Victorian Public Sector Enablers Network and \$2,500 to the Pride Network.

Subsequent events

There are no subsequent events to report.

Section 2: Governance and organisational structure

Minister

The Commission is overseen by the Minister for Government Services, Hon Danny Pearson MP. The Minister for Government Services oversees the public sector, cyber security and citizen digital transaction reform.

Under the *Public Administration Act 2004*, the Premier may direct the Commission 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 Commission is led by the Commissioner. The Deputy Commissioner reports to the Commissioner.

In 2019–20, the Commissioner and Deputy Commissioner were supported by the:

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

Commissioner

Dr Paul Grimes PSM was Commissioner until January 2020. Julia Griffith PSM was Acting Commissioner from January to July 2020. Adam Fennessy PSM was appointed as the new Commissioner in July 2020.

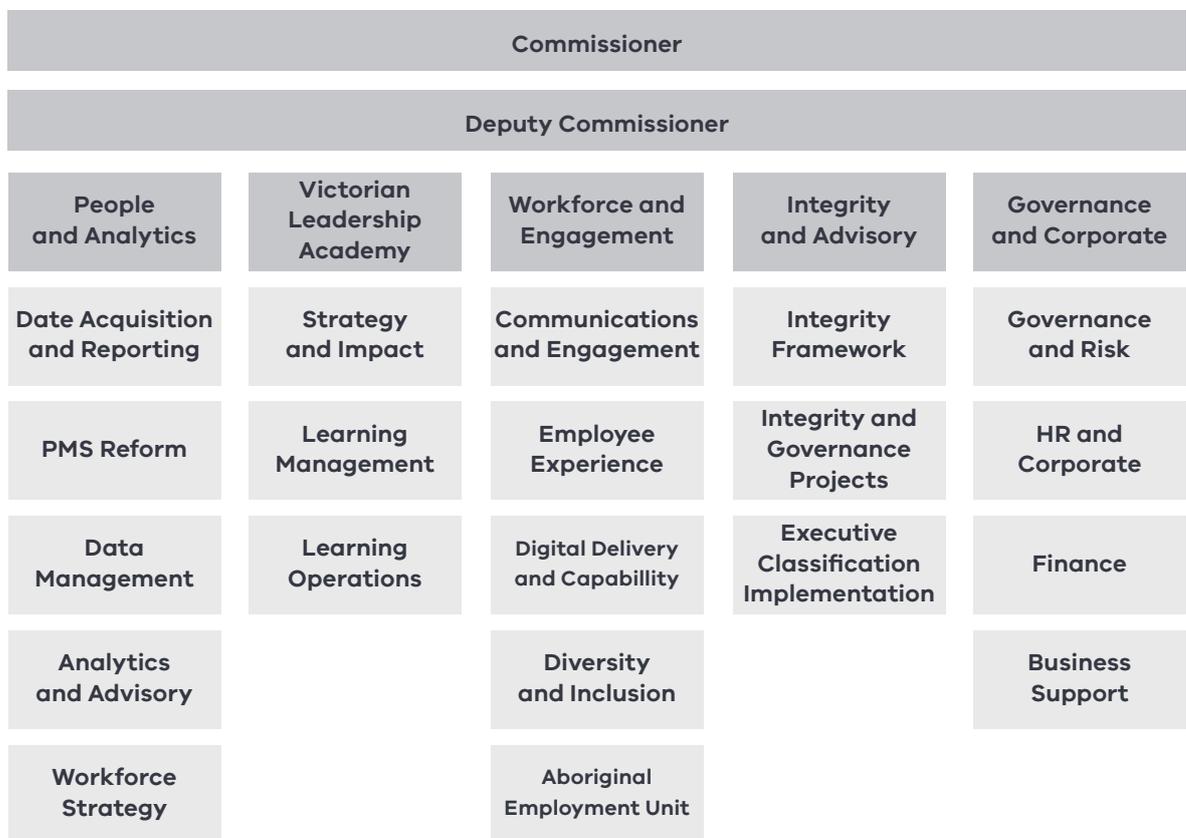
Adam joined the Commission after working as a consultant, advising on public sector infrastructure across the Oceania region. Prior to that, Adam was Secretary of the Victorian Government Department of Environment, Land, Water and Planning with earlier experience as an Executive Director for the Department of Premier and Cabinet. Adam has also served as Deputy President of the Victorian Branch of the Institute of Public Administration Australia.

Deputy Commissioner

Julia Griffith PSM was appointed Deputy Commissioner in June 2019. Julia has more than 30 years' experience in the Victorian Public Service, during which time she has been Deputy Secretary or Executive Director in a range of justice portfolios including Youth Justice, Police, Corrections, Crime Prevention, Victims Services and the Infringements System.

Organisational chart

Victorian Public Sector Commission organisational chart



2019-20 Governance

Audit and Risk Management Committee membership and roles

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

- Chairperson: Greg Wilson – independent member
- Members: Shaun Condron, Chief Financial Officer, Department of Transport and Stephen Bouchier, Principal Adviser, Victorian Public Sector Commission.

Merran Kelsall was Chair of the ARMC from July to March of the 2019-20 reporting period. We welcomed Greg Wilson in February 2020.

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 Commission
- assist the Commissioner and Ministers in reviewing the effectiveness of the Commission's internal control environment, covering effectiveness and efficiency of operations, reliability of financial reporting and 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 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.

The Commission has made significant progress towards building greater organisational maturity. This year we improved our systems and processes to better manage our resources and performance.

Key internal initiatives included:

- acquitting all recommendations made by the Victorian Auditor General's Office in the Effectiveness of the Victorian Public Sector Commission performance audit report 2017
- developing a Performance Measurement Framework to measure the Commission's progress and promote greater accountability in delivery of its objectives
- introducing stronger internal governance and controls through a risk management strategy and improved reporting of operational performance, risk and compliance matters.

