



Australian Government
Productivity Commission

Productivity Commission

Annual Report

2018-19



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Publications enquiries

Media, Publications and Web, phone: (03) 9653 2244 or email: mpw@pc.gov.au

About the Productivity Commission

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission's website (www.pc.gov.au).



Australian Government
Productivity Commission

Locked Bag 2
Collins Street East
Melbourne VIC 8003
Telephone 03 9653 2100
Facsimile 03 9653 2199
www.pc.gov.au

From the Chair's Office

1 October 2019

The Hon Josh Frydenberg MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

I am pleased to present to you the Productivity Commission's *Annual Report for 2018-19*.

The Report has been prepared in accordance with section 10 of the *Productivity Commission Act 1998*. It has also been prepared in accordance with all obligations of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), including section 46, which requires that you present the report in Parliament.

The Report contains the Productivity Commission's annual performance statement and annual financial statements for the period 2018-19 as required by sections 39(1)(b) and 43(4) of the PGPA Act.

As required by section 10 of the Public Governance, Performance and Accountability Rule 2014, I certify that the Commission:

- fraud risk assessments and fraud control plans
- had in place appropriate fraud prevention, detection, investigation and reporting mechanisms to meet its specific needs
- took all reasonable measures to appropriately deal with fraud.

Yours sincerely

Michael Brennan
Chair

Contents

| | |
|--|-----------|
| Letter of transmittal | iii |
| Foreword | vii |
| 1 About the Commission | 1 |
| The Commission's role | 1 |
| Commissioners and staff | 2 |
| 2 Annual Performance Statement | 5 |
| Introductory statement | 5 |
| Entity purpose | 5 |
| Results | 5 |
| 3 The year in review: Commission activities | 11 |
| Public inquiries and commissioned studies | 11 |
| Performance reporting and other services to government bodies | 14 |
| Competitive neutrality complaints activities | 16 |
| Other research activities and annual reporting | 16 |
| 4 The policy and wider impact of Commission activities | 19 |
| Assessing the Commission's performance | 19 |
| Generating effective debate | 19 |
| Transparency and community engagement | 22 |
| Timeliness and cost effectiveness | 24 |
| Commission Capabilities, Linkages and Networks | 25 |
| 5 Management and accountability | 27 |
| Commissioners and staff | 27 |
| Outcome objective and resources | 30 |

| | |
|--|-----------|
| Governance | 31 |
| External and internal scrutiny | 33 |
| Management of human resources | 34 |
| Financial performance | 38 |
| Other reporting requirements | 38 |
| 6 Financial Statements | 43 |
| Independent Audit Report | 43 |
| Statement by the Chair and Chief Finance Officer | 45 |
| Statement of Comprehensive Income | 46 |
| Statement of Financial Position | 47 |
| Statement of Changes in Equity | 48 |
| Cash Flow Statement | 50 |
| Overview | 51 |
| Notes to and forming part of the Financial Statements | 52 |
| Appendix | 69 |
| Executive remuneration | 69 |
| Accountable authority | 73 |
| Resource statement | 73 |
| Human resources | 74 |
| Indexes | 85 |
| Annual reporting requirements and aids to access | 85 |
| List of Requirements – non-corporate Commonwealth entities | 86 |
| Index | 93 |
| Abbreviations | 96 |

Foreword



During 2018-19, the Commission provided evidence-based policy and informed the public debate on a range of topics of significance to the Australian community.

During the year we completed four inquiries commissioned by the Australian Government on the diverse topics of: compensation and rehabilitation for veterans; the economic regulation of airports; the effectiveness of the implementation of the Murray-Darling Basin Plan; and the efficiency and competitiveness of the superannuation system.

We also completed our first review of sector-wide agreements between the Australian and State and Territory Governments, which examined the National Disability Agreement. And we conducted a joint project with our colleagues at the New Zealand Productivity Commission on growing the digital economy in Australia and New Zealand.

The Commission is increasingly active in Indigenous policy. 2018-19 saw the appointment of a new Commissioner to oversee the Commission's work to develop a whole-of-government evaluation strategy for policies and programs affecting Aboriginal and Torres Strait Islander people. This is in addition to our ongoing reporting on outcomes for Indigenous people, and many inquiries and studies that consider issues affecting Aboriginal and Torres Strait Islander people and communities.

During the year, we released research that took stock of the evidence on inequality. This research sought to inform the discussion of inequality and its social impacts by bringing together the latest and most complete evidence measuring the level of and trends in inequality, poverty and disadvantage in Australia. We also released research that examined the demand driven university system using administrative, population and longitudinal data.

We continued to fulfil our legislated role to promote public understanding of matters relating to industry, industry development and productivity, including through our annual Trade and Assistance Review and Productivity Bulletin publications. The latter highlighted some of the challenges for productivity growth facing Australia.

The twenty-fourth edition of the Report on Government Services (RoGS) was published in 2018-19, providing comparative performance information on government service delivery areas. A staged transition to interactive online reporting of this material commenced for the 2019 RoGS.



New inquiries and studies referred to us by the Australian Government during the year and currently underway include those on mental health, national transport regulatory reform, expenditure on children in the Northern Territory, and remote area tax concessions and payments.

In 2018-19, the Commission farewelled former Chair Peter Harris and Deputy Chair Karen Chester. Both Peter and Karen made enormous contributions to the life of the Commission and to the broader policy debate in Australia. On behalf of all the Commissioners, I thank them for the energy, intellect and commitment they brought to this institution.

I would also like to thank the Commission's staff and my fellow Commissioners for their hard work over the course of the year, and for making me feel welcome from September 2018.

Michael Brennan
Chair

Commissioners



Michael Brennan
Chair



Julie Abramson
Commissioner



Ken Baxter
Commissioner



Jonathan Coppel
Commissioner



Jane Doolan
Commissioner



Lisa Gropp
Commissioner



Stephen King
Commissioner



Paul Lindwall
Commissioner



Angela MacRae
Commissioner



Romlie Mokak
Commissioner



Malcolm Roberts
Commissioner



Richard Spencer
Commissioner



1 About the Commission

The Commission's role

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its remit covers all sectors of the economy, with a view to better informing policy making to raise national productivity and living standards.

The Productivity Commission's outcome objective is:

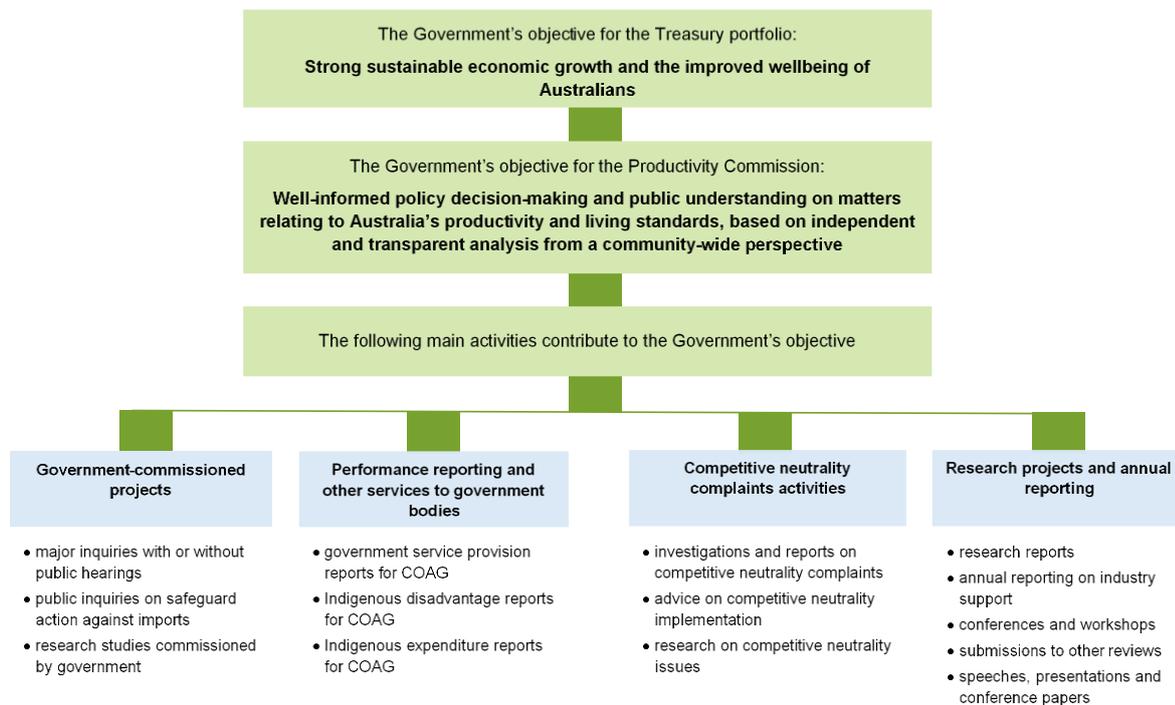
Well-informed policy decision making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective.

This objective is pursued in four broad work streams:

- government-commissioned inquiries and studies
- other research projects and annual reporting on industry support
- performance reporting and related analysis of Commonwealth and State service provision
- competitive neutrality complaints (outlined in figure 1).

The Commission's activities over 2018-19 are outlined in section 3.

