ANNUAL REPORT

2015-2016

VPSC

Victorian Public Sector Commission

State Government Victoria

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SECTION 1 – Year In Review

From The Victorian Public Sector Commissioner

The year 2015-16 was one of continuing transformation for the Victorian Public Sector Commission (VPSC).

There was an opportunity to develop a structure that best positioned the VPSC to deliver on agreed outcomes to support government and the Victorian Secretaries Board. It was also an opportunity to reflect on the strategic direction of the VPSC and consolidate changes that had commenced in the 2014-15 year.

In considering a new structure, the VPSC adopted two guiding principles. These were the need for a new structure that:

- was simple and provided clarity inside and outside the VPSC; and
- took into account reputational risks and role complexity.

The restructure was finalised in the 2015-16 year and was undertaken whilst continuing to meet the requirements of the usual body of work.

Key highlights over the past twelve months included:

Integrity Strategy

With a statutory responsibility to maintain and advocate for public sector integrity, the VPSC plays a critical role in promoting integrity across the Victorian public sector. During 2015-16, the VPSC developed an Integrity Strategy to guide the organisation's work in this area.

Graduate Employees

In its thirty third year of operation, the Victoria Public Service (VPS) Graduate Recruitment and Development Scheme (GRADS) received over 2,600 applicants for 83 roles across the Victorian public service.

In October 2015 the VPSC was awarded the 'Best Graduate Recruitment Video' award at the Australian Association of Graduate Employers (AAGE) annual awards. This project was the first time a video had been created to promote the VPS GRADS. It was part of a broader strategy that lead to a 27% increase in applications for the 2016 cohort.

The Victorian Leadership Development Centre

In December 2015, the Victorian Secretaries' Board (VSB) requested the VPSC review and strengthen the Victorian Leadership Development Program so that it 'builds highly skilled, mobile, diverse and professional leaders who meet the current and future needs of Government and the community'.

The review recommended the establishment of a leadership academy to build a pool of credible potential candidates for Secretary roles, and for Deputy Secretary and equivalent roles. The leadership academy will be established in the 2016-17 year.

Review of executive officer employment and remuneration

In July 2015, the Premier directed the VPSC to review Victoria's executive officer employment and remuneration framework. A review of the EO employment and remuneration framework had not been undertaken in 20 years. The review provided an opportunity to consider optimum arrangements for the employment of high performing Victorian public sector leaders now and into the future.

Leading a renewed approach to Aboriginal employment in the Victorian public sector

In January 2016, the VPSC established the Aboriginal Employment Unit (the Unit). The Unit delivers the Aboriginal Pathway to the Graduate Recruitment and Development Scheme, and has developed and is now implementing two new programs: the Aboriginal Undergraduate Cadetship Program, and the Aboriginal Career Development Program.

On 16 June 2016, the Secretaries' Leadership Group on Aboriginal Affairs (SLGAA) endorsed the VPSC to develop a strategy to replace Karreeta Yirramboi, the previous whole of sector strategy which lapsed in 2015. This project represents an opportunity to systematically drive sustained improvements in Aboriginal employment outcomes across the Victorian public sector.

The VPSC continued on its journey to drive VPS capability and improve capacity to deliver and build public trust. It is a journey that commenced with the establishment of the Commission in 2014 and continued in 2015-16. The next twelve months will focus on consolidation of the work undertaken so far.

Belinda Clark QSO
Commissioner

About The Victorian Public Sector Commission

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

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

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

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

It helps maintain public sector integrity by:

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

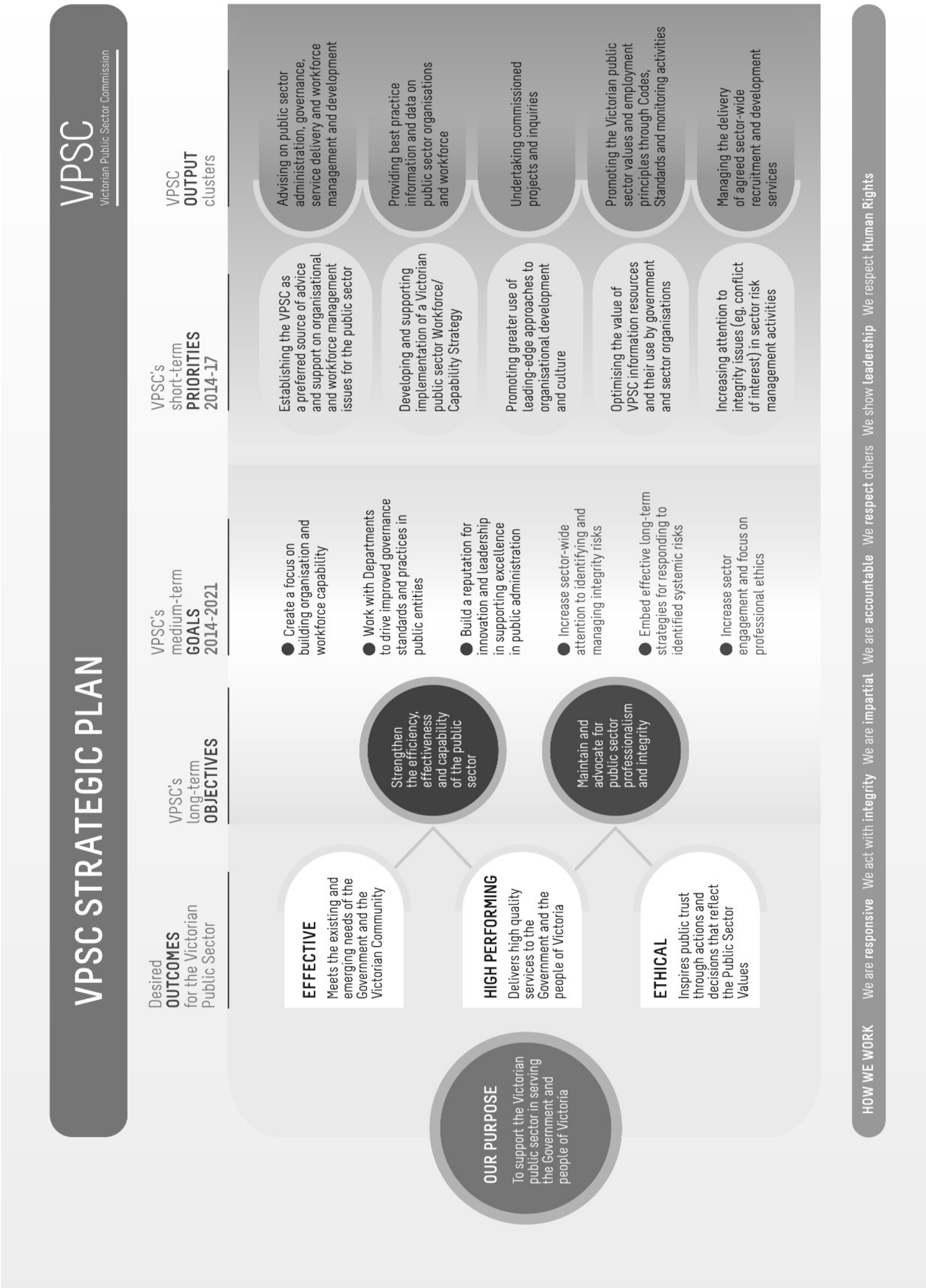
A number of programs are administered by the VPSC on behalf of and for public sector bodies. These include:

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

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

VPSC Strategic Plan

The VPSC Strategic Plan outlines the purpose, outcomes and objectives, goals, priorities and outputs. It is detailed below.



Performance Reporting – non-financial

Strengthen the efficiency, effectiveness and capability of the public sector

People Capability Strategy

This is designed to improve candidate selection at recruitment, strengthen induction, targeted development to boost performance as careers progress, and offer talent and succession management for high potential and high performing staff. It would also promote a diverse and inclusive workforce.

In December 2015, the Victorian Secretaries' Board (VSB) endorsed the People Capability Strategy.

The Strategy is dependent on a number of key elements, which form the foundation on which other project component elements build. These include:

- Leadership Capability Framework;
- Uniform Performance Management Framework; and
- Succession Planning Framework.