Advisory Board

The PAA prescribes membership of the Commission's Advisory Board as the Secretary of the Department of Premier and Cabinet (DPC), and up to 7 persons appointed by the Premier. The Board's role is to provide strategic advice in relation to matters relevant to the objectives and functions of the Commission. The Advisory Board commenced in September 2015, with 3-year member appointments expiring in November 2018. New member appointments were postponed due to the State election of November 2018. No new appointments have been made since.

Since November 2018, the DPC Secretary has provided the function prescribed by the PAA in his capacity as Chair. The Commissioner may liaise with the Minister for Government Services and DPC Secretary on the forward operation of the Board.

People strategy

The Commission's people strategy focuses on three areas.

1. Develop our capabilities: develop the leadership, management and communication capabilities of our people to enable them to achieve the Commission's vision and goals.
2. Enrich our culture: respect each other and actively model the VPS values to embrace diversity, inclusion and workplace flexibility.
3. Connect our people: promote collaboration and engagement as a natural part of our work to foster responsiveness, high quality and integration.

In 2019-20, we provided core capability training for our staff. Training included brief writing, analytical thinking, project management, and giving and receiving feedback. We implemented an upwards feedback loop to enable continuous improvement, inviting staff to have career conversations with their Manager-once-removed. We held quarterly forums to acknowledge achievement and strengthen our workplace culture by facilitating discussion around health, wellbeing and psychosocial safety. We also refreshed our performance development plans to ensure a focus on collaboration and engagement.

Occupational health and safety

The Commission is committed to occupational health and safety compliance and supporting the health and wellbeing of employees.

Item	2018-19	2019-20
Ergonomic assessments	1	5
Number of sit/stand desks recommended	0	0
Number of special ergonomic aids recommended	2	1
Number of flu vaccinations	46	37

Notes

All desks at the Commission have been converted to sit/stand desks.

3 ergonomic assessments were conducted on site, and 2 were conducted remotely.

Incident management

Item	2018-19	2019-20
Number of incidents reported	1	1
Number of hazards reported	1	0

Notes

Data was provided by DPC Health, Safety and Wellbeing unit.

Employment and conduct principles

Merit selection policy

The Commission applies merit and equity principles when appointing staff. Our selection process ensures 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 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 Commission 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 2018 to 2020

Item	2018	2019	2020
Headcount including ongoing and fixed term employees (not including statutory appointments)	69	90	96
FTE	68.8	85.13	88.63

Summary of employment levels as at 30 June

Item	2019		2020	
	Headcount	FTE	Headcount	FTE
Date as per June payroll (FTE report)				
Total headcount (not including statutory appointments)	90	85.13	96	88.63
Ongoing – full time	47	47	58	58
Ongoing – part time	7	4.46	9	5.58
Fixed term – full time	27	27	18	18
Fixed term – part time	5	3.2	7	4.1
Inoperative paid – maternity leave	3	2.9	2	1.4
Inoperative paid – long service leave	–	–	1	1
Casual	1	0.56	1	0.55

Staff as at 30 June

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.

Age	2019			2020		
	Female	Male	Self-described	Female	Male	Self-described
Under 25	0	5	0	2	1	1
25-34	20	6	1	21	11	1
35-44	18	9	0	18	8	0
45-54	11	5	0	7	9	0
55-64	11	3	0	13	3	0
Over 65	1	0	0	1	0	0
Total	61	28	1	62	32	2

Age	2019			2020		
	Female	Male	Self-described	Female	Male	Self-described
Casual	–	–	–	0	1	0
VPSG1	0	2	0	0	1	0
VPSG2	0	0	0	1	1	1
VPSG3	8	2	0	10	2	0
VPSG4	12	3	0	12	6	0
VPSG5	20	11	1	23	11	1
VPSG6	16	8	0	13	9	0
STS	1	0	0	1	0	0
SES1 (EO3)	1	0	0	0	0	0
SES2 (EO2)	2	1	0	2	1	0
SES3 (EO1)	1	0	0	0	0	0

Annualised total salary as at 30 June

The data below shows salary for executives and other senior non-executive staff by \$20,000 bands.

Income band (salary)	Executives	Senior Technical Specialists	Other
\$180,000 – \$199,999	0	0	0
\$220,000 – \$239,000	2	1	0
\$260,000 – \$279,000	1	0	0
Total	3	1	0

Notes

Salaries are for the full financial year at a 1FTE rate excluding superannuation.

Workforce inclusion policy

The Commission adopts the comparable policy of the Department of Premier and Cabinet. It is the DPC 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 the Commission's executives receive a total remuneration more than \$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 2019 and 2020. It does not include statutory appointments.

Executives as at 30 June

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.

	2019			2020		
	Female	Male	Self-described	Female	Male	Self-described
SES1 (EO3)	1	0	0	0	0	0
SES2 (EO2)	2	1	0	2	1	0
SES3 (EO1)	1	0	0	0	0	0

Section 4: other disclosures

Local jobs first

The *Local Jobs First Act 2003* introduced in August 2018 brings together the Victorian Industry Participation Policy (VIIP) 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 state-wide 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 VIIP guidelines will continue to apply to MPSG applicable and VIIP 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 2019-20, there were 6 consultants where the total fees payable to the consultant was \$10,000 or greater. The total expenditure incurred during 2019-20 in relation to these consultancies is \$192,374 excluding GST. Details are outlined below.