Figure 1 Main activities of the Productivity Commission



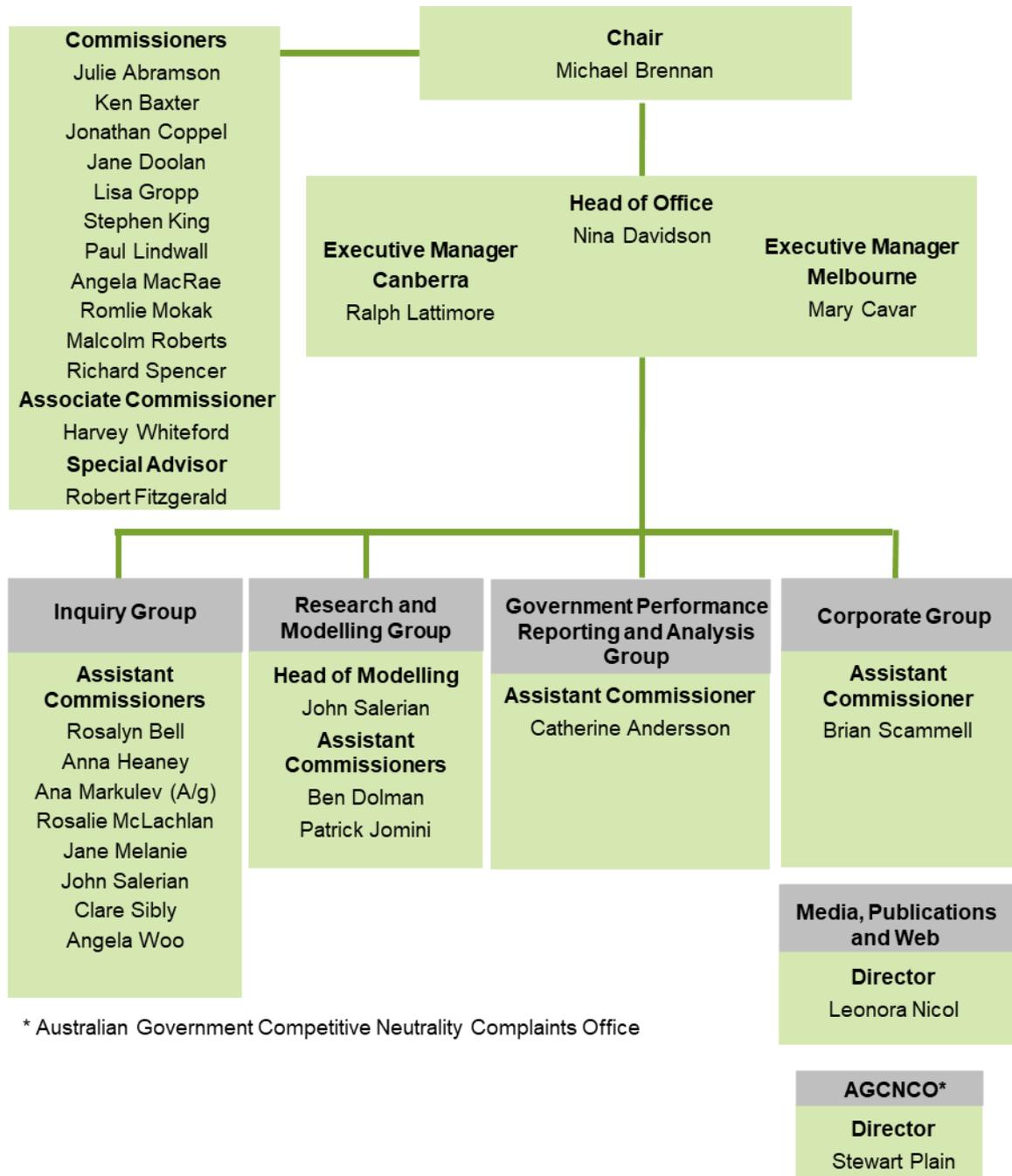
Commissioners and staff

The Commission comprises its Chair and between four and twelve other Commissioners, appointed by the Governor-General for periods of up to five years. Associate Commissioners can be appointed by the Treasurer for terms of up to five years or for the duration of specific inquiries. At 30 June 2019, there were twelve members of the Commission, including the Chair, and one Associate Commissioner, Professor Harvey Whiteford, appointed for an inquiry into mental health. Six Commissioners held part-time appointments. A further full-time member was appointed to commence on 1 July 2019.

The work of the Commission is assisted by employees who are employed under the *Public Service Act 1999*. In 2018-19, the average staffing level was 168.

The Commission's structure and senior staff at 30 June 2019 are shown in figure 2.

Figure 2 Commission structure and senior staff, 30 June 2019



Note: Dr Catherine de Fontenay was appointed in April 2019 as a full-time Commissioner from 1 July 2019. Robert Fitzgerald's term as a Commissioner finished on 27 April 2019, after which he served as a special advisor until 30 June 2019.

2 Annual Performance Statement

Introductory statement

This annual performance statement meets the Productivity Commission's requirements under s. 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (Cwlth) (PGPA Act) for the 2018-19 financial year, and accurately reflects the entity's performance in accordance with s. 39(2) of the PGPA Act.

Entity purpose

The Commission's purpose, as embodied in the *Productivity Commission Act 1998* (Cwlth), is to provide governments and the Australian community with information and advice that better informs policy decisions to improve Australians' wellbeing. The Commission applies robust, transparent analysis, and adopts a community-wide perspective.

Results

The Commission has assessed its performance against six criteria associated with its impact and delivery. In 2018-19, the Commission has performed consistent with these criteria. These are: providing a valuable source of robust evidence-based analysis; generating effective public debate; being recognised as valuable by other governments; engaging effectively with the community; having open and transparent processes; and delivering timely reports. Performance against the Commission's impact and delivery indicators is summarised below, with analysis presented in more detail in section 4.

A number of factors complicate the assessment of the Commission's performance. The Commission is only one contributor among many to the Australian policy debate and policy decision making; and the nature, scope and timing of projects commissioned by the Australian Government varies from one year to the next. Further, the Commission's inquiry and research outputs contribute over periods of years to the public debate and policy development on a range of complex and often contentious issues. Their impact can go far beyond their immediate release. This means that the Commission's contribution is best considered over the medium term.

Given the nature of its work, the Commission relies mainly on qualitative indicators of performance, with quantitative indicators helping to inform the assessment in some areas. The Commission undertakes periodic surveys of stakeholders to help gauge the relevance,



analytical rigour and clarity of its work, as well as the effectiveness of its participatory processes and its openness and transparency. Such a survey informed the 2017-18 Annual Performance Statement, with the next due for 2020-21.

Impact Criterion The Productivity Commission is a valuable source of evidence-based analysis to inform public policy in Australia.

Source: Corporate Plan 2018–22, p. 7; Portfolio Budget Statement 2019-20, p. 314.

In 2018-19, the demand for the Commission to undertake work on complex policy issues continued from the high level set in the previous year. The Commission received references from the Government for six new projects, including on mental health and national transport regulatory reform. The Commission has also been asked to develop a whole-of-government evaluation strategy, to be used by all Australian Government agencies, for policies and programs affecting Aboriginal and Torres Strait Islander people.

The Commission completed six government-commissioned inquiries and studies on a diverse set of topics during 2018-19, including an inquiry into the efficiency and competitiveness of the superannuation system, and an inquiry into compensation and rehabilitation for veterans, which outlined proposals for a better way to support veterans. The Commission also completed its first five-yearly assessment of the Murray-Darling Basin Plan.

In 2018-19, the Commission completed its first review of nationally significant sector-wide agreements between the Australian, State and Territory governments, with a review of the National Disability Agreement. In addition, the Commission continued its annual reporting of Australian Government assistance to industry

The Commission continued to provide secretariat, research and report preparation services to the Steering Committee for the Review of Government Service Provision. It also published its second update of the COAG Performance Reporting Dashboard.

Impact Criterion The Productivity Commission generates effective public debate.

Source: Corporate Plan 2018–22, p. 7; Portfolio Budget Statement 2019-20, p. 314.

Contributions to parliamentary debate and the extent of media coverage indicate high public interest in the Commission's work and its potential influence.

During 2018-19, about 92 federal members and senators referred to at least 33 different Commission reports or inquiries, or to the Commission's role in policy processes. During the 2018-19 sittings of state and territory parliaments, about 127 members referred to 44 different Commission publications or inquiries, the Report on Government Services, or to the Commission's role.

Throughout the year, the Commission released videos to coincide with the release of its draft reports for the *Murray-Darling Basin Plan: Five-year Assessment* and *Compensation and Rehabilitation for Veterans* in order to reach a wide audience of interested parties.

The Commission rated, on average, more than 210 mentions a month in media in connection with the six completed inquiries and studies in 2018-19. The Commission's self-initiated research reports also informed the public debate, including *Rising Inequality? A stocktake of the evidence*, which brought together the latest and most complete evidence on inequality.

The Commission's reports also continued to be widely cited in academic literature in 2018-19, including recent reports, such as the 2017 *Shifting the Dial: 5 Year Productivity Review*, and older reports, such as the 2001 *Australian Gambling Industries* inquiry.

Impact Criterion **The Productivity Commission is recognised as a model for evidence-based policy analysis worthy of consideration by other governments.**

Source: Corporate Plan 2018–22, p. 7; Portfolio Budget Statement 2019-20, p. 314.

In 2018-19, the Commission was approached by other governments interested in its institutional arrangements, how it approaches its work and to discuss the outcomes of specific inquiries.

The Commission briefed visiting officials and delegations from ten countries. The Commission also engaged with officials in China, Brazil, the Philippines and France on a range of topics, including the role of the Commission and productivity measurement and growth.

The OECD and IMF cited the Commission’s work in 68 reports published throughout the year. This included references to the superannuation and horizontal fiscal equalisation inquiries, and the *Report on Government Services 2018*, along with older reports such as *Waste Generation and Resource Efficiency* (2006).

In 2018-19, the Commission continued to develop its strong relationship with the New Zealand Productivity Commission, collaborating with it on a report commissioned by both governments on growing the digital economy.

Delivery Criterion **The Productivity Commission engages effectively with the community.**

Source: Corporate Plan 2018–22, p. 7; Portfolio Budget Statement 2019-20, p. 314.

In 2018-19, the Commission’s processes provided opportunities for extensive public input and feedback through hearings, workshops and other consultative forums, and the release of draft reports and preliminary findings.

The Commission conducted public hearings, and/or roundtable discussions with interested parties for all of the major projects commissioned by the Government. For most projects, the Commission published a preliminary paper outlining relevant issues and calling for public submissions shortly after it received the terms of reference. In the case of public inquiries, there was an opportunity for interested parties to make submissions in advance of public hearings and following the release of a draft report.

A number of inquiries provided opportunities for ‘brief comments’, a more informal avenue for feedback than submissions. The *Mental Health* inquiry received 180 brief comments during 2018-19, in addition to the 537 submissions it received following the release of the issues paper in January 2019. To inform its development of an Indigenous evaluation strategy, the Commission commenced taking oral submissions.

Delivery Criterion The Productivity Commission's processes are open and transparent.

Source: Corporate Plan 2018–22, p. 7; Portfolio Budget Statement 2019-20, p. 314.

The Commission operates under the powers, protection and guidance of its own legislation. Its independence is formally exercised under the *Productivity Commission Act 1998* (Cwlth) through the Chair and Commissioners, who are appointed by the Governor-General for fixed periods.

The Commission has its own budgetary allocation and a small permanent staff, operating at arm's-length from other government agencies. While the Government initiates the Commission's inquiries and studies, the Commission's findings and recommendations are based on its own analysis and judgment.

The Commission's objectivity and independence are key strengths of its work. The Commission delivers high quality advice by ensuring analysis and judgements are scrutinised and draw on public input.

The Commission's advice to government, and the information and analysis on which it is based, continued to be open to public scrutiny in 2018-19. As noted above, the Commission's processes provided for extensive public input and feedback through hearings, workshops and other consultative forums, and through the release of draft reports. For example, the Commission conducted 12 days of public hearings in a range of locations around Australia for the *Compensation and Rehabilitation for Veterans* inquiry.

In addition, the Commission made a number of key data sets and modelling publicly available to support the release of its reports in 2018-19. These data sets included the analysis conducted for the superannuation and horizontal fiscal equalisation inquiries.

Delivery Criterion The Productivity Commission delivers reports within agreed timeframes.

Source: Corporate Plan 2018–22, p. 7; Portfolio Budget Statement 2019-20, p. 314.

All of the major projects completed in 2018-19 were done so within the timeframes originally established by Government, or as subsequently varied by Government. The timing of tabling of commissioned inquiry reports, following completion of a project, is a matter for Government.

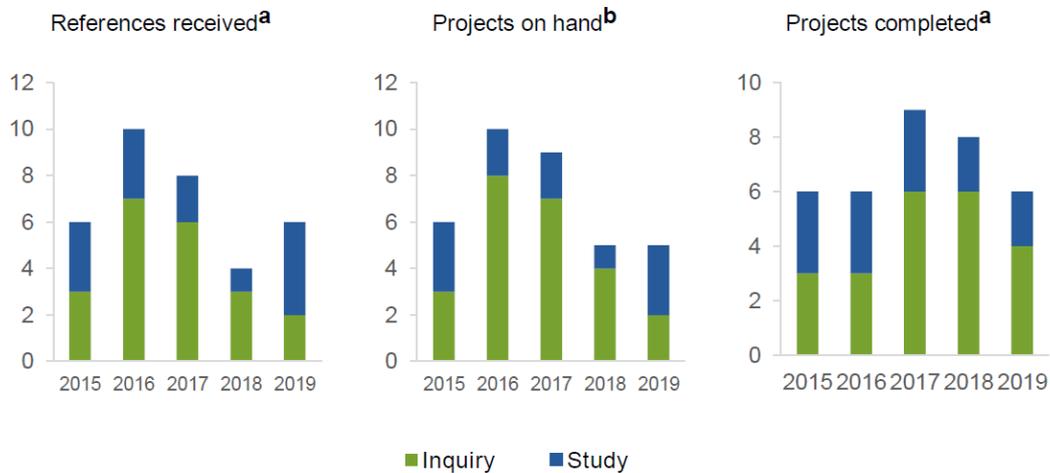
3 The year in review: Commission activities

Public inquiries and commissioned studies

The Commission commenced six new projects at the request of the Australian Government in 2018-19. This follows the commencement of five new projects in 2017-18.