In June 2016, VSB endorsed the Victorian Public Sector Leadership Capability Framework (the Framework). The Framework seeks to present a comprehensive picture of the desired senior leadership capabilities across the Victorian Public Sector. The Framework articulates leadership capabilities required for success in the Victorian public sector in an increasingly complex and ambiguous environment.

The Strategy is designed to be delivered over a three year timeframe.

Victorian Leadership Development Program

The VLDP aimed to 'foster a culture of leadership development to promote a sustainable, highly-skilled, diverse and professional leadership capacity which consistently meets the needs of the Victorian Government and the community it serves'.

There were two flagship programs: the Executive Leadership Program (ELP) – delivered annually to a cohort of 20 experienced and high potential executive officers; and the Senior Executive Leadership Program (SELP) – delivered biennially to a cohort of approximately 12 CEOs and deputy secretaries.

The Victorian Leadership Development Centre (VLDC) was renamed the Victorian Leadership Development Programs (VLDP) after it was merged into the VPSC in November 2015.

In December 2015, the Victorian Secretaries' Board (VSB) requested the VPSC review and strengthen the *Victorian Leadership Development Program* so that it 'builds highly skilled, mobile, diverse and professional leaders who meet the current and future needs of Government and the community'. Ms Carmel McGregor PSM was appointed to lead the review.

The review team consulted 39 stakeholders and experts in leadership management and development, sought the views of past participants through focus groups and surveys, and examined research on emerging leadership practices, leadership development and talent management systems.

The review recommended the establishment of a leadership academy to build a pool of credible potential candidates for Secretary roles, and for Deputy Secretary and equivalent roles. The academy would deliver relevant and effective interventions that are specifically tailored to the needs of the public sector and individuals, with experiential learning as the central, defining element. Robust data and analytics would provide the VSB with a sector-wide view of leadership development requirements, opportunities and interventions.

Concurrent with the review, the current ELP cohort continued learning and development activities, and the VLDP team continued to support the cohort meet their individual development objectives. Activities included: formal workshops, executive coaching, secretary roundtable sessions, peer learning sessions, a series of leadership conversations with expert practitioners, and a range of bespoke, experiential activities such as work placements/secondments, projects, targeted shadowing and mentoring.

The VLDP also delivered a suite of targeted development offerings to the broader VPS executive cohort, addressing priority whole of government issues. Events have included a focus on regulatory reform, service delivery, women in leadership and leading change. These events were open to the ELP cohort and nominated executives in VSB agencies.

VPS Learning and Development Program

The VPSC's partnership with the Australia and New Zealand School of Government (ANZSOG) delivers an Applied Learning Program for the Victorian public sector. The program draws together a broad network of influential policy-makers, senior practitioners and leading academics, and builds connections between new thinking, research and practice in public policy and public administration by delivering:

- seminars that provide an open forum for knowledge sharing and practitioner engagement;
- workshops in which senior government practitioners and guest speakers can debate topical issues and share experiences; and
- occasional papers that explore the challenges and opportunities in public administration.

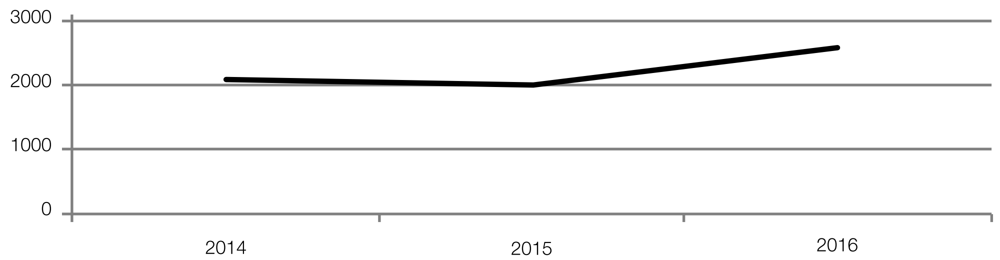
In 2015-16, twelve seminars, one executive workshop, and two occasional papers ('An empirical look at citizen co-production in Australia' and, 'Flexible government budgeting: Not fewer rules, just different ones') were delivered.

Graduate Recruitment and Development Scheme

In its thirty third year of operation, the Victoria Public Service (VPS) Graduate Recruitment and Development Scheme (GRADS) received over 2,600 applicants for 83 roles across the Victorian public service in the following streams: Generalist, Accounting and Finance, Economics and Education, Business and Technology.

In October 2015 the VPSC was awarded the 'Best Graduate Recruitment Video' award at the Australian Association of Graduate Employers (AAGE) annual awards. This project was the first time a video had been created to promote the VPS GRADS. It was part of a broader strategy that lead to a 27% increase in applications for the 2016 cohort. There were 2076 applications received for 2014 and 2000 applications for 2015.

GRADS applications



Aboriginal Employment Unit

The VPSC established the Aboriginal Employment Unit (the Unit) in January 2016, with the support of all departments and Victoria Police. In the first six months of operation, the Unit focused on: administration of the Aboriginal Pathway to the GRADS; development of models for Aboriginal cadetship and career development programs; and developing an Aboriginal Employment Strategy.

The Aboriginal Pathway to GRADS has recruited 28 participants since it commenced in 2013. Of these, 85 per cent remain in the Victorian Public Service (VPS), in a range of VPS Grade 3-5 roles. This year the Unit has placed seven Aboriginal grads from a record 11 applications received for the 2017 intake.

A cadetship program targeting second and third year Aboriginal tertiary students is in development and expects to recruit eight cadets to an initial intake planned for early 2017. The career development program is aimed at existing Aboriginal employees in VPS 4-6 roles. The Unit will fund a minimum of eight places in the Program's first year of operation which is due to commence in early 2017.

Most recently, the Unit began planning to develop a new Aboriginal Employment Strategy for the Victorian public sector, to replace Karreeta Yirramboi, which lapsed in 2015. The strategy will be finalised in February 2017, and will aim to systematically drive sustained improvements in Aboriginal employment outcomes across the sector. The Unit will undertake extensive research and consultation to support the development of the strategy.

e-Recruitment

The eRecruitment system enables public sector organisations to manage an end-to-end recruitment and selection process online. In 2015-16 the eRecruitment system handled 246,325 job applications, for over 12,486 job advertisements, across 76 public sector organisations.

The VPSC continues to identify and implement enhancements to the e-Recruitment system to meet changing need. A system enhancement is underway that will allow the de-identification of candidates' demographic information such as: name, age, gender, and cultural background, during the screening and shortlisting process, in support of the Victorian Government's *Recruit Smarter: A Better Way To Do Business* pilot program. The pilot program was launched in May 2016 by the Minister for Multicultural Affairs, Robin Scott MP and aims to counter any potential bias during recruitment and ensure employers are able to attract and employ the best person for the job.

The sector wide rollout from July 2015 of the Board recruitment website *Get on Board* has supported a large number of recruitment activity and enabled enhanced reporting on gender balance in Victorian public sector board appointments and membership. As the sector aims for 50% representation on paid Boards, a commitment given by the Premier on 28 March 2015, a *Women on Boards* microsite is planned for 2016-17 in partnership with the Department of Premier and Cabinet's Women and Royal Commission Branch.

Executive Remuneration Review

In July 2015, the Premier directed the VPSC to review Victoria's executive officer employment and remuneration framework. The VPSC was asked to consider current executive employment and remuneration arrangements against broad terms of reference, with objectives focused on creating a clear and robust system that supports the attraction and retention of a mobile and high performing executive workforce.

The VPSC undertook in-depth consultation and analysis including meetings with Secretaries and Deputy Secretaries; workshops with public entity Board Chairs and Chief Executive Officers; and consultations with representatives from the public services of Australia, New Zealand, New South Wales, Queensland, Northern Territory, Western Australia, South Australia and Tasmania.[1]

1 The review was completed and submitted to the Premier for consideration in August 2016.

Workforce data collection

The *Workforce Data Collection* is an annual census of all employees in the Victorian public sector. It collects staff employment and demographic information. The information is used to monitor the profile of the workforce and to inform workforce planning and management.

In 2015, the VPSC collected data for the 1,807 employers in the Victorian public sector, including schools and health services. This included approximately 305,000 individual records and aggregated data for 1,459 staff in small organisations.