Consultant	Purpose of Consultancy	Start Date	End Date	Total Approved Project Fee	Expenditure 2019-20 (excl. GST)	Future Expenditure (excl. GST)
LAG Consulting Pty Ltd	Lead reviewer for an integrity Review	2/04/2020	31/7/2020	\$22,000	\$11,000	\$11,000
Accessible Action	Provide specialist advice on VPSC on accessibility and disability employment	03/9/2018	30/8/2019	\$14,981	\$14,981	\$0
HAYS Specialist Recruitment (Australia) Pty Ltd	Lead Reviewer on Graduate Program Review 2019	15/7/2019	1/11/2019	\$33,710	\$22,030	\$0
Centre for Workplace Leadership – University of Melbourne	Specialist advice regarding the analysis, mapping and visualization of VLA datasets	20/4/2020	1/5/2020	\$21,818	\$21,818	\$0
Summit Consulting Solutions	Business case funding and costing analysis	23/9/2019	8/11/2019	\$22,545	\$22,545	\$0
Think Impact Pty Ltd	Specialist advice regarding the Impact Evaluation Strategy, Measurement and Reporting in relation to VPSC Executive Leadership Development Programs	6/6/2019	30/6/2020	\$100,000	\$100,000	\$0

Details of consultancies (under \$10,000)

In 2019-20, there were no consultants engaged during the year, where the total fees payable to the consultant was less than \$10,000. The total expenditure incurred during 2019-20 in relation was \$0 excluding GST.

Disclosure of government advertising expenditure

In 2019-20 there were no advertising campaigns with a total media spend of \$100,000 or greater.

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	\$609,462	\$442,215	–	\$442,215
Trust Account	\$878,963	–	–	–

Notes

ICT expenditure refers to the Commission's costs in providing business enabling ICT services within the reporting period.

Disclosure of major contracts

The Commission did not enter into any contracts greater than \$10 million in value during the 2019-20 financial year.

Office-based environmental impacts

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	2019-20
Energy		
Total electricity usage (gigajoules)	664	428
Total green electricity (gigajoules)	0	0
Total gas usage (gigajoules)	0	170
Percentage of electricity purchased as Green Power (%)	0	0
Units of energy used per Full Time Employee (megajoules per FTE) ¹	7803	6100
Units of energy used per unit office area (megajoules per m ²)	625.62	439.92
Paper		
Total units of paper used (A4 reams equivalent)	420	340
Reams of paper used per FTE	4.93	3.99
Percentage of recycled content paper purchased (%)	100	100
Water		
Total units of metered water consumed (kilolitres)	561	286
Units of metered water consumed per FTE (kilolitres/FTE)	6.6	3
Units of measured water consumed in offices per unit of office area (kilolitres/m ²)	0.53	0.21

Notes

1. Based on 85.13 FTE at 30 June 2019 and 88.63 FTE at 30 June 2020.

Waste²

	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
2019–20 ³	N/A	N/A	N/A	N/A	N/A	N/A

	Recycling rate (% of total waste by weight)	Organics rate (% of total waste by weight)	Greenhouse gas emissions associated with waste disposal (tonnes CO ₂ -e)		
	%	%	Landfill	Co-mingled recycling	Organics
2018–19	71.9	31.7	0.7	N/A	N/A
2019–20 ³	N/A	N/A	N/A	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 CO ₂ equivalent)	Greenhouse gas emissions from vehicle fleet per 1,000km travelled (tonnes of CO ₂ equivalent)	Total distance travelled by aeroplane (km)	Percentage of employees regularly (75% attendance days) using public transport, cycling, walking or car-pooling to and from work or working from home by locality type ⁴		
						CBD	Metro	Regional
2018–19	9,886	3,993	0.73	0.165	25,846	100	97	100
2019–20	11,828	4,910	0.81	0.1417	21,156	100	83	100

Greenhouse Gas Emissions

	2018-19	2019-20
Total greenhouse gas emissions from energy Note: This includes office-based data only (scope 1 and 2)	215	132.32
Total greenhouse gas emissions from vehicle use	0.73	0.81
Total greenhouse gas emissions from air travel	4.58	3.35
Total greenhouse gas emissions from waste ³	5.55	N/A
Total greenhouse gas emissions offsets purchased	0	0

Notes

1. Based on 85.13 FTE at 30 June 2019 and 88.63 FTE at 30 June 2020.
2. In accordance with FRD24D, the Commission's waste and recycling data is collected from annual audits over sample one day audits at 3 Treasury Place, East Melbourne VIC 3002. The results are extrapolated to cover all of the Commission's FTE's. Due to FRD24 methodology, data can be subject to significant fluctuations.
3. Waste, greenhouse gas emissions associated with waste removal and greenhouse gas emissions from waste could not be reported for 2019-20 due to COVID-19.
4. The Commission conducted an internal survey to ascertain the proportion of employees using each transport mode.

Compliance

The Building Act 1993

The Commission 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 Commission).

Freedom of Information

The Commission is subject to the *Freedom and Information Act 1982*. The Act allows the public a right of access to documents held by the Commission. 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 Commission, 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 foi.vic.gov.au. An application fee of \$29.60 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 Commission should be addressed to:

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

FOI statistics/timing

During 2019–20, the Commission received 3 applications, of which 1 request was transferred from another agency. The Commission made 3 FOI decisions during the 12 months ended 30 June 2020. The average time taken to finalise requests in 2019–20 was 41 days. During 2019–20, no requests were 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 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 Commission's information on compliance is included in the Department of Premier and Cabinet's Annual Report.

The Public Interest Disclosures Act 2012

The Public Interest Disclosures 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 Commission 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 Commission 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 Commission's Public Interest Disclosures 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
ibac.vic.gov.au

Further information

The Public Interest Disclosures Policy and Procedures, which outline the procedure for reporting disclosures of improper conduct or detrimental action by the Commission or any of its employees and officers, are available at vpssc.vic.gov.au.

Disclosures under the Protected Disclosure Act 2012

The table below indicates the number of disclosures made by an individual to the Commission and notified to IBAC.

	2017-18	2018-19	2019-20
Assessable disclosures	0	0	1

The Carers Recognition Act 2012

The Commission 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).