- In March 2018, the Prime Ministers of Australia and New Zealand announced a review into how Australia and New Zealand can work together to remove barriers to growing the digital economy between the two countries and within the region. The study, which was directed to commence in September 2018, was jointly conducted by the Australian Productivity Commission and the New Zealand Productivity Commission. The study report was released in February 2019.
- In November 2018, the Government asked the Commission to undertake an inquiry into the role of mental health in supporting social and economic participation, and enhancing productivity and economic growth. The terms of reference asked the Commission to make recommendations on measures to improve mental health that will produce higher social and economic participation benefits over the long term. The Commission will release a draft report in late October 2019.
- The Commission commenced a review into the zone tax offset and related remote area tax concessions and payments in February 2019. The draft study report, released in September 2019, evaluated the objectives, design, operation and effects of the zone tax offset, fringe benefits tax remote area concessions and the Remote Area Allowance. It also considered alternatives to these concessions and payments. The final study report will be released in February 2020.
- In April 2019, the Commission commenced a review of the Australian and Northern Territory Governments' expenditure on children and family services in the Northern Territory. The Commission is to consider the objectives, governance and implementation of current funding arrangements; and principles and approaches for governance and funding to promote better outcomes. The Commission will release a draft report in November 2019.
- The Government asked the Commission to review national transport regulatory reform in April 2019. The inquiry is to investigate the long-run economic impacts of the reforms agreed by the Council of Australian Governments (COAG) in 2008-09, which related to heavy vehicle safety and productivity, rail safety and maritime safety. The review is also to consider reforms to further integrate the national market for transport services. The Commission will release a draft report in November 2019.

Figure 4 Projects commenced, on hand and completed



^a Figures are for financial years. ^b As at 30 June 2019.

Six inquiries or studies were completed in 2018-19, including the joint study with the New Zealand Productivity Commission on growing the digital economy. Other completed inquiries or studies were:

- an inquiry into compensation and rehabilitation for veterans, which examined how the current compensation and rehabilitation system for veterans operates, how it should operate into the future, and whether it is ‘fit for purpose’
- a review of the economic regulation of airports, which assessed the light-handed approach to airport regulation against the objectives of promoting economically efficient operation of and investment in airports, minimising compliance costs and facilitating commercially negotiated outcomes
- the first five-year assessment of the Murray-Darling Basin Plan, which made findings on progress to date in implementing the Basin Plan and recommendations on actions required to ensure effective achievement of Basin Plan outcomes
- the third and final stage of the superannuation inquiry, which assessed the efficiency and competitiveness of the superannuation system and made recommendations to improve outcomes for members and system stability
- a review of the National Disability Agreement, the first of the Commission’s reviews of nationally significant sector-wide agreements. The Commission considered the relevance of the agreement in the context of contemporary policy settings and whether it needed updating.

Further information on public inquiries and commissioned studies undertaken during 2018-19 is available on the Commission’s website. Trends in public inquiry activity and participation over the past five years are shown in figures 4 and table 1.

Table 1 **Public inquiry and other commissioned project activity, 2014-15 to 2018-19**

| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|---------|---------|---------|---------|---------|
| Public inquiries | | | | | |
| Inquiry references received | 3 | 7 | 6 | 3 | 2 |
| Issues papers released ^a | 3 | 6 | 5 | 5 | 3 |
| Public hearings (sitting days) ^b | 14 | 19 | 20 | 23 | 23 |
| Organisations/people visited | 205 | 594 | 626 | 519 | 395 |
| Submissions received | 941 | 955 | 1302 | 610 | 1499 |
| Draft reports ^c | 3 | 3 | 7 | 4 | 3 |
| Inquiry reports completed | 3 | 3 | 6 | 6 | 4 |
| Inquiries on hand (at 30 June) | 3 | 8 | 7 | 4 | 2 |
| Research studies | | | | | |
| References received | 3 | 3 | 2 | 1 | 4 |
| Submissions received | 131 | 72 | 544 | 210 | 166 |
| Draft reports | 1 | 2 | 4 | 0 | 0 |
| Research reports completed | 3 | 3 | 3 | 2 | 2 |
| Studies on hand (at 30 June) | 3 | 2 | 2 | 1 | 3 |
| Total references | | | | | |
| Total references received | 6 | 10 | 8 | 4 | 6 |
| Total references completed | 6 | 6 | 9 | 8 | 6 |
| Total references on hand (at 30 June) | 6 | 10 | 9 | 5 | 5 |

^a Includes issues papers or equivalents, such as discussion papers and guidance notes. ^b Excludes forums and roundtable discussions. ^c Includes all types of draft reports.

Performance reporting and other services to government bodies

The Commission provides secretariat services to the Steering Committee for the Review of Government Service Provision, and has done so since the Review's commencement in 1993. The Steering Committee's major outputs are a collaborative effort, with more than 80 Commonwealth, State and Territory government agencies contributing to: the *Report on Government Services*; the *Overcoming Indigenous Disadvantage: Key Indicators* report; and the *Indigenous Expenditure Report*.

Report on Government Services

The *Report on Government Services 2019* was the twenty-fourth in this series. The Report provides comparative performance information on 17 government service delivery areas that contribute to the wellbeing of Australians — spanning child care, education and training, health, justice, community services, emergency management, housing and homelessness. The services covered in the 2019 Report collectively account for \$235 billion of government recurrent expenditure, equivalent to about 14 per cent of GDP. As part of the continued development of the Report, a staged transition to interactive online reporting commenced in 2018-19 with the transition of Housing and Homelessness material.

Complementary to the national performance reporting on government services, the first pilot review on ‘what works’ to improve service outcomes was completed. The review considered what works to support carers of older people with dementia to prevent or delay entry into residential aged care. A second review, which relates to systems for protecting children, is due to be completed in 2019-20.

Reporting specific to Aboriginal and Torres Strait Islander Australians

The *Overcoming Indigenous Disadvantage: Key Indicators (OID)* report, commissioned by COAG in 2002, measures the wellbeing of Aboriginal and Torres Strait Islander Australians. The latest report was the seventh edition of the report and was released in November 2016.

COAG agreed to the reporting of Indigenous expenditure in 2007, with the Productivity Commission assuming secretariat responsibilities in November 2008. The *Indigenous Expenditure Report (IER)* seeks to contribute to understanding of the levels and patterns of expenditure on services for Aboriginal and Torres Strait Islander Australians across over 150 expenditure categories. The report does not attempt to assess the adequacy, effectiveness or efficiency of government expenditure. The latest IER was published in October 2017, and was the fourth edition.

In May 2019, consultations commenced to consider what is produced for these reports (content and presentation) and how it is produced (governance). Outcomes from these consultations will be considered in 2019-20 including implications for the next OID report which is expected to be released in late 2020.

National Agreement reporting

The Commission supports the provision of information to assess performance against the six National Agreements agreed by COAG under the Intergovernmental Agreement on Federal Financial Relations. During 2018-19, the Steering Committee collated performance information for the National Indigenous Reform Agreement, and incorporated applicable indicators and data from the other five National Agreements in its *Report on Government Services*.



Performance Reporting Dashboard

In addition to the reports the Commission publishes on behalf of the Steering Committee for the Review of Government Service Provision, the Commission also maintains the COAG Performance Reporting Dashboard. In 2018-19, the Commission published its second update of the Dashboard, which provides a single, streamlined source of information on progress towards COAG's key commitments.

Competitive neutrality complaints activities

Competitive neutrality policy seeks to ensure that government businesses do not have advantages (or disadvantages) relative to their private sector competitors simply by virtue of their public ownership.

The Australian Government Competitive Neutrality Complaints Office (AGCNCO) operates as a separate unit within the Commission. Its function is to receive and investigate complaints and provide advice to the Treasurer on the application of competitive neutrality arrangements.

In 2018-19, the AGCNCO dealt with queries falling within its remit, although no formal written complaints were received.

The AGCNCO also provides informal advice on, and assists agencies in, implementing competitive neutrality requirements. During 2018-19, the AGCNCO provided advice, on average, about once a fortnight to government agencies or in response to private sector queries. The AGCNCO also provided advice to the Treasury Secretariat conducting a review of the Australian Government's competitive neutrality policy, its implementation and competitive neutrality complaints handling process and to the Government's competitive neutrality inquiry into the ABC and SBS on the application of competitive neutrality obligations to the national broadcasters' activities.

Other research activities and annual reporting

The Commission is required under its Act to undertake research to complement its other activities. It undertakes research to support its role in promoting public understanding of the trade-offs involved in different policy approaches, and how productivity and the living standards of Australians can be enhanced. It also reports annually on the effects of assistance and regulation.

The Commission's research program is guided by government statements on policy priorities, including potential commissioned work; parliamentary debate and committee work; and informal and formal consultations with Australian Government departments, business, community and environmental groups, union bodies and academics.



During the year, the Commission released a research paper bringing together the latest and most complete evidence measuring the prevalence of, and trends in, inequality, economic mobility and disadvantage across Australian society. It also published a research report documenting the costs and benefits of moving to a demand driven university system by comparing access and student outcomes before and after the policy change. In addition, the Commission undertook work on funding and financing of integrated water cycle management, and the housing needs of Australian renters throughout the year.

The Commission released the *PC Productivity Bulletin* in May 2019, which provided an analysis of Australia's recent productivity performance. The Bulletin also considered the linkage between growth in labour productivity and wages, and the implications of the resources boom on Australia's productivity outcomes.

The Commission released the *Trade and Assistance Review 2017-18* in June 2019. The review outlined the latest quantitative estimates of Australian Government assistance to industry and discussed the future of the world trading system.

4 The policy and wider impact of Commission activities

Assessing the Commission's performance

The Commission assesses its overall performance against the following outcome objective:

Well-informed policy decision making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective.

Assessment of the Commission's performance can be complicated by it being one contributor among many to any policy outcome. Its contribution is best considered over the medium term. Even when its specific recommendations are not supported by government, the Commission can play a significant role in helping governments, parliaments and the community understand the trade-offs involved with different policy choices, and in providing data that is a source of reference for policy makers.

The Commission monitors reaction to its work in order to improve its performance and its contribution to public understanding and policy making. Those with an interest in the Commission's reports and users of the Commission's website have the opportunity to provide feedback.

Generating effective debate

Government decisions in response to the Commission's inquiry reports and commissioned research studies provide a tangible indication of their usefulness to the Australian Government, Parliament and the broader community. Combining the degree of acceptance of recommendations with media mentions, mentions in parliaments and downloads of reports, provides an indication of the Commission's success in generating public debate.

Internal review across the six inquiries and studies for which final reports were completed in 2018-19 indicates that two projects generated a high level of public debate — the *Superannuation: Assessing Efficiency and Competitiveness* inquiry and the *Compensation and Rehabilitation for Veterans* inquiry. Two reports generated a medium level of debate — the *Murray-Darling Basin Plan: Five-year assessment* and the inquiry into the *Economic Regulation of Airports*. There were relatively low levels of debate for the review of the National Disability Agreement and the joint study with the New Zealand Productivity Commission on growing the digital economy.