Following the collection, the VPSC provided comparative workforce profile reports to 209 organisations.

The State of the Public Sector in Victoria

The VPSC produced the annual *State of the Public Sector in Victoria* report for 2014-15. This report used the workforce data collection and other whole of government data sets to provide a picture of the public sector, its workforce, executives and boards of governance.

The information in the report provided a valuable tool to a diverse range of public sector stakeholders in a wide range of governance, management and planning activities.

The report for 2014-15 was streamlined to make key facts more accessible and to improve the description of the public sector and its workforce.

Government Sector Executive Remuneration Panel

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

The Victorian Public Sector Commissioner chairs GSERP. The Commissioner consults the relevant portfolio Secretary on public sector remuneration matters as required and is supported by VPSC staff. The VPSC provides executive employment and remuneration advice, information and support to Secretaries and public entity Board Chairs and Chief Executive Officers.

Maintain and advocate for public sector professionalism and integrity

Integrity Strategy

With a statutory responsibility to maintain and advocate for public sector integrity, the VPSC plays a critical role in promoting integrity across the Victorian public sector. During 2015-16, the VPSC developed an *Integrity Strategy* to guide the organisation's work in this area. The strategy aims to build sustained community and Government trust in the public sector by building:

- a workforce that operates with integrity; and
- public sector organisations that have the systems to enable and support integrity.

The strategy articulates the target behaviours the VPSC will encourage in employees to strengthen integrity. These behaviours will inform the development, implementation and evaluation of the VPSC's integrity initiatives. To achieve change, the strategy targets core opportunities within the Victorian public sector environment, combining both compliance and values-based approaches.

The strategy sets out initiatives to strengthen integrity and provide an ongoing program of work.
It includes initiatives to:

- promote 'one public sector' and the Victorian public sector values;
- develop an integrity website, providing a range of new and updated resources on areas such as conflict of interest and gifts, benefits and hospitality;
- identify the core requirements of an effective 'speak up' system and recommend these elements be implemented across the Victorian public sector; and
- introduce a values review of organisations to examine how individual public sector organisations have embedded the Code of Conduct, public sector values and employment principles.

Code of Conduct for Directors of Victorian Public Entities

The VPSC may issue mandatory codes of conduct to reinforce the Victorian public sector values for any group or public official. The VPSC issued a new code in March 2016 for directors of public entity boards. The code outlined the individual and collective responsibilities of directors and was developed in consultation with departmental governance experts, directors and the Australian Institute of Company Directors (AICD). A sample presentation was developed for public entities and departments to customise to their audience and use, particularly when inducting new directors to the board.

Conflict of Interest Model Policy

In March 2016, the VSB made a commitment to review policies and procedures for identifying and managing actual and potential conflicts of interest, and to make recommendations with respect to enforcement by public service bodies and public entities.

In collaboration with the Corruption Prevention and Integrity Subcommittee of the Victorian Secretaries Board, the VPSC developed a conflict of interest model policy and related materials for adoption by VSB member organisations. The materials include a guide to applying conflict of interest policy principles and updated forms for the declaration of private interests and the declaration and management of conflicts of interest.

Organisations will use the model policy and related materials to bring consistency and minimum standards to their policies and processes. Organisations may build on the materials above the minimum standards to suit their operating environment.

The VPSC sought Gift, Benefit and Hospitality Attestations from all Secretaries and special body Heads.

Monitoring Integrity Reform in the Department of Education and Training

On 27 July 2015, the Deputy Premier and Minister for Education, requested the VPSC to independently monitor and assess the Department of Education and Training's response to issues identified in investigations by the Independent Broad-based Anti-corruption Commission.

To date, VPSC monitoring has included examination of the Department's activity to build a culture of integrity, strengthen governance and oversight and establish more robust financial management systems, processes and controls.

People Matter Survey

The annual *People Matter Survey* collects employee views on how well the Victorian public sector values and employment principles are applied within their workplace. The survey also gathers information on a range of people management issues, such as job satisfaction and employee commitment. The information and insights it provides are a vital tool for employers in building better workplace cultures.

In 2015, we prepared 1,695 reports for 131 organisations. These reports provided data at organisation level, work group level and for use in benchmarking.

Following a review in 2015, the survey was substantially redesigned to provide a more strategic evidence base for organisations and the public sector. The 2016 survey now consists of a core survey focussed on monitoring the values and employment principles with optional modules available on wellbeing, diversity and inclusion, change management, career intentions, learning and development and sexual harassment.

The VPSC conducted the 2016 survey between May and July 2016 and 190 organisations took part. Of the 183,383 employees invited to participate, 62,922 employees (or 34 per cent) completed the survey. Response rates have remained constant for the last two years with a 34% response rate for 2015 and a 32% response rate for 2014.

Complaints

The VPSC may conduct reviews in relation to employee grievance ('review of actions') processes conducted by public service bodies. This is a quality assurance role in respect of relevant provisions in the Public Administration Act 2004 and related regulations. In response to complaints, the VPSC may also require information from public sector body heads about application of the public sector values, employment principles, codes of conduct and standards.

The VPSC received 84 phone queries and a further 37 written complaints in the reporting period. As a result, seven matters were progressed under the require information provisions and a further seven were dealt with as reviews under the review of actions regulations. The remaining 23 complaints did not progress either because the complainant decided not to pursue the matter or the VPSC did not have jurisdiction to deal with the complaint.

Complaints 2014, 2015 and 2016		
Year	**No. of queries**	**No. of written complaints**
2014	86	25
2015	110	63
2016	84	37

Lobbyist Register

The *Public Administration Act 2004* and the *Victorian Government Professional Lobbyist Code of Conduct* require the VPSC to maintain a *Register of Lobbyists*. The objectives of the code and the register are to support greater transparency, integrity and honesty in contact between Government representatives and lobbyists.

During 2015-16, the number of lobbyist companies registered increased from 128 to 136. The number of registered government affairs directors decreased from 108 to 61.

SECTION 2 – Governance And Organisational Structure

Organisational Structure

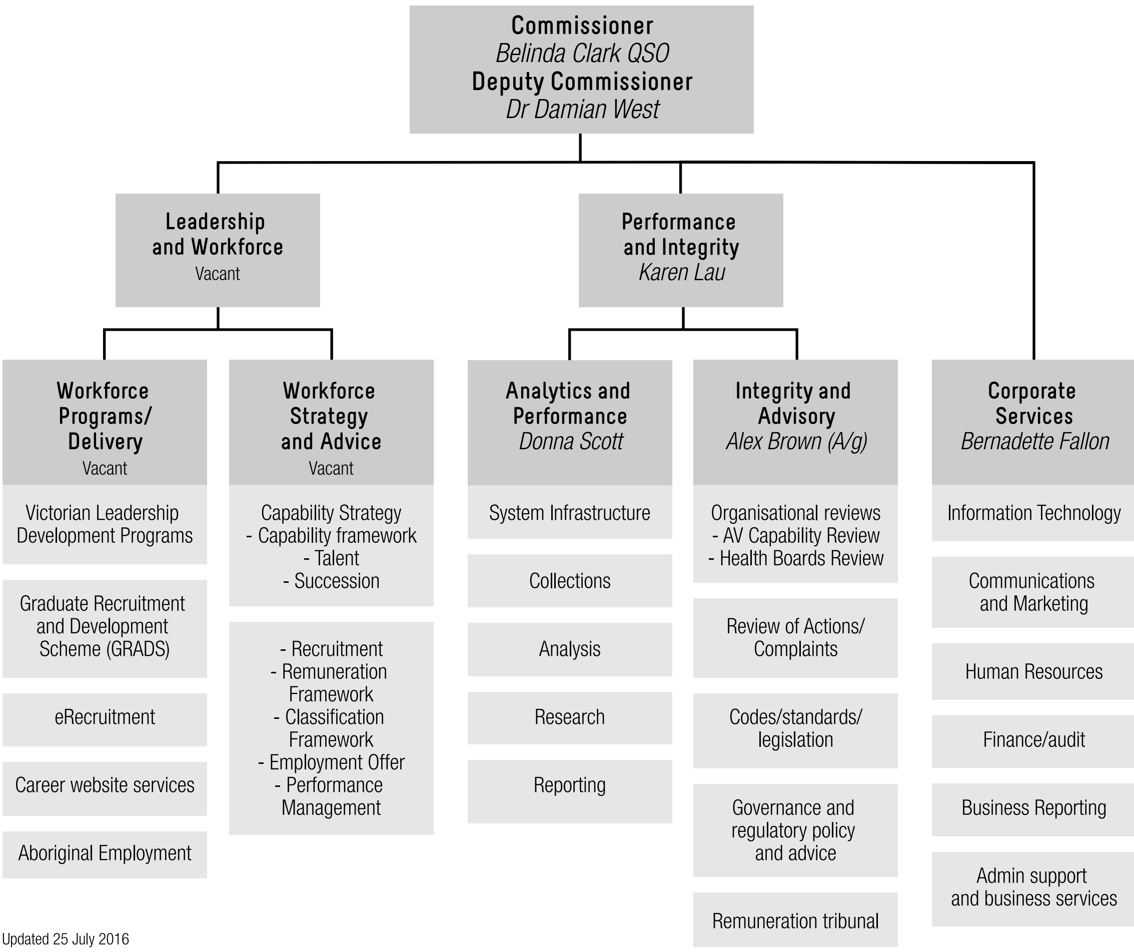
The VPSC comprises the Commissioner, Deputy Commissioner, leadership team and staff.