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 Commission's Accessibility Action Plan 2019–2022 draws upon our work 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.

Additional information available on request

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

Victorian Public Sector Commission Financial Management Compliance Attestation Statement

The Victorian Public Sector Commission has not identified any Material Compliance Deficiencies for the financial year ended 30 June 2020.

I, Adam Fennessy, certify that the Victorian Public Sector Commission has complied with respect to the Standing Directions under the *Financial Management Act 1994* and Instructions.



Adam Fennessy PSM
Commissioner
Victorian Public Sector Commission
6 October 2020

Disclosure Index

This annual report of the Victorian Public Sector Commission 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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Report on financials

Financial statements for the
year ended 30 June 2020

Comprehensive operating statement

For the financial year ended 30 June 2020

	Notes	2020 \$	2019 \$
Continuing operations Income from transactions			
Grants	2.2	14,466,528	13,990,880
Provision of services	2.3	5,465,614	3,794,905
Other operating income		–	6,600
Total income from transactions		19,932,142	17,792,385
Expenses from transactions			
Employee benefits	3.2.1	13,052,291	12,095,610
Depreciation	4.3	568,938	215,573
Interest expense		14,311	2,567
Capital asset charge	3.3	13,500	69,008
Other operating expenses	3.4	6,442,677	7,051,518
Total expenses from transactions		20,091,717	19,434,276
Net result from transactions (net operating balance)		(159,575)	(1,641,891)
Other economic flows included in net result			
Net gain/(loss) on disposal of property, plant and equipment		–	(4,309)
Net gain/(loss) arising from revaluation of leave liabilities		(26,568)	(86,518)
Total other economic flows included in net result		(26,568)	(90,827)
Net result		(186,142)	(1,732,718)
Comprehensive result		(186,142)	(1,732,718)

The accompanying notes form part of these financial statements.

Balance sheet

As at 30 June 2020

	Notes	2020 \$	2019 \$
Assets			
Financial assets			
Cash and deposits		600	600
Receivables	5.1	11,650,533	11,005,279
Total financial assets		11,651,133	11,005,879
Non-financial assets			
Property, plant and equipment	4.1	215,261	260,881
Intangible assets	4.2	1,799,286	1,628,562
Prepayments	5.4	118,301	128,477
Total non-financial assets		2,132,848	2,017,920
Total assets		13,783,258	13,023,799
Liabilities			
Employee benefits	3.2.2	2,517,624	2,516,050
Payables	5.2	2,118,447	1,618,790
Borrowings	6.1	34,693	60,558
Unearned income	5.3	1,064,372	601,212
Other provisions	5.5	90,440	89,003
Total liabilities		5,825,576	4,885,613
Net assets		7,958,405	8,138,186
Equity			
Accumulated surplus		3,690,737	3,876,880
Contributed capital		4,267,668	4,261,306
Net worth		7,958,405	8,138,186

The accompanying notes form part of these financial statements.

Cash flow statement

For the financial year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts			
Receipts from government		19,693,915	19,654,143
Total receipts		19,693,915	19,654,143
Payments			
Payments to suppliers and employees		(18,953,925)	(19,216,729)
Grants and transfer payments		(70)	(5,000)
Capital asset charge paid		(13,500)	(69,008)
Interest payments		(14,311)	(2,567)
Total payments		(18,981,806)	(19,293,304)
Net cash flows from operating activities	6.2	712,109	360,839
Cash flows from/(used in) investing activities			
Payments for property, plant and equipment		(80,215)	(114,401)
Proceeds from Sale of Property, Plant and Equipment		–	24,318
Payment for intangible assets		(422,036)	(570,154)
Net cash flows from/(used in) investing activities		(502,251)	(660,237)
Cash flows from/(used in) financing activities			
Repayment of leases		(209,858)	(43,602)
Capital contribution from government		–	343,000
Net cash flows from/(used in) financing activities		(209,858)	299,398
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 2020

	Contributed capital \$	Accumulated surplus/ (deficit) \$	Total \$
Balance at 1 July 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
Administrative Restructure – Net assets transferred	6,362	–	6,362
Net result for the year	–	(186,143)	(186,143)
Balance at 30 June 2020	4,267,668	3,690,737	7,958,405

The accompanying notes form part of these financial statements.

Notes to the financial statements

1. About this report

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

The Commission's principal address is:

3 Treasury Place
East 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 in future periods that are affected by the revision. Judgements and assumptions made by management in applying Australian Accounting Standards (AASs) that have significant effects on the financial statements and estimates are disclosed in the notes to which they relate.

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 recognition and measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

2. Funding 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; and
- 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

2.1 Income that funds the delivery of our services

	Notes	2020 \$	2019 \$
Income from transactions			
Grants	2.2	14,466,528	13,990,880
Provision of services	2.3	5,465,614	3,794,905
Other operating income		–	6,600
Total income from transactions		19,932,142	17,792,385

2.2 Grants

	2020 \$	2019 \$
Income from transactions		
Grants from Department of Premier and Cabinet	9,866,554	9,991,075
Other grants from Victorian Government agencies	4,599,974	3,999,805
Total grants	14,466,528	13,990,880

Income from grants (other than contribution by owners) is recognised when the Commission obtains control over the contribution. Commission has determined that these grant income is recognised as income of not-for-profit entities in accordance with AASB 1058, except for grants that are reciprocal in nature (i.e. equal value is given back by the recipient of the grant to the provider) and are enforceable with sufficiently specific performance obligations, they are accounted for as revenue from contracts with customers in accordance with AASB 15.

The impact of initially applying AASB 1058 on the Commission's grant revenue is described in Note 8. Due to the modified retrospective transition method chosen in applying AASB 1058, comparative information has not been restated to reflect the new requirements. The adoption of AASB 1058 did not have an impact on Other comprehensive income and the Statement of Cash flows for the financial year.