Government responses to most of the reports released in 2018-19 are still pending, with two exceptions. In February 2019, the Australian Government responded to some of the recommendations of the superannuation inquiry (released in January 2019) as part of its response to the Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Around one quarter of the inquiry's recommendations received support from the Australian Government. In August 2019, the Australian and State and Territory Governments responded to the five-year assessment of the Murray-Darling Basin Plan. Governments supported or agreed in principle to most of the 38 recommendations in the report.

During the year, the Australian Government announced responses relating to Commission reports released in previous years.

- In July 2018, the Australian Government released its response to the Commission's 2018 *Horizontal Fiscal Equalisation* inquiry report. The response provided support to eight out of the report's nine recommendations.
- In April 2019, the Australian Government released its response to the Commission's 2017 *National Water Reform* inquiry report. In its response, the Government supported or agreed in principle to all but one of the 24 recommendations. This included agreement in principle to a renewed National Water Initiative by 2020.
- The Australian Government response to the Hayne Royal Commission also responded to a number of the recommendations of the Commission's 2018 *Competition in the Australian Financial System* inquiry.

In addition, the Government announced policy actions consistent with recommendations in previous Commission reports.

- During 2018-19, the Australian Government made a number of changes to the immigration system consistent with the Commission's 2016 *Migrant Intake into Australia* inquiry. For example, the visa points system has been amended to recognise partners of primary applicants that are skilled and/or have a competent level of English. The Government has also announced the formation of a Centre for Population to assist governments and the community better understand how populations are changing and the challenges that change presents.
- The Australian Parliament passed a bill in August 2019 to introduce a Consumer Data Right in Australia — a recommendation from the Commission's 2017 *Data Availability and Use* inquiry. The passage of this legislation will provide consumers with the right to access and use the data that businesses hold about them.

Commission inquiry and research reports were used frequently by parliamentarians in debates and questions during 2018-19. During the 2018-19 sittings of the Federal Parliament, about 92 members and senators referred to more than 33 different Commission reports or inquiries, or to the Commission's role in policy processes.

In addition, there were at least 99 mentions of 29 different Commission inquiries and its work in the Hansard proceedings of Federal Parliamentary Committees in 2018-19. The most



frequent mentions were of the *Murray-Darling Basin Plan: Five-year assessment*, the *Horizontal Fiscal Equalisation* inquiry, the *Competition in the Australian Financial System* inquiry and the *Data Availability and Use* inquiry.

The Commission's inquiry and research reports were also used extensively in debate and questions by state and territory parliamentarians. During the 2018-19 sittings of the eight state and territory parliaments, 127 members referred to about 44 different Commission publications or inquiries, the Report on Government Services, or to the Commission's role in policy processes. In about 60 per cent of the 225 total mentions the Commission was cited as an authoritative source, while 5 per cent of mentions were critical of a particular finding, report or Commission attribute. The *Report on Government Services* was mentioned most frequently, and the Commission's *Horizontal Fiscal Equalisation* inquiry and the *Murray-Darling Basin Plan: Five-year assessment* also featured prominently.

The *Report on Government Services* also contributed significantly to public debate — as it has previously — with a large number of file requests from external users (15 965 and 25 947 for the 2018 and 2019 reports respectively).

The Commission's website received a high number of report downloads from external users in 2018-19. There were more than 133 000 report downloads of inquiries and government-commissioned research studies in 2018-19. The projects of most interest were the superannuation inquiry (around 18 000 downloads), the *Report on Government Services* 2018 and 2019 (around 12 000 and 10 000 downloads respectively) and *Compensation and Rehabilitation for Veterans* (around 8000 downloads).

During 2018-19, there were more than 210 media mentions each month of the six inquiries and studies that were completed during the year.¹ Of these, more than 20 mentions each month were articles published in the print media. The superannuation inquiry received the highest number of media mentions of the inquiries and studies completed in 2018-19. The *Murray-Darling Basin Plan: Five-year assessment*, and the *Compensation and Rehabilitation for Veterans* and *Economic Regulation of Airports* inquiries were also of high interest in the media.

The many invitations to give briefings and present papers to parliamentary, business and community groups and to conferences is another indicator of the Commission's role in generating public debate. In 2018-19, there were around 65 presentations given by the Chair, Commissioners and staff to ministerial councils, industry and community groups, and conferences. These were across the range of the Commission's inquiry, research and performance reporting work, with particular interest in inquiries on *National Water Reform*, *Competition in the Australian Financial System* and the five year productivity review.

International recognition of the Commission as a model for evidence-based policy is also an indicator of the Commission's impact. The Commission briefed ten international delegations

¹ The Commission changed its media monitoring provider during the 2018-19 financial year, which may have led to some minor differences in reported numbers across years.



and visitors during 2018-19, with a focus on the Commission’s role and activities and related policy matters. These included visiting officials and delegations from Mongolia, Chile, India and the United Kingdom. It also included meetings with officials from the OECD and ASEAN. During 2018-19, Commission officials visited four countries: China, Brazil, France and the Philippines. These engagements involved discussions of the Commission’s role, methods for measuring government productivity and the Commission’s productivity review. Some of the Commission’s international liaison has been with other productivity organisations around the world or with officials where there is a desire to strengthen the focus on productivity-enhancing policies (box 1).

The OECD and IMF cited the Commission’s work in 68 of their reports published throughout the year. This included reports that referred to aspects of the Commission’s recent work, such as the IMF’s *Article IV: Australia Summary* report, which referred to some of the Commission’s proposed reforms outlined in the productivity review.

The Commission continued to be well-cited in academic literature during the year. In 2018-19, academic literature cited recent reports, such as the productivity review, along with older reports, such as the 2001 *Australian Gambling Industries* inquiry, the latter being the most cited of the Commission’s publications in the academic literature over time. This demonstrates that the Commission’s role as a source of evidence-based policy can continue long after the release of a report.

Box 1 Productivity organisations around the world

Each year the Commission receives enquiries from government agencies around the world on its particular model for evidence-based policy analysis.

A number of countries have formed similar organisations to the Productivity Commission. Close to home, the New Zealand Productivity Commission was formed around a decade ago and has worked closely with the Australian Productivity Commission on a number of studies. Other countries have also formed similar institutions, including in Latin America, Scandinavia and the European Union. These productivity-enhancing bodies have been established with their own characteristics, but many share aspects of the Commission’s core functions. In particular, the New Zealand, Chilean and Mexican Productivity Commissions are independent standing inquiry bodies, similar to the Commission in Australia.

Over recent years, a number of Australian states have created their own Productivity Commissions including Queensland, New South Wales and South Australia. These bodies have been formed with the intent of providing independent advice on economic and regulatory issues, and to propose policy reforms to state governments.

Transparency and community engagement

A central feature of the Commission’s processes is the opportunity for people to participate in and scrutinise its work. Engaging with the community through open and transparent



processes ensures that the Commission's research and policy advice is informed by those who are interested in, and affected by, that advice and that the analysis is tested publicly.

The Commission conducts public hearings, calls for submissions that are made publicly available, and publishes draft and final reports. Roundtables, workshops and other forums provide valuable opportunities for the Commission to access wider sources of expertise in its inquiries and research.

The Commission provided a range of opportunities for public participation in each of the inquiries and studies completed in 2018-19, including public hearings, forums, workshops and the release of papers for public comment. For the majority of inquiries and studies completed in 2018-19, the Commission released an issues paper, issued a draft report or equivalent and held two rounds of submissions to allow written participation from interested parties. The exceptions were the *Review of the National Disability Agreement* and the research on growing the digital economy, for which processes were tailored to the nature and timelines of the project.

During its 2018-19 inquiry activities, the Commission met with approximately 514 organisations or groups, held 23 days of public hearings, and received 1499 submissions. And for studies, the Commission received a total of 166 submissions during the year.

A number of inquiries provided opportunities for 'brief comments', a more informal avenue for feedback compared to submissions. The *Mental Health* inquiry received 180 brief comments during 2018-19, in addition to the 537 submissions it received following the release of the issues paper in January 2019. Further, the Indigenous evaluation study team commenced taking oral submissions.

Examples of consultation processes with a regional focus in the past year are illustrated in box 2. The Commission also used a variety of means to communicate with inquiry participants during 2018-19 (box 3).

In its government performance reporting work in 2018-19, there was extensive consultation with all Australian governments through processes agreed by the Steering Committee for the Review of Government Service Provision. The Commission provided opportunities for the public to provide feedback on its government performance reporting and analysis work via the Commission's website.

As part of its open and transparent processes, the Commission makes key data sets and modelling available. In 2018-19, this included releasing new material and modelling from the *Horizontal Fiscal Equalisation* inquiry and the superannuation inquiry, as well as data supporting the Commission's research papers on *Rising Inequality? A Stocktake of the Evidence* and *The Demand Driven University System: A Mixed Report Card*.

Box 2 Regional consultation processes

Several Commission inquiries and studies undertaken during the year had a pronounced regional focus, including the *Murray-Darling Basin Plan: Five-year assessment*, the *Remote Area Tax Concessions and Payments* study, the *Indigenous Evaluation Strategy* and the study into *Expenditure on Children in the Northern Territory*. For each of these inquiries and studies, the Commission undertook extensive consultation in regional areas and adopted a range of consultation formats.

For example, for the study into *Remote Area Tax Concessions and Payments* the Commission consulted in selected remote areas across Australia from March to May 2019. These consultations included 10 community forums which were open to the public and were held in locations such as Normanton, Andamooka, King Island, Lord Howe Island and Broome. These forums provided an important avenue for consultation and opportunity to exchange information and views on issues relevant to the study.

The Commission engaged with Aboriginal and Torres Strait Islander people and organisations to inform the *Indigenous Evaluation Strategy*. To date, this has involved visits and meetings in various locations, including the Kimberley, Northeast Arnhem Land and the Torres Strait. The study has also commenced taking oral submissions.

Box 3 Some methods of communication in 2018-19

During 2018-19, the Commission communicated the messages of its reports in various ways.

For example, the Commission released a two minute video titled *A Better Way to Support Veterans* to coincide with the release of the draft inquiry report on *Compensation and Rehabilitation for Veterans* in December 2018. The video was produced for social media and specifically targeted veterans and their families to raise awareness of the draft report. The total number of views across social media was around 180 000, allowing the Commission to access audiences that might not have otherwise been aware of the report. The Commission also released a video to coincide with the release of the five-year assessment of the Murray-Darling Basin Plan.

The Commission launched a research paper on the demand driven university system with a live streamed panel event in June 2019. The Commission's Chair, Michael Brennan, was joined by an expert panel to discuss higher education, school achievement, access and performance and potential policy solutions.

Timeliness and cost effectiveness

In 2018-19, all of the Commission's inquiry and study reports, as well as all reports produced as part of the Commission's performance reporting and other functions, met the timeframes originally set by Government, or as subsequently varied by Government. The timing of tabling of commissioned inquiry reports following completion of a project is a matter for Government.

The Commission endeavours to conduct projects efficiently, while ensuring rigorous analysis and maximising the opportunity for participation. Total estimated costs (covering

salaries, direct administrative expenses and an allocation for corporate overheads) for inquiries and Government-commissioned research studies completed in 2018-19 are shown in table 2.