The VPSC has two divisions and five branches, illustrated below:

- Leadership and Workforce
  - Programs and Delivery
  - Strategy and Advice
- Performance and Integrity
  - Analytics and Performance
  - Integrity and Advisory
- Corporate

The organisational chart reflects the Commission's structure as at 30 June 2016.

Victorian Public Sector Commission Organisational Chart 2016-17



Updated 25 July 2016

Audit Committee Membership and roles

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

The independent Chair of the Committee is Merran Kelsall.

Committee members are Shaun Condron (Chief Finance Officer, Department of Justice) and Paul Bradshaw (Principal Adviser, Projects, VPSC).

Invitees include: Belinda Clark (Commissioner); Damian West (Deputy Commissioner); Ingrid Klein (Chief Financial Officer, Department of Premier and Cabinet and the VPSC); Sharon Dekker (Victorian Auditor-General's Office); Bernadette Fallon (Manager, Corporate Services, VPSC) and Mark Holloway (HLB Mann Judd, the Commission's internal auditors).

Occupational Health and Safety

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

- *ergonomic assessments;*
- *provision of sit stand desks;*
- *provision of special ergonomic aids;*
- *staff awareness of the Employee Assistance Program; and*
- *flu vaccinations.*

The VPSC also encouraged staff to access other health and well-being activities and promoted initiatives such as WorkplaceAid – a trial on improving mental health and physical first aid skills in the workplace.

Incident Management

The VPSC reported no injury incidents in 2015-2016. Two incidents (non-injury) related to vibrations caused by air-conditioning units and tripping hazards related to uneven floor boards were reported. The vibrations incident was resolved. The uneven floor has been assessed and will be addressed in the 2016-2017 year.

Employment and conduct principles

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

SECTION 3 – Workforce Data

Public Administration values and employment principles

Comparative Workforce data

Table 1: Full time equivalents (FTE) staffing trends from 2014 to 2016

2014	2015	2016
44.7	50.2	46.7

Table 2: Summary of employment levels in June 2015 and 2016

	Ongoing employees				Fixed term and Casual employees	
	Number (Headcount)	Full time (Headcount)	Part time (Headcount)	FTE	Number (Headcount)	FTE
June 2016	38	33	5	36.3	11	10.4
June 2015	43	37	6	40.6	10	9.6

Table 3: Workforce data – VPSC staff as at 30 June 2016

	June 2016			June 2015		
	Ongoing		Fixed term and casual employees	Ongoing		Fixed term and casual employees
	Number (Headcount)	FTE	FTE	Number (Headcount)	FTE	FTE
Gender						
Female	25	23.3	6.4	28	25.6	9.6
Male	13	13	4	15	15	
Age						
Under 25	1	1		1	1	2
25–34	7	6.8	5	7	7	4
35–44	14	12.91	3.4	12	10.2	2.8
45–54	7	6.6	1	12	11.4	0.8
55–64	9	9	1	11	11	0.00
Over 64				0	0.00	0.00

(Continued)

	June 2016			June 2015		
Classification						
Secretary Executive	5	5	0	6	6	0
STS	1	1	1	3	3	0
Grade 6	9	8.31	4.8	8	7.2	2
Grade 5	13	12.6	3.6	16	15.4	1.8
Grade 4	2	2	1	4	3.4	1.8
Grade 3	5	4.4	0	3	2.6	3
Grade 2	3	3	0	3	3	1
Grade 1	0	0	0	0	0	0
Legal Officer	0	0	0	0	0	0
Casual	0	0	0	0	0	0
Other	0	0	0	0	0	0

Workforce Inclusion Policy

The VPSC promotes equal opportunity and diversity through its policies, procedures and recruitment practices. The number of staff is small therefore flexibility and a supportive work environment are key to the VPSC achieving its objectives. Staff are offered a range of flexible working practices including the option to vary work hours to allow for family commitments and for work/life balance.

Executive Officer data

All of the VPSC executives receive total remuneration in excess of $100,000. All are appointed on contract so no executive is appointed as ongoing or for special projects.

Executive Officer numbers – comparison						
	2015-16			2014-15		
	M	F	Total	M	F	Total
EO-2	1	2	3	0	4	4
EO-3	0	2	2	0	1	1
Totals	1	4	5	0	5	5

SECTION 4 – Other Disclosures

Victorian industry participation policy and disclosure of major contracts

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

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

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

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

Changes in financial position

The VPSC received an additional amount of $2.046 million dollars for the year ended 30 June 2016.
This was a one off grant from the government for:

- the VPSC to undertake priority organisational reviews; and
- to enable the VPSC to review its current operations and alignment with the priorities of the Government to strengthen the public sector.

This initiative contributed to the Department of Premier and Cabinet's Public Administration Advice and Support output.

Consultancies

The VPSC did not engage any consultancies where the total fees payable to a consultant was less than $10,000.

Information and Communication Technology expenditure

Details of Information and Communication Technology (ICT) expenditure

For the 2015-16 reporting period, the VPSC had a total ICT expenditure of $575,229, with the details shown below:

Business As Usual (BAU) ICT expenditure (Total)	Non-Business As Usual (non-BAU) expenditure (Total = Operational expenditure and Capital expenditure)	Operational expenditure	Capital expenditure
$481,229	$94,000	0	$94,000

Environmental reporting

This environmental report has been prepared in accordance with Financial Reporting Directions issued by the Minister for Finance (see Table 4).

Table 4: Reporting of office-based environment impacts based on information provided by Cushman and Wakefield

Energy	2015-16	2014-15
Indicator		
Total electricity usage (gigajoules)***	39	664
Total green electricity (gigajoules)	0	0
Total gas usage (gigajoules)	0	0
Percentage of electricity purchased as Green Power (%)	0.00 %	0.00 %
Units of energy used per Full Time Employee (megajoules per FTE)	810	11,861
Units of energy used per unit office area (megajoules per m2)	47	645
Paper	**2015-16**	**2014-15**
Total units of paper used (A4 reams equivalent)	410	445
Reams of paper used per FTE	8.6	9.34
Percentage of recycled content paper purchased (%)	80%	80%
Water	**2015-16**	**2014-15**
Total units of metered water consumed (kilolitres) ***	18542	20476
Units of metered water consumed per FTE (kilolitres/FTE)	386.75	365.64
Units of metered water consumed in offices per unit of office area (kilolitres/m2)	22.72	19.90

(Continued)

Waste

	Total units office waste disposed of by destination (kg per year)		Units of office waste disposed of per FTE by destination (kg per FTE)		Recycling rate (% of total waste by weight)	Greenhouse gas emissions associated with waste disposal (tonnes C02-e)	
	Landfill	Other	Landfill	Other		Landfill	Other
2015-16	3423	3296	72	69	49	1.44	2.97
2014-15	455	775	8.13	13.84	63	0.19	0.7