Income from grants that are enforceable and with sufficiently specific performance obligations and accounted for as revenue from contracts with customers.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when the Commission has an unconditional right to receive cash which usually coincides with raising of invoices by the Commission.

Grants received from the Department of Premier and Cabinet (DPC) are recognised in full under the accounting standard AASB 1004 in 2019-20.

Previous accounting policy for 30 June 2019

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

	2020 \$	2019 \$
Training income	1,403,373	2,000,687
Other services	4,062,241	1,794,218
Total provision of services	5,465,614	3,794,905

The Provision of service income includes transactions that the Commission has determined to be classified as revenue from contracts with customers in accordance with AASB 15. The impact of initially applying AASB 15 on the Commission's revenue from contracts with customers is described in Note 8. Due to the modified retrospective transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the contract with the customer. The Commission recognises revenue when it transfers control of a service to the customer, i.e. when, or as, the performance obligations for the provision of services to the customer are satisfied.

For services rendered, where customers simultaneously receive and consume the services as it is provided, revenue is recognised progressively as contract assets until the customer is subsequently invoiced in accordance with the terms of the service agreement. For other customers that are only able to consume the services when they have been completed, revenue is only recognised upon completion and delivery of the services. In rare circumstance where there may be a change in the scope of services provided, the customer will be provided with a new contract for the additional services to be rendered and revenue is recognised consistent with accounting policy above.

Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability. Where the performance obligations are satisfied but not yet billed, a contract asset is recorded.

Previous accounting policy for 30 June 2019

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; and
- it is probable that the economic benefits associated with the transaction will flow to the Commission.

3. Cost of delivering our services

Introduction

This section provides an account of the expenses incurred by the Commission in delivering its services. The funds that enable the provision of the services were disclosed in Note 2.

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 the delivery of services

	Notes	2020 \$	2019 \$
Employee benefits	3.2.1	13,052,291	12,095,610
Capital asset charge	3.3	13,500	69,008
Other operating expenses	3.4	6,442,677	7,051,518
Total expenses incurred in the delivery of services		19,508,468	19,216,136

3.2 Employee benefits

3.2.1 Employee benefits in the comprehensive operating statement

	2020 \$	2019 \$
Salaries and wages, annual leave and long service leave	12,048,885	11,209,528
Defined contribution superannuation expense	940,901	816,565
Defined benefit superannuation expense	62,505	69,517
Total employee benefits	13,052,291	12,095,610

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.

	2020 \$	2019 \$
Current provisions:		
Annual leave	938,381	845,763
Long service leave	1,198,069	1,307,888
Total current provisions	2,136,450	2,153,651
Non-current provision:		
Long service leave	381,174	362,399
Total employee benefits	2,517,624	2,516,050

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

	2020 \$	2019 \$
Capital asset charge ^(a)	13,500	69,008

Notes:

- a. The Commission's annual Capital Asset Charge budget was realigned in 2019-20 to cover DTF's levy on current levels of physical asset base.

A capital asset charge is a charge levied by the Department of Treasury and Finance (DTF) on the budgeted 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

	2020 \$	2019 \$
Accommodation lease rentals ^(a)	–	636,575
Supplies and services	1,303,597	1,098,393
Purchase of services	3,655,746	3,661,762
Information technology	1,483,334	1,654,788
Total other operating expenses	6,442,677	7,051,518

Notes:

- a. With transition to AASB16 Leases, accommodation leases are accounted for as a "right of use asset/lease liability" in the balance sheet and are no longer expensed as lease rentals in the Operating Statement. However, as part of a Government initiative from 1 November 2019 the Commission's accommodation leases are managed centrally by DTF. Since then, the Commission receives an occupancy charge invoice from DTF for the cost of using the facilities and will be reported under supplies and services from 2020.

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 payments up until 30 June 2019 (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.

Since 1 July 2019 all leases are accounted under the AASB 16 Lease Accounting Standard in the Commission's balance sheet. However, with the implementation of Centralised Accommodation Management all the Commission's leases were transferred to DTF with effect from 1 November 2019. From November 2019 the Commission was charged an accommodation service fee under an occupancy agreement with DTF. These fees are recognised based on the period the services relate to under supplies and services.

4. 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	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Leasehold improvements	251,183	171,804	(106,352)	(2,760)	144,832	169,044
Assets under construction	35,980	31,600	–	–	35,980	31,600
Lease motor vehicles	49,397	87,341	(14,948)	(27,104)	34,449	60,237
Net carrying amount	336,561	290,745	(121,299)	(29,864)	215,261	260,881

Property, plant and equipment other than right of use assets

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 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).

Right-of-use asset acquired by lessees (Under AASB 16 Leases from 1 July 2019) – Initial recognition.

The Commission recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use asset – Subsequent measurement

The Commission depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are also subject to revaluation.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

Impairment

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

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

The recoverable amount for most assets is measured at the higher of current replacement cost and fair value less costs to sell.

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

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

	Leasehold improvements		Office and computer equipment		Leased motor vehicles		Total	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Opening balance	169,044	8,525	–	2,513	60,237	55,096	229,281	66,134
Additions	79,380	171,804	–	–	–	49,397	79,380	221,201
Disposals	–	(2,111)	–	(538)	(17,718)	(25,978)	(17,718)	(28,627)
Transfer	–	–	–	–	–	(623)	–	(623)
Depreciation	(103,591)	(9,174)	–	(1,975)	(8,070)	(17,655)	(111,661)	(28,804)
Closing balance ^(a)	144,833	169,044	–	–	34,449	60,237	179,281	229,281

Notes:

a. The reconciliation of movements table is exclusive of Construction in Progress (CIP) balance of \$35,980 for building fit out works.