The major administrative (non-salary) costs associated with public inquiries and other Government-commissioned projects relate to the Commission's extensive consultation processes and the wide dissemination of its draft and final reports.

Table 2 Cost of public inquiries and other government commissioned projects completed in 2018-19

| <i>Government-commissioned project</i> | <i>Total cost^a</i> |
|--|-------------------------------|
| | <i>\$ '000</i> |
| Review of the National Disability Agreement | 822 |
| Murray-Darling Basin Plan: Five-year assessment | 1 772 |
| Superannuation: Assessing Efficiency and Competitiveness | 3 459 |
| Growing the Digital Economy in Australia and New Zealand: Maximising Opportunities for Small Medium Enterprises (SMEs) | 233 |
| Economic Regulation of Airports | 1 712 |
| Compensation and Rehabilitation for Veterans | 3 014 |

^a Includes estimated overheads and staffing.

Commission Capabilities, Linkages and Networks

The Commission seeks to maintain a capability that provides rigorous analysis, transparent processes, and independence and balance in its conclusions. Particular attention is paid to the quality of recruitment, in-house and external training and diversity of work experiences.

There is an active seminar program involving external experts on a range of policy issues relevant to the Commission's work. These seminars are intended to bring new ideas and stimulate debate within the Commission, as well as to foster networks with academic and other experts of relevance to the Commission's work. During the year, there were seminars on topics as diverse as Australia's ageing population, global value chains in agriculture and food, transport infrastructure, inequality in education, and trends and issues in the medical workforce.

The Commission has linkages, domestically and internationally, to research and other organisations through the involvement of Commissioners and staff in research alliances and participation in working groups and forums. In 2018-19, a number of Commissioners were also members of various boards, committees and non-profit organisations, including the Western Water Authority, Canberra Symphony Orchestra, Coordinare, Social Ventures Australia, and the Governing Council of the Photography Studies College.

5 Management and accountability

Commissioners and staff

The Commission operates under the powers, protection and guidance of its own legislation. Its independence is formally exercised under the *Productivity Commission Act 1998* through the Chair and Commissioners.

Commissioners

At 30 June 2019, there were twelve members of the Commission, including the Chair. Six Commissioners held part-time appointments. A further full-time member was appointed to commence on 1 July 2019.

The term of appointment of Mr Peter Harris AO as Chair of the Commission concluded on 10 September 2018.

Mr Michael Brennan was appointed Chair of the Commission for a period of five years from 11 September 2018. Prior to his appointment, Mr Brennan was Deputy Secretary, Fiscal Group, in the Australian Treasury with responsibility for budget policy, retirement incomes, Commonwealth-State relations, social policy and infrastructure financing. He also served as Deputy Secretary, Economic in the Victorian Department of Treasury and Finance. Mr Brennan previously worked as an Associate Director in the economics and policy practice at PricewaterhouseCoopers, and as a senior adviser to Treasurers and Ministers for Finance at the state and federal levels.

Ms Karen Chester resigned as Deputy Chair on 27 January 2019 to take up the position of Deputy Chair at the Australian Securities and Investments Commission. The term of appointment of Mr Robert Fitzgerald AM ended on 27 April 2019, after which he served as a special advisor until 30 June 2019.

Mr Paul Lindwall was re-appointed as a full-time Commissioner from 1 May 2019 for a five-year period.

Mr Romlie Mokak was appointed as a full-time Commissioner from 25 March 2019 for a five-year period. Prior to his appointment, Mr Mokak was Chief Executive Officer of the Lowitja Institute, Australia's national institute for Aboriginal and Torres Strait Islander health research. He is a previous Chief Executive Officer of the Australian Indigenous Doctors' Association. Earlier roles included Director, Substance Use, and Manager of the National Eye Health Program, for the Australian Government's Office for Aboriginal and



Torres Strait Islander Health. Mr Mokak has chaired and been a member of a range of policy, research and evaluation bodies at the national and state government levels.

Mr Malcolm Roberts was appointed as a full-time Commissioner from 1 May 2019 for a five-year period. Prior to his appointment, Mr Roberts was Chief Executive of the Australian Petroleum Production and Exploration Association. He is a previous Chair of the Queensland Competition Authority. He has considerable experience in industry associations, having held leadership roles with the Energy Networks Association, The National Generators' Forum, the Australian National Retailers Association and the Housing Industry Association.

Ms Lisa Gropp was appointed as a part-time Commissioner from 1 May 2019 for a five-year period. Prior to her appointment, Ms Gropp was Chief Economist at the Business Council of Australia. Ms Gropp has previously served at the Commission, including as a First Assistant Commissioner and Principal Adviser Research. During this time she worked on a number of Commission inquiries, including into carbon policy emissions in key economies (2011), executive remuneration (2009), road and rail freight infrastructure pricing (2006) and the impacts of medical technology (2005).

Dr Catherine de Fontenay was appointed as a full-time Commissioner from 1 July 2019 for a five-year period. Prior to her appointment, Dr de Fontenay was an Associate Professor of Economics at the Melbourne Business School, University of Melbourne. After completing her PhD in 1998 at Stanford University, Dr de Fontenay taught at the University of New South Wales. She joined the University of Melbourne in 2001, and held roles in the Business School and the Economics Department. She also held visiting positions at the Stanford Institute for Economic Policy Research, Stanford University, and the Stern School of Business, New York University.

Biographical information on all Commissioners is available on the Commission's website and their terms of appointment are listed in table 3.

Associate Commissioners

The term of appointment for Associate Commissioner John Madden (for the *National Water Reform* inquiry and the five-year assessment of the Murray-Darling Basin Plan) expired on 31 December 2018.

On 21 November 2018, Professor Harvey Whiteford was appointed as a part-time Associate Commissioner for a period of 18 months to assist the Commission's *Mental Health* inquiry. Mr Whiteford is a Professor of Population Mental Health at the University of Queensland, and Affiliate Professor of Global Health at the Institute of Health Metrics and Evaluation, University of Washington, Seattle, USA. He trained in medicine, psychiatry, public health and health policy in Queensland, at Stanford University and the Australian National University. He has held senior clinical and administrative positions including those of Director of Mental Health in the Queensland and Australian Governments, and at the World Bank. His research expertise is in psychiatric epidemiology and mental health service development.

Table 3 Chair and Commissioners, 30 June 2019

| | <i>Period of appointment</i> | |
|---------------------------------------|------------------------------|-------------|
| | <i>From</i> | <i>To</i> |
| Mr M Brennan (Chair) (C) ^a | 11 Sep 2018 | 10 Sep 2023 |
| Ms J Abramson (M) (p/t) | 10 Dec 2015 | 9 Dec 2020 |
| Mr K Baxter (S) (p/t) | 30 Apr 2015 | 29 Apr 2020 |
| Mr J Coppel (M) | 28 Jul 2011 | 27 Jul 2021 |
| Prof J Doolan (M) (p/t) | 8 Dec 2016 | 7 Dec 2021 |
| Ms L Gropp (M) (p/t) | 1 May 2019 | 30 Apr 2024 |
| Prof S King (M) | 1 Jul 2016 | 30 Jun 2021 |
| Mr P Lindwall (C) | 1 Jan 2015 | 30 Apr 2024 |
| Ms A MacRae (M) (p/t) | 19 Mar 2007 | 9 Dec 2020 |
| Mr R Mokak (C) | 25 Mar 2019 | 24 Mar 2024 |
| Mr M Roberts (C) | 1 May 2019 | 30 Apr 2024 |
| Mr R Spencer (C) (p/t) | 27 Oct 2016 | 26 Oct 2021 |

^a (C) denotes Canberra based, (M) denotes Melbourne based, (S) denotes Sydney based and (p/t) denotes part-time. Dr Catherine de Fontenay was appointed a full-time Commissioner from 1 July 2019 for a five-year period.

Table 4 Associate Commissioners, 30 June 2019

| | <i>Inquiry/Study</i> | <i>Period of appointment</i> | |
|--------------------------|----------------------|------------------------------|-------------|
| | | <i>From</i> | <i>To</i> |
| Mr H Whiteford (C) (p/t) | Mental Health | 21 Nov 2018 | 20 May 2020 |

Staff

The average staffing level during 2018-19 was 168 compared with 165 in 2017-18. The Commission recruited 35 staff during the year, including 13 through its graduate recruitment program. Staff turnover was approximately 7 per cent.

Statistical information on staffing is provided in the Appendix.

Outcome objective and resources

The financial and staffing resources devoted to achieving the Government's outcome objective for the Commission are summarised in table 5. An agency resource statement for 2018-19 is included in the Appendix.

Table 5 **Financial and staffing resources summary**

| | <i>Budget^a</i> <i>2018-19</i> | <i>Actual</i> <i>2018-19</i> | <i>Variation</i> |
|---|---|---------------------------------|------------------|
| | \$'000 | \$'000 | \$'000 |
| Outcome 1: Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective | | | |
| | (a) | (b) | (a-b) |
| Program 1.1 Productivity Commission | | | |
| Departmental Expenses | | | |
| Ordinary annual services (Appropriation Bill No. 1) | 33,541 | 32,417 | 1,124 |
| Revenues from independent sources (Section 74) | 425 | 515 | (90) |
| Expenses not requiring appropriation in the Budget year | 1,105 | 1,105 | - |
| Total for Outcome 1 | 35,071 | 34,037 | 1,034 |
| | 2017-18 | 2018-19 | |
| Average Staffing Level (number) | 165 | 168 | |

^a Full-year budget, including any subsequent adjustment made to the 2018-19 Budget.

Governance

The Commission's governance arrangements are designed to achieve efficient, effective and ethical use of resources in delivering the Commission's mandated outcome objective. The arrangements are also designed to ensure compliance with legislative and other external requirements in regard to administrative and financial management practices.

In keeping with good governance principles, the Commission's governance arrangements encompass:

- establishing clear responsibilities for decision-making and the undertaking of mandated activities
- ensuring accountability through the monitoring of progress, and compliance with legislative and other requirements, of mandated activities
- underpinning these arrangements through the promotion of a risk management and ethical behaviour culture.

Key responsibilities

The Commission's Chair is responsible for the overall management and governance of the Commission, its reputation and public handling of issues, and the quality of its output. The Chair is the 'Accountable Authority' under the PGPA Act.

The Chair is assisted in these tasks by the Head of Office and a Management Committee that addresses matters of strategic direction, organisational development, policies and practices, monitoring of performance and resource allocation. Management Committee comprises the Chair (as chair), Deputy Chair (if applicable), the Head of Office, the Executive Managers of the Melbourne and Canberra offices, and the Assistant Commissioner responsible for Corporate Group. It meets monthly, or more frequently as needed.

The Research Committee oversees the Commission's self-initiated research program to ensure delivery of high-quality, policy-relevant research in a timely way. It also oversees data analysis, and modelling capability and development to promote fit-for-purpose model use that is quality assured. It meets monthly and comprises the Chair (as chair), Deputy Chair (if applicable), a Commissioner, the Head of Office, the Executive Managers, the Head of Modelling, and the Assistant Commissioners for Research and Modelling.

Commissioners are responsible for the conduct and quality of the individual inquiries, studies or other activities to which they are assigned by the Chair, and the overall quality of Commission work via their contributions to monthly Commission meetings.



Accountability

Management Committee's monitoring of the Commission is aided through the provision of regular reports covering staffing, expenditure, staff development and other operational matters.