Transport

	Total energy consumed by vehicles (MJ) *	Total vehicle travel associated with entity operations (km)	Total greenhouse gas emissions from vehicle fleet (tonnes of CO2 equivalent)	Greenhouse gas emissions from vehicle fleet per 1,000km travelled (tonnes of CO2 equivalent)	Total distance travelled by aeroplane (km) **	Percentage of employees regularly (>75% of work attendance days) using public transport, cycling, walking, or car-pooling to and from work or working from home by locality type		
						CBD	Metro	Regional
2015-16	3,536.55	1,286	0.25	0.19	Figures not available			
2014-15	13,230.27	5,457	0.92	0.17	42,497.95	99.96	0	0

Greenhouse gas emissions	2015-16	2014-15
Total greenhouse gas emissions from energy use (t CO2 e)	0.03	0.43
Total greenhouse gas emissions from vehicle use (t CO2 e)	0.25	0.92
Total greenhouse gas emissions from air travel (t CO2 e)		7.65
Total greenhouse gas emissions from waste (t CO2 e)	4.41	0.89
Greenhouse gas emissions offsets purchased (t CO2 e)	0.00	0.00

* This includes vehicles for VPSC use hired from VicFleet. This does not include salary packaged vehicles.
** This includes domestic and international travel.
*** Separate metered figures are not available for the VPSC's tenancy at 3 Treasury Place. Water and electricity figures are calculated on the VPSC's NLA square metres.

Extent and compliance with the Building Act 1993

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

Freedom of information

The VPSC is subject to the *Freedom of Information Act 1982.* The VPSC has met its responsibilities for implementing the government's freedom of information policy in 2015-16.

National competition policy

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

Compliance with Protected Disclosure Act 2012 (formerly the Whistleblowers Protection Act 2001)

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

The VPSC does not tolerate improper conduct by 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 disclosure that reveal corrupt conduct, conduct involving substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

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

Reporting procedures

Disclosures of improper conduct or detrimental action by the Department or any of its employees and/or officers may be made to the following:

- the VPSC Protected Disclosure Coordinator or

alternatively, disclosures of improper conduct or detrimental action by the Department or any of its employees and/or officers may also be made directly to the Independent Broad-based Anti-corruption Commission:

Level 1, North Tower, 459 Collins Street
Melbourne, VIC 3000
Phone: 1300 735 135
Internet: www.ibac.vic.gov.au
Email: *[see the website above for the secure email disclosure process, which also provides for anonymous disclosures]*

Further information

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

Disclosures under the *Protected Disclosure Act 2012*		
	2015-16 number	2014-15 number
The number of disclosures made by an individual to the Department and notified to the Independent Broad-based Anti-corruption Commission		
Assessable disclosures	0	n/a

Compliance with the Carers Recognition Act 2012

The VPSC has taken all practical measures to comply with its obligations under the Act. This includes:

- Considering the carer relationship principles set out in the Act when setting policies and providing services (e.g. reviewing our employment policies such as flexible working arrangements and leave provisions to ensure that these comply with the statement of principles in the Act).

Other information

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have 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 interests 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 the 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 on 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; and
- 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 - Ministerial Standing Direction 4.5.5

I, Belinda Clark, certify that the Victorian Public Sector Commission has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The VPSC Audit and Risk Management Committee has verified this.

Belinda Clark

Belinda Clark QSO
Commissioner

Victorian Public Sector Commission 29 August 2016

Disclosure index

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

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* Note: References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure

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VICTORIAN PUBLIC SECTOR COMMISSION FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Comprehensive operating statement for the year ended 30 June 2016

	Notes	2016 $	2015 $
Income from transactions			
Grants	2(a)	**9,491,293**	8,020,403
Provision of services	2(b)	**2,221,688**	3,407,678
Total income from transactions		**11,712,981**	11,428,081
Expenses from transactions			
Employee expenses	3(a)	**6,303,788**	6,648,251
Depreciation	3(b)	**169,105**	172,320
Finance lease interest	l(f)	**1,635**	2,682
Capital asset charge	1(f)	**67,000**	67,000
Supplies and services	3(c)	**3,808,009**	4,591,525
Total expenses from transactions		**10,349,537**	11,481,778
Net result from transactions		**1,363,444**	(53,697)
Other economic flows included in net result			
Net gain/(loss) on disposal of property, plant and equipment		**386**	(l,606)
Net (loss) arising from revaluation of leave liabilities		**(38,369)**	(6,065)
Total other economic flows included in net result		**(37,983)**	(7,671)
Net result		**1,325,461**	(61,368)
Comprehensive result		**1,325,461**	(61,368)

The above comprehensive operating statement should be read in conjunction with the accompanying notes.

Balance sheet as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Financial assets			
Cash on hand		**600**	600
Receivables	4	**6,652,291**	5,276,708
Total financial assets		**6,652,891**	5,277,308
Non-financial assets			
Prepayments		**466,590**	53,954
Property, plant and equipment	5	**173,068**	261,657
Intangible assets	6	**167,911**	223,882
Total non-financial assets		**807,569**	539,493
Total assets		**7,460,460**	5,816,801
Liabilities			
Creditors and accruals		**337,257**	384,435
Provisions	7	**1,557,118**	1,763,778
Unearned income		**708,817**	146,021
Borrowings	8	**74,588**	65,348
Total liabilities		**2,677,780**	2,359,582
Net assets		**4,782,680**	3,457,219
Equity			
Contributed capital		**3,481,626**	3,481,626
Accumulated surplus		**1,301,054**	(24,407)
Total equity		**4,782,680**	3,457,219
Commitments for expenditure	10		
Contingent assets and contingent liabilities	11		

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity for the year ended 30 June 2016

	Notes	Contributed capital $	Accumulated surplus $	Total $
Balance at 30 June 2014		3,481,626	36,961	3,518,587
Net result for the year			(61,368)	(61,368)
Balance at 30 June 2015		**3,481,626**	**(24,407)**	**3,457,219**
Net result for the year			**1,325,461**	**1,325,461**
Balance at 30 June 2016		**3,481,626**	**1,301,054**	**4,782,680**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash flow statement
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from government		**11,244,487**	11,465,085
Payments to suppliers and employees		**(11,160,933)**	(11,371,220)
Capital asset charge paid		**(67,000)**	(67,000)
Interest paid		**(1,635)**	(2,682)
Net cash flows from operating activities	16	**14,919**	24,183
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		**10,818**	78,500
Payments for property, plant and equipment			(l0,833)
Net cash flows from investing activities		**10,818**	67,667
Cash flows from financing activities			
Repayment of finance leases		**(25,737)**	(91,850
Net cash flows used in financing activities		**(25,737)**	(91,850)
Net increase in cash held			
Cash at the start of the year		**600**	600
Cash at the end of the year		**600**	600

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to financial statements
30 June 2016

Note 1. Summary of significant accounting policies

(a) Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs) including Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting.*

Where relevant, those paragraphs of the AASs applicable to not-for-profit entities have been applied.

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

A glossary of terms applied in financial statements is available in note 17.

(b) Basis of preparation

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

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

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by Management in the application of AASs that have significant effects on the financial statements and estimates relate:

- to the fair value of property, plant and equipment (note I U)); and
- employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (note I (k))

The financial statements are presented in Australian dollars and have been prepared in accordance with the historical cost convention, except where noted.

Consistent with AASB 13 *Fair Value Measurement,* the Commission determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment and financial instruments and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level I - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Commission has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, the Commission determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Commission monitors changes in the fair value of its assets through relevant data sources to determine whether revaluation is required.

The accounting policies set out below have been applied in preparing the financial statements.

(c) Reporting entity

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 financial statements include all the controlled activities of the Commission. This includes the transactions and balances of the following controlled trust accounts:

Controlled Trust	Act	Purpose
Departmental Suspense Account	*Financial Management Act 1994*	To hold moneys transferred from Department suspense accounts pending distribution.
Treasury Trust	*Financial Management Act 1994*	To record the receipt and disbursement of unclaimed and unidentified monies and other funds held in trust.