The following tables are subsets of property, plant and equipment included in Note 4.1 showing the right-of-use assets.

4.1(a) Total right-of-use assets: Property, plant and equipment

	Gross carrying amount 2020 \$	Accumulated depreciation 2020 \$	Net carrying amount 2020 \$
Leased motor vehicles	49,397	(14,948)	34,449
Net carrying amount	49,397	(14,948)	34,449

4.1(b) Reconciliation of movements in carrying amount of right-of-use assets

	Right of Use Buildings \$	Motor vehicles under finance lease \$
Opening balance- 1 July 2019	1,838,898	60,237
Additions	–	–
Transfers ^(a)	1,632,932	–
Disposals	–	(17,718)
Depreciation	205,966	(8,070)
Closing balance- 30 June 2020	–	34,449

Notes:

a. The Commission's Right of Use Buildings were derecognised & transferred to DTF in accordance with Government direction i.e. Centralised Accommodation Management initiative.

4.2 Intangible assets

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Capitalised software	1,628,383	2,150,974	(251,312)	(522,591)	1,377,071	1,628,383
Work-in-progress	422,215	179	–	–	422,215	179
Net carrying amount	2,050,598	2,151,153	(251,312)	(522,591)	1,799,286	1,628,562

4.2.1 Reconciliation of movements in carrying amounts of intangible assets

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Opening balance	1,628,383	127,971	179	1,117,205	1,628,562	1,245,176
Additions	–	–	422,036	570,155	422,036	570,155
Transfer between classes	–	1,687,181	–	(1,687,181)	–	–
Depreciation	(251,312)	(186,769)	–	–	(251,312)	(186,769)
Closing balance	1,377,071	1,628,383	422,215	179	1,799,286	1,628,562

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 annually and whenever an indication of impairment is identified.

4.3 Capital asset charge

	2020 \$	2019 \$
Capitalised software	251,312	186,769
Right of use buildings(a)	205,966	–
Leased motor vehicles	8,069	17,655
Leasehold improvements	103,591	9,174
Office and computer equipment	–	1,975
Total depreciation	568,938	215,573

Notes:

- a. The Right of use buildings depreciation charges relates to the Commission's accommodation lease which has been accounted for, under AASB16 up until 31 October 2019. Post 1 November 2019, VPSC's operating lease is centrally managed by DTF.

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
Leased motor vehicles	2-3
Intangible assets	7

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

5. 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

	2020 \$	2019 \$
Contractual		
Receivables	1,457,590	1,682,253
Statutory		
Amounts receivable from government departments(a)	10,130,461	9,220,237
GST recoverable	62,482	102,789
Total receivables	11,650,533	11,005,279
<i>Represented by:</i>		
Current receivables	11,517,705	10,823,153
Non-current receivables	132,828	182,126

Notes:

- a. Amounts receivable from government departments represent funds held in the Public Account within the Department of Treasury and Finance. These Funds belong to VPSC and are available for operations of VPSC.

Contractual receivables are classified as financial instruments and measured at 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

	2020 \$	2019 \$
Contractual		
Creditors and accruals	2,118,447	1,618,790
Total payables	2,118,447	1,618,790
<i>Represented by:</i>		
Current payables	2,118,447	1,618,790

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

	2020 \$	2019 \$
Unearned income	1,064,372	601,212
Total unearned income	1,064,372	601,212

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

	2020 \$	2019 \$
Prepayments	118,301	128,477
Total prepayments	118,301	128,477

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

	2020 \$	2019 \$
Make good provision	90,440	89,003
Total other provisions	90,440	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 the 2018-19 financial year on the existing premises.

6. 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 lease liabilities) and other information related to financing activities of the Commission.

This section also includes disclosures on commitments for expenditure.

Structure

- 6.1 Borrowings
- 6.2 Reconciliation of net result for the year to cash flow from operating activities
- 6.3 Leases
- 6.4 Commitments for expenditure

6.1 Borrowings

	2020 \$	2019 \$
Secured		
Current lease liabilities	7,718	25,865
Non-current lease liabilities	26,976	34,693
Total Borrowings	34,693	60,558

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

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 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 for the year to cash flow from operating activities

	2020 \$	2019 \$
Net result for the year	(186,142)	(1,732,718)
Non-cash movements		
Depreciation	568,938	215,573
(Profit)/loss on disposal of non-current assets	–	4,309
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	(645,254)	1,423,006
(Increase)/decrease in prepayments	10,176	(69,303)
Increase/(decrease) in creditors and accruals	499,657	271,384
Increase/(decrease) in provisions	1,574	542,444
Increase/(decrease) in other liabilities	463,160	(293,856)
Net cash flows from operating activities	712,109	360,839

6.3 Leases

Information about leases for which the Commission is a lessee is presented below.

The Commission's leasing activities

The Commission leases various IT equipment and motor vehicles. The lease contracts are typically made for a fixed period of 1-10 years with an option to renew the lease after that date.

Leases of IT equipment with shorter contract terms of up to 12 months or low-value items of \$10k or less are not recognised as right-of-use assets and lease liabilities. These lease expenses are recognised when they become payable by the Commission.

The Commission's accommodation lease was transferred to DTF in accordance with a Government direction i.e. Centralised Accommodation Management initiative. The effective date of this transfer was 1 November 2019.

6.3 (a) Right-of-use Assets

Right-of-use assets are presented in note 4.1.

6.3 (b) Amounts recognised in the Statement of Comprehensive Statement

The following amounts are recognised in the Statement of Comprehensive Operating Statement relating to leases:

	2020 \$
Interest expense on lease liabilities	14,311

6.3 (c) Amounts recognised in the Statement of Cashflows

The following amounts are recognised in the Statement of Cashflows for the year ending 30 June 2020 relating to leases.