Monthly Commission meetings — also attended by senior staff — are used to discuss and monitor progress across the Commission's four mandated outputs. Specifically:

- the responsible Commissioners on government-commissioned projects report at each Commission meeting on significant issues and progress against key milestones
- reports are provided on the status and future directions of the research program at each Commission meeting
- the activities of the Steering Committee for the Review of Government Service Provision, chaired by the Chair of the Commission, are reported on a quarterly basis
- a Commissioner designated with responsibility for competitive neutrality issues reports to the Commission annually
- the Head of Office provides monthly updates on key management issues.

The Audit Committee is a further source of accountability through its periodic review of particular aspects of the Commission's operations. Its membership comprises a chairperson (a Commissioner) and two external members. The Commission's contracted internal auditors generally attend meetings, as does a representative of the Australian National Audit Office on an 'as required' basis. The Audit Committee meets at least four times a year.

Risk management and fraud control

Risk assessments are undertaken within a formal risk management model specified in the Commission's risk management plan. Senior management and the Audit Committee review the plan annually.

The Commission has prepared a fraud risk assessment and fraud control plan and has in place appropriate fraud prevention, detection, investigation reporting and data collection procedures and processes that meet the specific needs of the Commission and comply with the Commonwealth Fraud Control Framework. No instances of fraud were reported during 2018-19.

Information about the Commission's risk management procedures is available to all employees. It is brought to the attention of new employees on commencement, and awareness raising for existing employees is periodically undertaken.

Ethical standards

The Commission has adopted a range of measures to promote ethical standards.

- It has embraced the Australian Public Service (APS) Values, Employment Principles and Code of Conduct.
- Senior managers are encouraged to set an example through the ethical and prudent use of Commonwealth resources.

The Commission has a number of specific policies relating to ethical standards that have regard to its own operational context. These deal with matters such as email and internet use, harassment and bullying, discrimination, fraud, disclosure of information, and managing conflicts of interest. The policies are readily available to all employees, including as part of induction, and updated as required. Staff awareness and training sessions are offered periodically on these topics.

External and internal scrutiny

The Commission's processes, which provide for high levels of transparency and community participation in its work, are a key means of promoting external scrutiny. These processes are outlined in detail in section 4.

External scrutiny is also promoted through the Commission's extensive reporting, in various publications, of different aspects of its work.

Both the Commission and the Australian Government Competitive Neutrality Complaints Office (which has separate functions although located within the Commission) have service charters.

Performance against the charters is monitored on an exceptions basis — that is, by complaints to designated senior managers. No complaints were received during 2018-19 in respect of either charter.

The Auditor-General issued an unqualified independent audit report on the Commission's 2018-19 financial statements.

During 2018-19, the Auditor-General published a Performance Audit Report (no. 27 of 2018-19) titled *Closing the Gap*. The objective of the audit was to assess the effectiveness of arrangements for monitoring, evaluating and reporting progress towards Closing the Gap in Aboriginal and Torres Strait Islander disadvantage. Although the Commission has a role in these arrangements and assisted the review, there were no specific recommendations by the Auditor-General in respect of the Commission's work. The report is available at <https://www.anao.gov.au/work/performance-audit/closing-the-gap>.

The Commission engages an accounting firm to undertake a program of internal audit reviews. In 2018-19, the program included a conflict of interest control self-assessment and a review of strategic business risks.



The Audit Committee also plays an important internal scrutiny role. The Committee's efforts during the year related mainly to:

- oversight of the Commission's internal audit program
- consideration of the annual financial statements
- scrutiny of the Commission's risk management assessment and plan
- reviews of relevant ANAO reports.

The use of Commission reports by Federal parliamentary committees during the year is discussed in the section 2, Annual Performance Statement; and section 4. The Commission is invited to appear before Senate Committees to assist the work of Federal Parliament and facilitate scrutiny of its work. It was requested to attend Senate Estimates hearings on two occasions in 2018-19 with appearances by the Chair and senior staff before the Senate Standing Committee on Economics on 20 February and 10 April 2019.

The Commission's website continues to provide a valuable source of information about the current work of the Commission, its publications and other activities. During 2018-19, the Commission continued to develop its use of social media to raise awareness of its work and promote participation in its public inquiries. The use of infographics and videos to highlight and promote aspects of the Commission's work also continued.

Management of human resources

The Commission's human resources management operates within the context of relevant legislation, government policy and Commission-developed policy. Day-to-day management is devolved to senior managers within a broad framework agreed by Management Committee. The Committee routinely monitors the performance of people management functions, including through standing reports to its monthly meetings.

Workforce planning

Management Committee plays the key role of ensuring alignment between the Commission's resources and its future capability requirements.

The Commission regularly considers a range of workforce planning issues associated with the attraction, retention and development of staff. Regular recruitment activity was undertaken in 2018-19, to further build capability across roles and classifications. The Commission also reviews its graduate recruitment process annually with a view to increasing the awareness of graduating university students of the Commission as a potential employer. Thirteen new employees were engaged during 2018-19 through the graduate recruitment program (an increase from five graduates in 2017-18).



An important input to workforce planning is the information obtained from departing employees through exit questionnaires and, where possible, personal interviews on exit. Such information is considered by Management Committee and applied to a variety of initiatives including conditions of service, developing employment agreements, employee retention strategies, and learning and development initiatives.

Remuneration and employment conditions

Remuneration for the Chair and Commissioners is set directly by the Remuneration Tribunal in determinations that are publicly available on the Tribunal's website.

The Commission's Senior Executive Service (SES) employees are employed under individual determinations under the *Public Service Act 1999*. SES remuneration is set in the context of public and private sector benchmarks, including those contained in the APS Remuneration Report published by the Australian Public Service Commission.

Information on key management personnel remuneration is set out in Note 1(c) to the Financial Statements and disaggregated reporting is in the Appendix. Average remuneration for senior executives and other highly paid staff is also in the Appendix.

APS salary ranges for non-SES staff, which correspond to the Commission's broadbanded classifications, are shown in the enterprise agreement (available on the Commission's website). The Appendix provides details of salary ranges at 30 June 2019.

The remuneration and terms and conditions of the Commission's non-SES employees are covered by the Enterprise Agreement 2017-2020, which came into effect on 5 September 2017. The agreement includes a number of provisions aimed at providing work-life balance and a satisfying and rewarding environment for employees. At 30 June 2019, four individual flexibility agreements were in place, addressing allowances and working hour arrangements.

Performance management and pay

All employees participate in the Commission's performance management scheme. The scheme seeks to:

- clarify the understanding by individual employees of their work tasks, their responsibilities and the performance standards expected (through performance agreements)
- provide feedback on performance and improve communication between supervisors and their staff
- provide a basis for determining salary advancement
- identify learning and development needs
- assist in identifying and managing underperformance.



Ahead of each appraisal round — which occur at six-monthly intervals — training is conducted for employees and managers to ensure readiness for formal feedback sessions.

Under the Commission’s enterprise agreement, all salary increases are conditional upon employees being rated fully effective in their performance appraisal. Performance bonuses are not a feature of remuneration for Commission employees.

Consultative arrangements

The formal employee consultative mechanism is the Productivity Commission Consultative Committee. The committee comprises elected employee representatives, a CPSU representative, and management representatives. The committee met four times in 2018-2019.

In addition, there is direct consultation between management and employees, including through regular team meetings.

Learning and development

The Commission encourages employees to undertake learning and development across four core competencies:

- management and leadership
- conceptual and analytical skills
- time and work management
- oral and written communication.

The need for learning and development can be employee identified (including through individual development plans settled with supervisors as part of performance appraisals), be supervisor-encouraged or directed, or reflect organisation-wide initiatives.

The Commission’s *Learning and Development Strategy and Action Plan 2018–2020* sets out a range of priorities and activities to foster and maintain a vibrant learning culture, and support the Commission’s work and employees’ career development. In 2018-19, a number of internal learning and development activities were introduced or expanded as part of this strategy, including critical thinking, legal skills, and cultural capability training. Two internal courses were run to maintain and build technical skills in economic modelling, and Executive Level 2 staff participated in an in-house leadership development conference.

The Commission continued to provide access to specific training and development activities for individuals, including one-on-one coaching to address particular development needs and extensive on-the-job training within the Commission. A program of internal seminars on a range of topical economic, social and environmental issues also contributed to staff development.



Employees may also seek to access studies assistance (in the form of paid leave and/or assistance with fees) in the pursuit of tertiary qualifications.

Work health and safety

A Work Health and Safety (WHS) Committee oversees the Commission's work health and safety program. Committee membership includes management and staff health and safety representatives from both the Commission's Canberra and Melbourne offices. The Committee met four times during 2018-19.

Regular workplace hazard inspections are conducted by members of the WHS Committee. No formal WHS investigations were conducted during the year and there were no notifiable incidents. No notices under Part 10 of the *Work Health Safety Act 2011* were given to the Commission during 2018-19.

Training is provided for employees who have specific WHS related responsibilities.

WHS activities and offerings during the year included:

- Commission-funded flu vaccinations for 118 staff
- mental health first aid training, with 34 staff participating
- sessions on resilience and mindfulness
- ergonomic work station assessments, as required.

An indicator of the effectiveness of the Commission's WHS programs is Comcare's workers' compensation rate. The Commission's rate for 2018-19 was 0.15 per cent of payroll, compared to an overall scheme premium rate of 1.06 per cent. The Commission had no workers' compensation claims accepted by Comcare in 2018-19.

Employee Assistance Program

The Commission offers its employees independent, confidential and professional counselling, consultation and training assistance for work-related or personal issues.

Workplace diversity

The Commission is committed to building and maintaining a workplace culture that values and serves people with different backgrounds, experiences and perspectives. The Commission continues to foster a culture that is supportive of employees achieving their potential and which values employee diversity.

As at 30 June 2019:

- 52 per cent of staff were female

- 
- 1 per cent of staff identified as Indigenous
 - 21 per cent of staff were born outside Australia
 - 3 per cent of staff identified as having a disability
 - 27 per cent of staff were aged 50 years or older
 - 23 per cent of staff were under 30 years of age.

In 2018-19, 50 Commission employees participated in cultural capability development, to increase their knowledge and understanding of Aboriginal and Torres Strait Islander cultures, and to assist in communicating effectively with people in Indigenous communities.

Financial performance

The Productivity Commission is a listed entity under the PGPA Act.

Revenue from government decreased in 2018-19 to \$33.5 million (\$34.3 million in 2017-18). Revenue from other sources increased to \$0.6 million (\$0.5 million in 2017-18).

Operating expenses increased in 2018-19 to \$34.0 million (\$32.4 million in 2017-18). The major expenses in 2018-19 were \$26.2 million in respect of employee expenses, \$6.7 million relating to supplier payments, and \$1.1 million in asset depreciation, amortisation and related expenses.

Under the Australian Government's net cash appropriation arrangements, individual agencies are not funded for depreciation or amortisation expenses through appropriation revenue. The operating result for 2018-19 was a \$1.1 million surplus, after excluding those depreciation and amortisation expenses.

Table 5 (above) provides a summary of financial and staffing resources. The agency resource statement is provided in the Appendix. The audited financial statements for 2018-19 are set out in section 6 and include commentary on major budget variances.

Other reporting requirements

Purchasing

The Commission applies the Commonwealth Procurement Rules. The Commission's purchases of goods and services during 2018-19 were consistent with the 'value-for-money' principle underpinning those rules.

The Commission did not enter into any contracts or standing offers that were exempt from AusTender publication. Contracts of \$100 000 or more (inclusive of GST) during 2018-19 included a provision for the ANAO to have access to the contractor's premises if required.