The Commission's principal address is:
3 Treasury Place,
Melbourne Victoria 3002

Objectives and funding
The Commission's objectives are to:

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

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

(d) Scope and presentation of financial statements

Comprehensive operating statement

The comprehensive operating statement comprises two components, being “net result from transactions” and “other economic flows included in net result”. The sum of the two represents the net result, which is equivalent to profit or loss derived in accordance with AASs. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements.*

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets. Current and non-current assets and liabilities are disclosed in the notes, where relevant. Non-current assets or liabilities are those expected to be recovered or settled more than twelve months after the reporting period, except for the provisions of employee benefits, which are classified as current liabilities if the Commission does not have the unconditional right to defer the settlement of the liabilities.

Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balances at the beginning of the year to the closing balances at the end of the year.

Cash flow statement

Cash flows are classified according to whether they arise from operating, investing or financing activities. This classification is consistent with requirements of AASB 107 *Statement of Cash Flows.*

(e) Income from transactions

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

Grants

Income from grants (other than contributions by owners) is recognised when the Commission obtains control over the contribution. 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.

Provision of services

Income from the provision of services is recognised when the services are provided or by reference to the stage of completion of the contract, when:

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

Income received in advance of services being provided is recognised in the balance sheet as unearned income.

(f) Expenses from transactions

Employee expenses

Employee expenses comprise all costs related to employment including wages and salaries, superannuation, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums. Superannuation expenses represent the employer contributions for members of both defined benefit and defined contributions superannuation plans that are paid or payable during the reporting period.

The Department of Treasury and Finance (DTF) centrally recognises, on behalf of the State as the sponsoring employer, net defined benefit cost and the defined benefit liability or surplus related to the members of these plans as administered items.

Depreciation of property, plant and equipment

All plant and equipment and other non-financial physical assets (excluding items under operating leases and assets held-for-sale) that have finite useful lives are depreciated. Depreciation is calculated on a straight line basis at rates that allocate the asset's value, less any estimated residual value, over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

The estimated useful lives, residual values and depreciation method are reviewed at least annually. Typical estimated useful lives applicable for the years ended 30 June 2016 and 30 June 2015 are as follows:

Building fitouts	10 years
Office and computer equipment	4-5 years
Motor vehicles under finance lease	2-3 years
Intangible produced assets	7 years

Depreciation of intangible assets

Intangible produced assets with finite useful lives are depreciated as an expense from transactions on a straight line basis over the asset's useful life. Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Finance lease interest

Finance lease interest charges are recognised as expenses in the period in which they are incurred.

Capital asset charge

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

Supplies and services

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

(g) Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

Net gain/ (loss) on non-financial assets

Net gain/(loss) on non-financial assets includes realised and unrealised gains and losses from impairments, and disposals of all physical assets and intangible assets.

Disposal of non-financial assets

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting from the disposal proceeds the carrying value of the asset at that time.

Impairment of non-financial assets

All non-financial physical assets and intangible assets, except inventories and non-financial physical assets held for sale, are assessed annually for indications of impairment. If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset 's carrying value exceeds its recoverable amount, the difference is written off as another economic flow except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. The impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell.

Impairment of financial assets
The Commission assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Bad and doubtful debts are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. The allowance for doubtful debts and bad debts not written off by mutual consent are adjusted as other economic flows in the net result.

Other gains/(losses) from other economic flows
Other gains/(losses) from other economic flows include the transfer of amounts from reserves and/or accumulated surplus to net result due to reclassification, disposal or derecognition, and from the revaluation of the present value of leave liabilities due to changes in bond interest rates.

(h) Financial instruments

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

For example, statutory receivables arising do not meet the definition of financial instruments as they do not arise under contract.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

(i) Categories of non-derivative financial instruments

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

Loans and receivables category includes cash and deposits (refer to note 1(i)), trade receivables and loans, but not statutory receivables.

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. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

Financial instrument liabilities measured at amortised cost include all of the Commission's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

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

(j) Financial assets

Receivables
Receivables consist of:

- contractual receivables, which include mainly debtors in relation to services; and
- statutory receivables, which include predominantly amounts owing from the Victorian Government and GST input tax credits recoverable.

Receivables that are contractual are classified as financial instruments. Statutory receivables are recognised and measured on the same basis as contractual receivables (except for impairment) but are not classified as financial instruments as they do not arise from a contract.

Debtors are due for settlement at no more than thirty days from the date of recognition. Collectability of debtors is reviewed on an ongoing basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected. Bad debts are written off when identified.

(k) Non-financial assets

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

Property, plant and equipment
All non-financial physical assets are measured initially at cost and subsequently measured at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

The initial cost for non-financial physical assets under a finance lease (refer note 1(l)) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The fair value of plant and equipment is normally determined by reference to the asset's depreciated replacement cost. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

Building fit outs
The cost of building fitouts is capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the fitouts, whichever is the shorter.

Intangible assets
Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are initially measured at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation/amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Commission.

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

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

(l) Liabilities

Creditors and accruals
Creditors and accruals consist of:

- contractual payables, such as accounts payable. Accounts payable represent liabilities for goods and services provided to the Commission prior to the end of the financial year that are unpaid, and arise when the Commission becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions
Provisions are recognised when the Commission has a present obligation where the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. The amount recognised as a

provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

Employee benefits
Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

Provisions made in respect of employee benefits expected to be wholly settled within 12 months are measured at their nominal values, using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be wholly settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Commission in respect of services provided by employees up to reporting date. The liability is classified as a current liability where the Commission does not have an unconditional right to defer settlement for at least 12 months after the reporting date. The long service leave liability is classified as non-current where the Commission has an unconditional right to defer the settlement of the entitlement until the employee has completed the required years of service.

(m) Leases

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

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

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

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

Operating lease payments are recognised as an expense in the comprehensive operating statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

(n) Goods and services tax

Income, expenses and assets are recognised net of the amount of associated goods and services tax (GST), except where GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to the ATO, are presented as an operating cash flow.

Commitments and contingent assets and liabilities are also stated inclusive of GST.

(o) Contributions by owners

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

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets or liabilities arising from administrative restructurings are treated as distributions to or contributions by owners.

(p) Commitments

Commitments for future expenditure include operating commitments arising from contracts. These commitments are disclosed in note 10 at their nominal value and inclusive of the GST payable.

These items cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(q) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(r) Accounting standards issued but not yet effective

As at 30 June 2016, the following standards and interpretations, applicable to the Commission, had been issued but were not mandatory for the 30 June 2016 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises the Commission of their applicability and early adoption where applicable.

AASB 9 *Financial Instruments,* applicable for reporting periods commencing 1 January 2018. The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. While the Commission's assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.

AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010),* applicable for reporting periods commencing 1 January 2018. The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:

- the change in fair value attributable to changes in credit risk is presented in other comprehensive income; and
- other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

The Commission's assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals.

AASB 2014-1 *Amendments to Australian Accounting Standards [Part E Financial Instruments],* applicable for reporting periods commencing 1 January 2018. Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements. This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.

AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9,* applicable for reporting periods commencing 1 January 2018. Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9. The Commission's assessment has indicated that there will be no significant impact for the Commission.

AASB 15 *Revenue from Contracts with Customers,* applicable for reporting periods commencing 1 January 2019. The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.

AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15,* applicable 1 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply from 1 January 2018.

Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. The Commission 's assessment has indicated that there will be no significant impact for the Commission.

AASB 16 *Leases,* applicable for reporting periods commencing 1 January 2019. The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet. The Commission 's assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement.

AASB 2015-1 *Amendments to Australian Accounting Standards -Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, AASB 2, AASE 3, AASB 5, AASB* 7, *AASB 11, AASE 110, AASB 119,*

AASE 121, AASB 133, AASB 134, AASB 137 & AASB 140], applicable for reporting periods commencing 1 January 2016. Amends the methods of disposal in AASB 5 *Non-current assets held for sale and discontinued operations.* Amends AASB 7 *Financial Instruments* by including further guidance on servicing contracts. The assessment has indicated that when an asset (or disposal group) is reclassified from 'held to sale' to 'held for distribution', or vice versa, the asset does not have to be reinstated in the financial statements. Entities will be required to disclose all types of continuing involvement the entity still has when transferring a financial asset to a third party under conditions which allow it to derecognise the asset.