	2020 \$
Total cash outflow for leases	(224,169)

For any new contracts entered into on or after 1 July 2019, the Commission considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Commission assesses whether the contract meets three key evaluations:

- Whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Commission and for which the supplier does not have substantive substitution rights;

- Whether the Commission has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the Commission has the right to direct the use of the identified asset throughout the period of use; and
- Whether the Commission has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

Separation of lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

Recognition and measurement of leases as a lessee (under AASB 16 from 1 July 2019)

Lease Liability – initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the Commission's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable;
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments arising from purchase and termination options reasonably certain to be exercised.

Lease Liability – subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Short-term leases and leases of low-value assets

The Commission has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss when the expenditure is incurred.

Presentation of right-of-use assets and lease liabilities

The Commission presents right-of-use assets as 'property plant equipment' unless they meet the definition of investment property, in which case they are disclosed as 'investment property' in the balance sheet. Lease liabilities are presented as 'borrowings' in the balance sheet.

**Recognition and measurement of leases
(under AASB 117 until 30 June 2019)**

In the comparative period, leases of property, plant and equipment were classified as either finance lease or operating leases.

The Commission determined whether an arrangement was or contained a lease based on the substance of the arrangement and required an assessment of whether fulfilment of the arrangement is dependent on the use of the specific asset(s); and the arrangement conveyed a right to use the asset(s).

Leases of property, plant and equipment where the Commission as a lessee had substantially all of the risks and rewards of ownership were classified as finance leases. Finance leases were initially recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

Minimum finance lease payments were apportioned between the reduction of the outstanding lease liability and the periodic finance expense, which is calculated using the interest rate implicit in the lease and charged directly to the consolidated comprehensive operating statement.

Contingent rentals associated with finance leases were recognised as an expense in the period in which they are incurred.

Assets held under other leases were classified as operating leases and were not recognised in the Commission's balance sheet. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

6.4 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate, 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.

	2020 \$	2019 \$
Outsourcing commitments		
Commitments for outsourcing recruitment services and other contractual obligations, are payable as follows:		
Within one year	1,465,332	1,388,176
Later than one year but not later than five years	998,250	931,754
Total commitments (inclusive of GST)	2,463,582	2,319,930
Less GST recoverable	(223,962)	(210,903)
Total commitments (exclusive of GST)	2,239,620	2,109,027
Operating lease commitments^(a)		
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
Later than one year but not later than five years	–	–
Total commitments (inclusive of GST)	–	701,757
Less GST recoverable	–	(63,796)
Total commitments (exclusive of GST)	–	637,961
Centralised Accommodation Management (CAM) commitments^(b)		
Commitments for management of accommodation leases by Department of Treasury and Finance (DTF) as follows:		
Within one year	832,113	–
Later than one year but not later than five years	277,773	–
Total commitments (inclusive of GST)	1,109,886	–
Less GST recoverable	(100,899)	–
Total commitments (exclusive of GST)	1,008,988	–

Notes:

- Up to 30 June 2019, the Commission's Operating leases were accounted for under the then effective leasing standard, AASB 117.
- In accordance with a Government initiative, from 1 November 2019 most of the Government accommodation leases are centrally managed by DTF. These commitments represent amounts payable to DTF to meet costs associated with the Commission's use of these accommodation facilities that are included in an occupancy agreement between the Commission and DTF.

7. Risks, contingencies and valuation judgement

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.

Categories of financial assets

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; and
- trade receivables (excluding statutory receivables)

Categories of financial liabilities

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

	Note	Category	2020 \$	2019 \$
Financial assets				
Cash and deposits		Financial assets at amortised cost	600	600
Receivables(a)	5.1	Financial assets at amortised cost	1,457,590	1,682,253
			1,458,190	1,682,853
Financial liabilities				
Payables	5.2	Financial liabilities at amortised cost	2,118,447	1,618,790
Borrowings	6.1	Financial liabilities at amortised cost	33,970	60,558
			2,152,417	1,679,348

Notes:

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 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 2020 (30 June 2019: 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 2020 (30 June 2019: Nil).

8. Other disclosures

Introduction

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

Structure

- 8.1 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. Subsequent events

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

8.2.1 Leases

This note explains the impact of the adoption of AASB 16 Leases on the Commission's financial statements.

The Commission has applied AASB 16 with a date of initial application of 1 July 2019.

The Commission has elected to apply AASB 16 using the modified retrospective approach, as per the transitional provisions of AASB 16 for all leases for which it is a lessee. The cumulative effect of initial application is recognised in retained earnings as at 1 July 2019. Accordingly, the comparative information presented is not restated and is reported under AASB 117 and related interpretations.

Previously, the Commission determined at contract inception whether an arrangement is or contains a lease under AASB 117 and Interpretation 4 Determining whether an arrangement contains a Lease. Under AASB 16, the Commission assesses whether a contract is or contains a lease based on the definition of a lease as explained in note 7.2.

As a lessee, the Commission previously classified leases as operating, or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Commission. Under AASB 16, the Commission recognises right-of-use assets and lease liabilities for all leases except where exemption is availed in respect of short-term and low-value leases.

On adoption of AASB 16, the Commission recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the Commission's incremental borrowing rate as of 1 July 2019. On transition, right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

The Commission has elected to apply the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Adjusted the right-of-use assets by the amount of AASB 137 onerous contracts provision immediately before the date of initial application, as an alternative to an impairment review;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and lease liability at 1 July 2019 are determined as the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

Impacts on financial statements

On transition to AASB 16, the Commission recognised \$1.839 million of right-of-use assets and \$1.839 million of lease liabilities. Due to Centralised Accommodation Management, the Right of Use asset and liability were derecognised and transferred to DTF.

When measuring lease liabilities, the Commission discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 3 per cent.