The Commission supports small business participation in the Commonwealth Government procurement market by, for example, use of the Commonwealth Contracting suite for low-risk procurements valued under \$200 000 and communication in clear, simple language in accordance with the Small Business Engagement Principles. Small and medium enterprises and small enterprise participation statistics are available on the Department of Finance's website at www.finance.gov.au/procurement/statistics-on-commonwealthpurchasing-contracts/.

Consultancies

The Commission continued to utilise the services of a small number of consultants during the year where it was cost-effective to do so. Many of the consultancies were for the purpose of refereeing particular pieces of work and were generally of relatively low cost.

During 2018-19, the Commission entered into five new consultancy contracts involving total actual expenditure of \$0.047 million. There were three ongoing consultancy contracts active involving total actual expenditure of \$0.016 million during the 2018-19 year.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website www.tenders.gov.au.

Ecologically sustainable development (ESD)

Under the *Environment Protection and Biodiversity Conservation Act 1999*, agencies are required — through their annual reports — to report on ecologically sustainable development (ESD) and environmental matters. This requirement is part of the Government's program to improve progress in implementing ESD.

The Commission operates under statutory guidelines, one of which is to have regard to the need 'to ensure that industry develops in a way that is ecologically sustainable' (s. 8(1)(i) of the *Productivity Commission Act 1998*). This legislation also prescribes that at least one member of the Commission 'must have extensive skills and experience in matters relating to the principles of ecologically sustainable development and environmental conservation' (s. 26(3)).

There are five aspects against which agencies are required to report.

The first relates to how an agency's actions during the reporting period accorded with the principles of ESD. Reflecting its statutory guidelines, ESD principles are integral to the Commission's analytical frameworks, their weighting depending on the particular inquiry or research topic. The Commission's five-year assessment of the Murray-Darling Basin Plan is a recent example of work undertaken requiring integration of complex economic, social and environmental considerations.



The second reporting requirement asks how the Government's outcome for the Commission contributes to ESD. As stated elsewhere in this report, the outcome nominated for the Commission is:

Well-informed policy decision making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective.

In pursuing this outcome, the Commission is required to take into account impacts on the community as a whole — these may be economic, social and/or environmental. The transparency of its processes provides the opportunity for anyone with an interest in an inquiry to make their views known and to have these considered. Consequently, a broad range of views and circumstances are taken into account, in keeping with the ESD principle that 'decision-making processes should effectively integrate both long-term and short-term economic, environmental, social and equity considerations'.

The third to fifth reporting requirements relate to the impact of the Commission's internal operations on the environment. The Commission is a relatively small, largely office-based, organisation in rented accommodation, and it adopts measures aimed at the efficient management of waste and minimising energy consumption.

In order to manage its impacts on the environment in a systematic and ongoing way, the Commission maintains an Environmental Management System. The Environmental Management System contains the Commission's environmental policy, an environmental management program to address identified impacts, and provision for monitoring and reporting on performance.

During 2018-19, the Commission recorded energy usage of 4853 MJ/person/annum (2017-18: 4619 MJ/person/annum) against the Government's energy target of 7500 MJ/person/annum for tenant light and power usage in office buildings. The Commission has offices in Melbourne and Canberra in buildings that have 4.5 star NABERS Energy ratings.

National Disability Strategy

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007-08, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service* reports and the *APS Statistical Bulletin*. These reports are available at www.apsc.gov.au. From 2010-11, departments and agencies have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010–2020, which sets out a ten-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level two-yearly report will track progress against each of the six outcome areas of the



Strategy and present a picture of how people with disability are faring. The first of these progress reports was published in 2014, and can be found at www.dss.gov.au.

Freedom of information

Entities subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements. The Commission's plan is at <https://www.pc.gov.au/about/governance/freedom-of-information>.

Advertising and market research

The Commission does not undertake 'advertising campaigns'. But it does publicise its government-commissioned inquiries and studies so that any individual, firm or organisation with an interest has an opportunity to present their views. Publicity takes the form of newspaper advertisements (as required by the *Productivity Commission Act 1998*), regular distribution of *PC News*, press releases, email alerts, notification on the Commission's website and via social media, and distribution of Commission circulars.

In 2018-19, a total of \$8693 was paid to Dentsu X Australia Pty Ltd for advertising and a total of \$40 573 was paid to Universal McCann for advertising (including recruitment advertising).

6 Financial Statements

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Opinion

In my opinion, the financial statements of the Productivity Commission (the Entity) for the year ended 30 June 2019:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2019 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following statements as at 30 June 2019 and for the year then ended:

- Statement by the Chair and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Overview; and
- Notes to and forming part of the Financial Statements.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (the Code)* to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Entity, the Chair is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Chair is also responsible for such internal control as the Chair determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chair is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Chair is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

GPO Box 707 CANBERRA ACT 2801
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office



Colin Bienne
Senior Director
Delegate of the Auditor-General
Canberra
23 August 2019

Statement by the Chair and Chief Finance Officer



Australian Government
Productivity Commission

Locked Bag 2
Collins Street East
Melbourne VIC 8003
Telephone 03 9653 2100
Facsimile 03 9653 2199
www.pc.gov.au

From the Chair's Office

Statement by the Chair and Chief Finance Officer

In our opinion, the attached financial statements for the year ended 30 June 2019 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Productivity Commission will be able to pay its debts as and when they fall due.

Michael Brennan
Chair

23 August 2019

Brian Scammell
Chief Finance Officer

23 August 2019

Statement of Comprehensive Income

for the period ended 30 June 2019

| | | 2019 | 2018 | Original Budget |
|---|-------|---------------|---------------|--------------------|
| | Notes | \$'000 | \$'000 | \$'000 |
| NET COST OF SERVICES | | | | |
| Expenses | | | | |
| Employee benefits | 1A | 26,245 | 24,616 | 27,220 |
| Suppliers | 2A | 6,725 | 6,664 | 6,369 |
| Depreciation and amortisation | 4A | 1,055 | 1,098 | 990 |
| Finance costs | | 12 | 11 | 11 |
| Losses from asset sales | | - | 12 | - |
| Total Expenses | | 34,037 | 32,401 | 34,590 |
| Own-Source Income | | | | |
| Sale of goods and rendering of services | 5B | 515 | 405 | 9 |
| Resources received free of charge | | 50 | 50 | 50 |
| Total own-source income | | 565 | 455 | 59 |
| Net cost of contribution by services | | 33,472 | 31,946 | 34,531 |
| Revenue from Government | | 33,541 | 34,304 | 33,541 |
| Surplus / (Deficit) | | 69 | 2,358 | (990) |
| OTHER COMPREHENSIVE INCOME | | | | |
| Changes in asset revaluation surplus | | - | - | - |
| Assets transferred | | - | - | - |
| Total other comprehensive income | | - | - | - |
| Total comprehensive income | | 69 | 2,358 | (990) |

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

Budget Variances Commentary

The budget variances are due to employee expenses being lower primarily as a consequence of lower staffing levels due to higher than budgeted turnover and rendering of services being higher due to extension of a previous arrangement.

Statement of Financial Position

as at 30 June 2019

| | | 2019 | 2018 | Original Budget |
|-----------------------------------|-------|----------------------|----------------------|----------------------|
| | Notes | \$'000 | \$'000 | \$'000 |
| ASSETS | | | | |
| Financial Assets | | | | |
| Cash and cash equivalents | | 436 | 337 | 428 |
| Trade and other receivables | 5A | 177 | 157 | 126 |
| Appropriation receivables | 3B | <u>33,704</u> | <u>31,735</u> | <u>29,871</u> |
| Total financial assets | | <u>34,317</u> | <u>32,229</u> | <u>30,425</u> |
| Non-Financial Assets | | | | |
| Leasehold improvements | 4A | 2,574 | 3,225 | 2,575 |
| Plant and equipment | 4A | 898 | 1,027 | 1,074 |
| Computer software | 4A | 222 | 89 | 79 |
| Prepayments | | <u>577</u> | <u>751</u> | <u>541</u> |
| Total non-financial assets | | <u>4,271</u> | <u>5,092</u> | <u>4,269</u> |
| Total Assets | | <u>38,588</u> | <u>37,321</u> | <u>34,694</u> |
| LIABILITIES | | | | |
| Payables | | | | |
| Suppliers | 2B | 233 | 344 | 229 |
| Other payables | 2C | <u>1,402</u> | <u>1,608</u> | <u>1,406</u> |
| Total payables | | <u>1,635</u> | <u>1,952</u> | <u>1,635</u> |
| Provisions | | | | |
| Employee provisions | 1B | 11,372 | 10,695 | 11,888 |
| Other provisions | 2D | <u>592</u> | <u>580</u> | <u>592</u> |
| Total provisions | | <u>11,964</u> | <u>11,275</u> | <u>12,480</u> |
| Total Liabilities | | <u>13,599</u> | <u>13,227</u> | <u>14,115</u> |
| Net Assets | | <u>24,989</u> | <u>24,094</u> | <u>20,579</u> |
| EQUITY | | | | |
| Contributed equity | | 8,456 | 7,630 | 8,456 |
| Reserves | | 1,593 | 1,593 | 1,593 |
| Retained surplus | | <u>14,940</u> | <u>14,871</u> | <u>10,530</u> |
| Total Equity | | <u>24,989</u> | <u>24,094</u> | <u>20,579</u> |

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

Budget Variances Commentary

The main budget variance in respect of the financial position is a higher level of appropriation receivables (Revenue from Government) as a consequence of lower expenses and higher own source revenue in 2018-19 (refer to the commentary under the Statement of Comprehensive Income) and a higher than forecast opening balance.

Statement of Changes in Equity

for the period ended 30 June 2019

| | | 2019 | 2018 | Original Budget |
|--|-------|--------|--------|--------------------|
| | Notes | \$'000 | \$'000 | \$'000 |
| CONTRIBUTED EQUITY | | | | |
| Opening balance | | | | |
| Balance carried forward from previous period | | 7,630 | 6,800 | 7,630 |
| Comprehensive Income | | | | |
| Other comprehensive income | | - | - | - |
| Total comprehensive income | | - | - | - |
| Transactions with owners | | | | |
| Contributions by Owners | | | | |
| Departmental capital budget | 3A | 826 | 830 | 826 |
| Total transactions with owners | | 826 | 830 | 826 |
| Closing balance as at 30 June | | 8,456 | 7,630 | 8,456 |
| RETAINED EARNINGS | | | | |
| Opening balance | | | | |
| Balance carried forward from previous period | | 14,871 | 12,513 | 11,520 |
| Comprehensive Income | | | | |
| Surplus/(Deficit) for the period | | 69 | 2,358 | (990) |
| Total comprehensive income | | 69 | 2,358 | (990) |
| Closing balance as at 30 June | | 14,940 | 14,871 | 10,530 |
| ASSET REVALUATION RESERVE | | | | |
| Opening balance | | | | |
| Balance carried forward from previous period | | 1,593 | 1,593 | 1,593 |
| Comprehensive Income | | | | |
| Other comprehensive income | | - | - | - |
| Total comprehensive income | | - | - | - |
| Closing balance as at 30 June | | 1,593 | 1,593 | 1,593 |

| | | 2019 | 2018 | Original Budget |
|--|-------|---------------|---------------|--------------------|
| | Notes | \$'000 | \$'000 | \$'000 |
| TOTAL EQUITY | | | | |
| Opening balance | | | | |
| Balance carried forward from previous period | | 24,094 | 20,906 | 20,743 |
| Comprehensive Income | | | | |
| Other comprehensive income | | - | - | - |
| Surplus/(Deficit) for the period | | 69 | 2,358 | (990) |
| Total comprehensive income | | 69 | 2,358 | (990) |
| Transactions with owners | | | | |
| Contributions by Owners | | | | |
| Departmental capital budget | | 826 | 830 | 826 |
| Total transactions with owners | | 826 | 830 | 826 |
| Closing balance as at 30 June | | 24,989 | 24,094 | 20,579 |

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

Budget Variances Commentary

The variation against budget in respect of retained earnings reflects the higher than anticipated operating surpluses in the prior year ie. a higher than expected opening balance.