AASB 2015-6 Amendments to Australian Accounting Standards -Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASE I 0, AASE 124 & AASE I 049], applicable for reporting periods commencing 1 January 2016. AASB 2015-6 extends the scope of AASB 124 Related Party Disclosures to not-for-profit public sector entities. Guidance has been included to assist the application of the Standard by not-for-profit public sector entities. The amending standard will result in extended disclosures on the entity's key management personnel, and the related party transactions.

Note 2. Income from transactions

	2016 $	**2015 $**
(a) Grants		
Grants from Department of Premier and Cabinet	**7,431,908**	6,736,405
Other grants from Victorian Government agencies	**2,059,385**	1,283,998
Total grants	**9,491,293**	8,020,403
(b) Provision of services		
Training for Departmental Graduate Recruitment Scheme	**1,017,236**	I,342,758
Other services	**1,204,452**	2,064,920
Total provision of services	**2,221,688**	3,407,678

	2016 $	2015 $

Note 3. Expenses from transactions

Expenses from transactions includes:

	2016 $	2015 $
(a Employee expenses		
Salaries and wages	**5,062,202**	4,993,040
Superannuation		
- Defined contribution plans	**414,025**	377,057
- Defined benefits plans	**120,234**	138,861
Annual and long service leave expense	**302,287**	794,732
On-costs	**405,040**	344,561
Total employee expenses	**6,303,788**	6,648,251
(b) Depreciation		
Building fitouts	**94,226**	94,226
Office and computer equipment	**2,934**	11,158
Motor vehicles under finance lease	**15,974**	10,966
Intangible assets	**55,971**	55,970
Total depreciation	**169,105**	172,320
(c) Supplies and services		
Purchase of services	**2,197,474**	2,425,378
Rent and outgoings	**442,312**	471,663
Other	**1,168,223**	1,694,484
Total supplies and services	**3,808,009**	4,591,525

Note 4. Receivables

	2016 $	2015 $
Current:		
Contractual		
Debtors	**678,720**	658,519
	678,720	658,519
Statutory		
Amounts receivable from government departments	**5,845,501**	4,516,010
GST recoverable	**21,532**	23,422
	5,867,033	4,539,432
Total current receivables	**6,545,753**	5,197,951
Non-current:		
Statutory		
Amounts receivable from government departments	**106,538**	78,757
Total non-current receivables	**106,538**	78,757
Total receivables	**6,652,291**	5,276,708

Note 9 discloses the maturity analysis of contractual receivables and the nature and extent of risks arising from contractual receivables.

Note 5. Property, plant and equipment

	2016 $	2015 $
Building fitouts – at cost	**943,790**	943,790
Less: accumulated depreciation	**(851,366)**	(757,140)
	92,424	186,650
Office and computer equipment – at fair value	**87,590**	98,170
Less: accumulated depreciation	**(80,766)**	(88,412)
	6,824	9,758
Motor vehicles under finance lease - at cost	**91,771**	79,896
Less: accumulated depreciation	**(17,951)**	(14,647)
	73,820	65,249
Total property, plant and equipment	**173,068**	261,657
Reconciliation of carrying amounts		
Building fitouts		
Carrying amount at start of the year	**186,650**	280,876
Depreciation expense (note 3)	**(94,226)**	(94,226)
Carrying amount at end of the year	**92,424**	186,650
Office and computer equipment		
Carrying amount at start of the year	**9,758**	10,143
Additions		10,773
Depreciation expense (note 3)	**(2,934)**	(11,158)
Carrying amount at end of the year	**6,824**	9,758
Motor vehicles underfinance lease		
Carrying amount at start of the year	**65,249**	50,777
Additions	**34,977**	105,544
Disposals	**(10,432)**	(80,106)
Depreciation expense (note 3)	**(15,974)**	(10,966)
Carrying amount at end of the year	**73,820**	65,249

	Carrying amount	Fair value measurement using: Level 1	Level 2	Level 3
	$	$	$	$
Fair value measurement hierarchy* at 30 June 2016				
Office and computer equipment	**6,824**			**6,824**
Fair value measurement hierarchy* at 30 June 2015				
Office and computer equipment	9,758			9,758

* See fair value hierarchy in note I (b)

There have been no transfers between levels during the period.

	2016 $	2015 $

Plant and equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2016. For all assets measured at fair value, the current use is considered the highest and best use.

Reconciliation of Level 3 fair value	Office and computer equipment	
Opening balance	**9,758**	10,143
Additions		10,773
Depreciation	**(2,934)**	(11,158)
Closing balance	**6,824**	9,758

Description of significant unobservable inputs to Level 3 valuations

	Valuation technique	Significant Unobservable Inputs
Office and computer equipment	Depreciated replacement cost	Cost per unit Useful life of office and computer equipment

The significant unobservable inputs have remain unchanged from 2015.

Note 6. Intangible assets

Capitalised software development - at cost	**391,793**	391,793
Less: accumulated depreciation	**(223,882)**	(167,911)
Total intangible assets	**167,911**	223,882
Reconciliation of carrying amounts		
Carrying value at start of the year	**223,882**	279,852
Depreciation expense (note 3)	**(55,971)**	(55,970)
Carrying value at end of the year	**167,911**	223,882

	2016 $	2015 $

Note 7. Provisions

	2016 $	2015 $
Current:		
Employee benefits		
- Annual leave		
Unconditional and expected to be paid within 12 months	**376,283**	377,817
Unconditional and expected to be paid after 12 months	**44,140**	60,072
- Long service leave		
Unconditional and expected to be paid within 12 months	**163,316**	175,129
Unconditional and expected to be paid after 12 months	**783,476**	908,540
- Performance bonus	**56,323**	56,313
	1,423,538	1,577,871
Non-current:		
Employee benefits		
- Long service leave	**133,580**	185,907
Total provisions	**1,557,118**	1,763,778

Note 8. Borrowings

	2016 $	2015 $
Secured		
Current lease liabilities	**16,776**	21,483
Non-current lease liabilities	**57,812**	43,865
Total borrowings	**74,588**	65,348

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

Assets pledged as security

	2016 $	2015 $
The carrying amounts of assets pledged as security are:		
Motor vehicles under finance lease	**73,820**	65,249

Note 9 discloses the maturity analysis of borrowings and the nature and extent of risks arising from borrowings.

Note 9. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(b) Categorisation of financial instruments

Financial assets	Note	Category	Carrying amount 2016 $	2015 $
Cash		Cash	**600**	600
Receivables*	4	Loans and receivables	**678,720**	658,519
			679,320	659,119
Financial liabilities				
Creditors and accruals		Financial liabilities at amortised cost	**337,257**	384,435
Borrowings	8	Financial liabilities at amortised cost	**74,588**	65,348
			411,845	449,783

Net holding gain/(loss) on financial instruments by category:

Financial assets	Category	2016	2015
Cash	Cash	**-**	-
Receivables *	Loans and receivables	**-**	-
		-	-
Financial liabilities			
Creditors and accruals	Financial liabilities at amortised cost	**-**	-
Borrowings	Financial liabilities at amortised cost	**(1,635)**	(2,682)
		(1,635)	(2,682)

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

The net holding gains or losses disclosed above are determined as follows:

- For cash and receivables, the net gain or loss is calculated by taking the interest revenue, minus any impairment recognised in the net result; and
- For financial liabilities measured at amortised cost, the net gain or loss is the related interest expense.

(c) 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 insignificant because the main debtor is the Victorian Government. For debtors other than government, it is the Commission 's policy to only deal with entities with high credit ratings and to obtain sufficient collateral or credit enhancements where appropriate. The Commission does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Commission's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Financial assets that are either past due or impaired
As at the reporting date, there was no event to indicate that any of the financial assets were impaired. 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. Currently the Commission does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

The following table discloses the ageing analysis for the Commission's contractual financial assets:

	Carrying amount $	Not past due and not impaired $	Past due but not impaired: Less than 1 month $	1-3 months $	3 months -1 year $	1-5 years $
2016						
Receivables	**678,720**	**192,714**	**392,271**		**93,735**	
2015						
Receivables	658,519	374,388	249,752	34,379		

The carrying amounts disclosed here exclude statutory amounts.

(d) 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 periods' data and current assessment of risk. Maximum exposure to liquidity risk is the carrying amounts of financial liabilities. The Commission manages its liquidity risk by maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short term obligations.