8.2.2 Revenue from Contracts with Customers

In accordance with FRD 121 requirements, the Commission has applied the transitional provisions of AASB 15, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, the Commission applied this standard retrospectively only to contracts that are not 'completed contracts' at the date of initial application.

Note 2.3 Provision of services includes details about the transitional application of AASB 15 and how the standard has been applied to revenue transactions.

8.2.3 Income of Not-for-Profit Entities

In accordance with FRD 122 requirements, the Commission has applied the transitional provision of AASB 1058, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, the Commission applied this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application.

Note 2.2 Grants includes details about the transitional application of AASB 1058 and how the standard has been applied to revenue transactions.

The adoption of AASB 1058 did not have an impact on Other comprehensive income and the Statement of Cash flows for the financial year.

8.2.4 Transition impact on financial statements

This note explains the impact of the adoption of the following new accounting standards for the first time, from 1 July 2019:

- AASB 15 Revenue from Contracts with Customers
- AASB 1058 Income of Not-for-Profit Entities; and
- AASB 16 Leases

Impact on balance sheet due to the adoption of AASB 15, AASB 1058 and AASB 16 is illustrated with the following reconciliation between the restated carrying amounts at 30 June 2019 and the balances reported under the new accounting standards at 1 July 2019.

Balance sheet	Notes	Before new accounting standards	Impact of new accounting standards ^(a)	After new accounting standards
		Opening 1 July 2019	AASB 16	Opening 1 July 2019
Total non-financial assets	4.1.1	229,281	1,838,898	2,068,179
Total assets		229,281	1,838,898	2,068,179
Borrowings	6.1	60,558	1,838,898	1,899,456
Total liabilities		60,558	1,838,898	1,899,456

Notes:

a. AASB 15 Revenue from Contracts with Customers and 1058 Income of Not-for-Profit Entities did not have any impact on the Opening balances.

8.3 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer 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 2019 to 30 June 2020
Accountable Officer	Dr Paul Grimes, Commissioner	1 July 2019 to 24 January 2020
Accountable Officer	Julia Griffith, Acting Commissioner	25 January 2020 to 30 June 2020

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 \$520,000 – \$529,999 (\$540,000 – \$549,999

in 2018-19).

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; and
- termination benefits include termination of employment payments, such as severance packages.

Remuneration of executive officers

	2020 \$	2019 \$
Short-term employee benefits	1,189,156	1,094,840
Post-employment benefits	110,589	103,892
Other long-term benefits	(60,328)	90,558
Termination benefits	–	24,359
Total remuneration	1,239,416	1,313,649
Total number of executives	7	8
Total annualised employee equivalents ^(a)	6.12	4.8

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; and
- 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 the Department of Premier and Cabinet of \$10 million (2019: \$9.9 million)

During 2019-20, the Commission received funding of \$3 million (\$2.5 million in 2018-19) 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, the Commissioner and the members of the Senior Executive Team as detailed below.

Key management personnel	Role
Dr Paul Grimes	Commissioner (1 July 2019 to 24 January 2020)
Julia Griffith	Acting Deputy Commissioner (1 July 2019 to 24 January 2020)
Julia Griffith	Acting Commissioner (25 January 2020 to 30 June 2020)
Verity Harris	Executive Director, Integrity and Advisory (1 July 2019 to 30 June 2020)
Natasha Thompson	Executive Director, People and Analytics (1 July 2019 to 30 June 2020)
Daen Dorazi	Executive Director, Workforce and Engagement (1 July 2019 to 30 June 2020)

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.

Compensation of KMP	2020 \$	2019 \$
Short-term employee benefits	1,497,964	1,265,450
Post-employment benefits	119,734	85,401
Other long-term benefits	15,805	84,130
Termination benefits	–	24,359
Total remuneration ^(a)	1,633,503	1,459,340

Notes:

(a) The amount disclosed for 2020 is inclusive of remuneration received/receivable by incumbent acting in the capacity of VPSC Commissioner during the period of the role's vacancy.

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 Victorian Public Sector Commission. 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 auditor

	2020 \$	2019 \$
Audit fees paid or payable to the Victorian Auditor-General's Office		
Audit of the annual financial statements	17,600	17,100

No other direct services to the Commission 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

Certain new and revised accounting standards have been issued but are not effective for the 2019-20 reporting period. These accounting standards have not been applied to the Model Financial Statements. The State is reviewing its existing policies and assessing the potential implications of these accounting standards which includes:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. It applies to reporting periods beginning on or after 1 January 2020 with earlier application permitted. The Commission has not earlier adopted the Standard.

The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.

The Commission is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non Current.
- This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued ED 301 Classification of Liabilities as Current or Non-Current – Deferral of Effective Date with the intention to defer the application by one year to periods beginning on or after 1 January 2023. The Commission will not early adopt the Standard.

The Commission is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have limited impact on the Commission's reporting.

- AASB 17 Insurance Contracts.
- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C).
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business.
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework.
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform.
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.

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 2020 and the financial position of the Victorian Public Sector Commission as at 30 June 2020.

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 1 September 2020.



Andrew Davis
Chief Financial Officer
Melbourne
1 September 2020



Adam Fennessy PSM
Victorian Public Sector
Commissioner
Melbourne
1 September 2020

Victorian Auditor-General's Office – Independent Auditor's Report



Independent Auditor's Report

To the Commissioner of the Victorian Public Sector Commission

Opinion	<p>I have audited the financial report of the Victorian Public Sector Commission (the Commission) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2020• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• Accountable Officer's and Chief Financial Officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the Commission as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Commission in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Commissioner's responsibilities for the financial report	<p>The Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Commissioner determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Commissioner is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner
- conclude on the appropriateness of the Commissioner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Commissioner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
8 September 2020



Timothy Maxfield
as delegate for the Auditor-General of Victoria

Contact us

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