The following table discloses the contractual maturity analysis for the Commission's financial liabilities:

	Carrying amount $	Nominal amount $	Maturity dates*: Less than 1 month $	1-3 months $	3 months -1 year $	1-5 years $	Greater than 5 years $
2016							
Creditors and accruals	**337,257**	**337,257**	**337,257**				
Borrowings	**74,588**	**79,923**	**1,656**	**3,312**	**14,902**	**60,053**	
	411,845	**417,180**	**338,913**	**3,312**	**14,902**	**60,053**	
2015							
Creditors and accruals	384,435	384,435	384,435				
Borrowings	65,348	70,449	12,159	2,111	9,501	46,678	
	449,783	454,884	396,594	2,111	9,501	46,678	

* The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.

(e) Market risk

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

(f) Fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

None of the classes of financial assets and liabilities are readily traded in organised markets in standardised form.

	2016 $	2015 $

Note 10. Commitments for expenditure

Outsourcing commitments

Commitments under outsourcing for recruitment services, payable:

	2016 $	2015 $
Within one year	**454,524**	454,524
Later than one year but not later than five years	**378,770**	833,293
	833,293	1,287,817

Operating lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases, not recognised as liabilities, are payable as follows:

	2016 $	2015 $
Within one year	**47,449**	106,932
Later than one year but not later than five years		113,333
	47,449	220,265

Finance lease liabilities

Commitments in relation to finance leases are payable as follows:

	2016 $	2015 $
Within one year	**19,870**	23,771
Later than one year but not later than five years	**60,053**	46,678
Minimum lease payments	**79,923**	70,449
Less: future finance charges	**(5,335)**	(5,101)
Total lease liabilities	**74,588**	65,348

Shown in the financial statements (note 8) as:

	2016 $	2015 $
Current	**16,776**	21,483
Non-current	**57,812**	43,865
	74,588	65,348

Note 11. Contingent assets and contingent liabilities

There were no contingent assets or contingent liabilities for the Commission at 30 June 2016 or 30 June 2015.

Note 12. Responsible persons

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

Responsible Minister — The Hon Daniel Andrews, MP, Premier

Accountable Officer — Belinda Clark, Victorian Public Sector Commissioner

Remuneration

Remuneration received or receivable by the Accountable Officer, in connection with the management of the Commission, was in the income bands in the table below.

Income band	2016 No.	2015 No.
$450,000 - $459,999	**-**	-
$460,000 - $469,999	**1**	-

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet. For information regarding related party transactions of Ministers, the register of members' interests is publicly available from: www.parliament.vic.go v.au/publications/register-of-interests.

Other transactions

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

Note 13. Remuneration of executives

The number of executive officers, other than Ministers and the Accountable Officers, whose total remuneration exceeded $100,000 during the period, are shown in the first two columns of the table below in their relevant income bands. The base remuneration of these executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

	Total remuneration		Base remuneration	
Income band	2016 No.	2015 No.	2016 No.	2015 No.
$40,000 - $49,999			**1**	
$70,000 - $79,999				
$130,000 - $139,999	**1**		**1**	
$150,000 - $159,999				
$160,000 - $169,999	**1**			
$170,000 - $179,999				
$180,000 - $189,999			**2**	
$190,000 - $199,999	**2**			
$210,000 - $219,999				
$220,000 - $229,999	**1**		**1**	
$230,000 - $239,999			**1**	
$240,000 - $249,999	**1**			
$250,000 - $259,999				
$260,000 - $269,999				
Total numbers	**6**	5	**6**	5
Total amount ($)	**$1,153,488**	1,018,471	**$1,004,151**	872,520
Total annualised employee equivalents	**4.6**	4.5	**4.6**	4.5

Note 14. Remuneration of auditors

Audit fees paid or payable to the Victorian Auditor-General's Office

	2016 $	2015 $
Audit of the annual financial statements	15,900	15,500

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

Note 15. Superannuation

Employees of the Commission are entitled to receive superannuation benefits and the Commission contributes to both defined benefit and defined contribution plans. The defined benefit plans provide benefits based on years of service and final average salary.

The Commission does not recognise any defined benefit liability in respect of the plans because the Commission has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities as an administered item in its financial statements.

However, superannuation contributions paid or payable for the reporting period are included as part of employee expenses in the comprehensive operating statement of the Commission.

The Commission made contributions to the following major employee superannuation funds during the period :

Defined benefit funds	Emergency Services and State Super
	- Revised Scheme
	- New Scheme
Defined contribution funds	VicSuper

The Commission does not have any contributions outstanding to the above funds and there have been no loans made from the funds. The bases for contributions are determined by the various schemes.

Note 16. Reconciliation of net result to net cash flows from operating activities

	2016 $	2015 $
Net result		
Non Cash Movements	**1,325,461**	(61,368)
Depreciation	**169,105**	172,320
(Profit)/loss on disposal of non-current assets		
Change in operating assets and liabilities:	**(386)**	1,606
(Increase)/decrease in receivables	**(1,375,583)**	(427,545)
(Increase)/decrease in prepayments	**(412,636)**	(16,125)
Increase/(decrease) in creditors and accruals	**(47,178)**	213,627
Increase/(decrease) in provisions	**(206,660)**	117,706
Increase/(decrease) in other liabilities	**562,796**	23,962
Net cash flows from operating activities	**14,919**	24,183

Note 17. Glossary of terms

Administered item
Administered item generally refers to a department lacking the capacity to benefit from that item in the pursuit of the department's objectives and to deny or regulate the access of others to that benefit.

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

Capital asset charge
A charge levied on the written-down value of controlled non-current physical assets in the Commission's balance sheet which aims to: attribute to the opportunity cost of capital used in service delivery; and provide incentives to the Commission to identify and dispose of underutilised or surplus assets in a timely manner.

Commitments
Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Comprehensive result
The comprehensive result is the net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

Depreciation
Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transactions'.

Employee benefits
Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and superannuation contributions.

Financial asset
A financial asset is any asset that is:

a) cash;

b) an equity instrument of another entity;

c) a contractual right:
- to receive cash or another financial asset from another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

d) a contract that will or may be settled in the entity's own equity instruments and is:
- a non derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial liability

A financial liability is any liability that is:

a) a contractual obligation:
   - to deliver cash or another financial asset to another entity; or
   - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

b) a contract that will or may be settled in the entity 's own equity instruments and is:
   - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
   - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity 's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements

A complete set of financial statements comprises:

a) a comprehensive operating statement for the period;

b) a balance sheet as at the end of the period;

c) a statement of changes in equity for the period;

d) a cash flow statement for the period;

e) notes, comprising a summary of significant accounting policies and other explanatory information;

f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements;* and

d) a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraph 41 of AASB 101.

Grants

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature. While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non reciprocal transfers.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Interest expense

Costs incurred in connection with the borrowing of funds. Interest expense includes interest on bank overdrafts and short term and long term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – other comprehensive income'.

Net result from transactions

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'.

Other economic flows included in net result

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. They include gains and losses from disposal, revaluation and impairment of non current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans and fair value changes of financial instruments. In simple terms, they are changes arising from market re-measurements.

Payables

Includes short and long term trade debt and accounts payable, grants and interest payable.

Receivables

Includes short and long-term trade credit and accounts receivable, grants, taxes and interest receivable.

Sales of goods and services

Refers to revenue from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods, fees from regulatory services, work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land.

Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Commission.

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

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 4.2 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, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2016 and the financial position of the Commission as at 30 June 2016.

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 20 September 2016.

Ingrid Klein
Chief Financial Officer

Belinda Clark
Victorian Public Sector Commissioner

Melbourne 20 September 2016

VAGO

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INDEPENDENT AUDITOR'S REPORT

To the Commissioner, Victorian Public Sector Commission

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of the Victorian Public Sector Commission which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting offiicier's declaration.

The Commissioner's Responsibility for the Financial Report

The Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994,* and for such internal control as the Commissioner determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994,* my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioner, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report {continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975.* The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, my staff and I complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Public Sector Commission as at 30 June 2016 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994.*

Andrew Greaves
Auditor-General

Melbourne 23 September 2016