Cash Flow Statement

for the period ended 30 June 2019

| | 2019 | 2018 | Original Budget |
|---|----------------------|----------------------|----------------------|
| | \$'000 | \$'000 | \$'000 |
| OPERATING ACTIVITIES | | | |
| Cash received | | | |
| Appropriations | 33,474 | 33,772 | 33,520 |
| Sales of goods and rendering of services | 444 | 129 | 9 |
| GST received | <u>807</u> | <u>708</u> | <u>-</u> |
| Total cash received | <u>34,725</u> | <u>34,609</u> | <u>33,529</u> |
| Cash used | | | |
| Employees | 25,562 | 25,536 | 27,000 |
| Suppliers | 6,823 | 6,836 | 6,529 |
| GST paid | 757 | 744 | - |
| Section 74 receipts transferred to OPA | <u>1,484</u> | <u>1,584</u> | <u>-</u> |
| Total cash used | <u>34,626</u> | <u>34,700</u> | <u>33,529</u> |
| Net cash from (used by) operating activities | <u>99</u> | <u>(91)</u> | <u>-</u> |
| INVESTING ACTIVITIES | | | |
| Cash used | | | |
| Purchase of property, plant and equipment | <u>408</u> | <u>338</u> | <u>211</u> |
| Total cash used | <u>408</u> | <u>338</u> | <u>211</u> |
| Net cash (used by) investing activities | <u>(408)</u> | <u>(338)</u> | <u>(211)</u> |
| FINANCING ACTIVITIES | | | |
| Cash received | | | |
| Contributed equity | <u>408</u> | <u>338</u> | <u>211</u> |
| Total cash received | <u>408</u> | <u>338</u> | <u>211</u> |
| Net cash from financing activities | <u>408</u> | <u>338</u> | <u>211</u> |
| Net increase (decrease) in cash held | 99 | (91) | - |
| Cash and cash equivalents at the beginning of the reporting period | <u>337</u> | <u>428</u> | <u>428</u> |
| Cash and cash equivalents at the end of the reporting period | <u>436</u> | <u>337</u> | <u>428</u> |

For 2018-19 GST cash flows are required to be included a gross basis. Presentation of the comparative amounts for 2017-18 have been adjusted from a net basis to a gross basis.

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

Budget Variances Commentary

The variation in total cash received and used mainly reflects lower employee related expenses (refer to the commentary under the Statement of Comprehensive Income) and a different (higher) level of aggregation of line items in the Original Budget.

Overview

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and
- Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

New Accounting Standards

All new standards, revised standards, amendments to standards or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the Productivity Commission's (Commission's) financial statements.

Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes cash on hand, deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Taxation

The Commission is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Events after the Reporting Period

There was no subsequent event that had the potential to significantly affect the on-going structure and financial activities of the Commission.



Notes to and forming part of the Financial Statements

1 Employee Related

- 1A Employee Benefits (Expense)
- 1B Employee Provisions
- 1C Key Management Personnel Remuneration
- 1D Related Party Disclosures

2 Supplier Related

- 2A Suppliers (Expense)
- 2B Suppliers (Liability)
- 2C Other Payables
- 2D Other Provisions

3 Funding from Government and Other Sources

- 3A Appropriations
- 3B Appropriations Receivable

4 Property, Plant and Equipment

- 4A Analysis of Property, Plant and Equipment, and Intangibles
- 4B Fair Value Measurement

5 Other Financial Assets and Own Source Income

- 5A Trade and Other Receivables
- 5B Own-Source Income - Sale of Goods and Rendering of Services

6 Other Information

- 6A Contingent Assets and Liabilities
- 6B Financial Instruments
- 6C Aggregate Assets and Liabilities (Maturity Information)

Note 1: Employee Related

Note 1A: Employee Benefits (Expense)

| | 2019 | 2018 |
|--------------------------------|----------------------|----------------------|
| | \$'000 | \$'000 |
| Wages and salaries | 19,635 | 19,332 |
| Superannuation: | | |
| Defined contribution plans | 1,448 | 1,266 |
| Defined benefit plans | 1,899 | 2,073 |
| Leave and other entitlements | 3,263 | 1,944 |
| Separation and Redundancies | - | 1 |
| Total employee benefits | <u>26,245</u> | <u>24,616</u> |

Note 1B: Employee Provisions

| | 2019 | 2018 |
|----------------------------------|----------------------|----------------------|
| | \$'000 | \$'000 |
| Leave | 11,372 | 10,695 |
| Total employee provisions | <u>11,372</u> | <u>10,695</u> |

Accounting Policy

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits expected to be settled within twelve months of the end of reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Commission's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by use of the Australian Government Actuary's shorthand method using the Standard Commonwealth sector probability profile. The estimate of the present value of the liability takes into account staff turnover rates and



expected pay increases. This method is impacted by fluctuations in the Commonwealth Government 10 year Treasury Bond rate.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The Commission recognises a provision for termination when it has developed a detailed formal plan for terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

The majority of staff at the Commission are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The Commission makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Commission accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the financial year.

Note 1C: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Commission has determined the key management personnel to be the Chairman, Deputy Chair (where appointed), Head of Office, Executive Managers and Assistant Commissioner Corporate. Key management remuneration is reported in the table below:

| | 2019 | 2018 |
|---|---------------------|---------------------|
| | \$'000 | \$'000 |
| Short-term employee benefits | 1,931 | 2,009 |
| Post-employment benefits | 237 | 298 |
| Other long-term employee benefits | <u>48</u> | <u>50</u> |
| Total key management personnel remuneration expenses | <u>2,216</u> | <u>2,357</u> |

The total number of key management personnel that are included in the above table are 7 (2018: 6).

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the Commission.
2. For 2018-19, annual leave expense is included as Short-term employee benefits. Presentation of the comparative amount for 2017-18 of \$153,000 has been adjusted from Other long-term employee benefits to Short-term employee benefits.

Note 1D: Related Party Disclosures

Related party relationships

The Commission is an Australian Government controlled entity. Related parties to the Commission are Key Management Personnel, the Portfolio Minister and Executive, and other Australian Government entities.

Transactions with related parties

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions are the payment or refund of taxes, receipt of Medicare rebate or higher education loans. These transactions have not been disclosed in this note.

The Commission transacts with other Australian Government controlled entities consistent with normal day-to-day business operations provided under normal terms and conditions, including payment of workers compensation and insurance premiums; transfer of employee entitlements; purchase of statistical data; and other payments required by/according to Government policy or regulations. These are not considered individually significant to warrant separate disclosure as related party transactions.

Note 2: Supplier Related

Note 2A: Suppliers (Expense)

| | 2019 | 2018 |
|--|---------------------|---------------------|
| | \$'000 | \$'000 |
| Goods and services supplied or rendered | | |
| Consultants | 58 | 91 |
| Contractors | 204 | 454 |
| Travel | 1,135 | 959 |
| IT services | 1,054 | 835 |
| Other administration expenses | <u>1,648</u> | <u>1,723</u> |
| Total goods and services supplied or rendered | <u>4,099</u> | <u>4,062</u> |
| | | |
| Goods supplied | 253 | 384 |
| Services rendered | <u>3,846</u> | <u>3,678</u> |
| Total goods and services supplied or rendered | <u>4,099</u> | <u>4,062</u> |
| | | |
| Other supplier expenses | | |
| Operating lease rentals | 2,585 | 2,551 |
| Workers compensation expenses | <u>41</u> | <u>51</u> |
| Total other supplier expenses | <u>2,626</u> | <u>2,602</u> |
| Total supplier expenses | <u>6,725</u> | <u>6,664</u> |

Leasing commitments

Lease payments for office accommodation and carparking are subject to a fixed percentage annual increase in accordance with the lease agreement. The Commission may exercise option clauses in accordance with the terms of the lease.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

Lease payments / agreements for the provision of motor vehicles to senior executive officers are fixed at the commencement of each vehicle lease. Vehicles are returned on lease expiry.

| | 2019 | 2018 |
|---|----------------------|----------------------|
| | \$'000 | \$'000 |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Within 1 year | 3,317 | 3,217 |
| Between 1 to 5 years | 7,040 | 8,982 |
| More than 5 years | <u>4,539</u> | <u>5,912</u> |
| Total operating lease commitments | <u>14,896</u> | <u>18,111</u> |

Note: Commitments are GST inclusive where relevant.

Note 2B: Suppliers (Liability)

| | 2019 | 2018 |
|---------------------------------|-------------------|-------------------|
| | \$'000 | \$'000 |
| Trade creditors and accruals | <u>233</u> | <u>344</u> |
| Total suppliers payables | <u><u>233</u></u> | <u><u>344</u></u> |

Settlement was usually made within 30 days.

Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Note 2C: Other Payables

| | 2019 | 2018 |
|--------------------------------------|---------------------|---------------------|
| | \$'000 | \$'000 |
| Wages and salaries | 158 | 154 |
| Superannuation | 27 | 26 |
| Prepayments received/unearned income | - | - |
| Rent (lease) payable | 785 | 771 |
| Lease incentive | <u>432</u> | <u>657</u> |
| Total other payables | <u><u>1,402</u></u> | <u><u>1,608</u></u> |

Note 2D: Other Provisions

| | Provision for restoration \$'000 |
|--|---|
| Carrying amount 1 July 2018 | 580 |
| Unwinding of discount or change in discount rate | <u>12</u> |
| Closing balance 30 June 2019 | <u><u>592</u></u> |

The Commission currently has agreements for the leasing of premises which have provisions requiring the Commission to restore the premises to its original condition at the conclusion of the lease. The Commission has made provision to reflect the present value of these obligations.

Note 3: Funding from Government and Other Sources

Note 3A: Appropriations

Note 3A-1: Appropriations – Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2019

| | Annual Appropriation ¹ \$'000 | Adjustment to appropriation ² \$'000 | Total appropriation \$'000 | Appropriation applied in 2019 (current and prior years) \$'000 | Variance ³ \$'000 |
|-----------------------------|--|---|----------------------------------|---|---------------------------------|
| Departmental | | | | | |
| Ordinary annual services | 33,541 | 854 | 34,395 | 32,745 | 1,650 |
| Capital Budget ⁴ | 826 | - | 826 | 408 | 418 |
| Total departmental | 34,367 | 854 | 35,221 | 33,153 | 2,068 |

Notes:

1. Departmental appropriations do not lapse at financial year-end.
2. The adjustment to appropriation was PGPA Act Section 74 receipts.
3. The variance in appropriation applied to ordinary annual services largely reflects the lower drawdown of funds to meet employee related expenses (as a consequence of lower staffing levels due to higher than budgeted turnover). The variance in appropriation applied to the capital budget reflects variation in the timing of procurement of capital items, with a lower draw-down of funds required in 2019. The variance shown above excludes any section 51 determination reduction.
4. The Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Annual Appropriations for 2018

| | Annual Appropriation ¹ \$'000 | Adjustment to appropriation ² \$'000 | Total appropriation \$'000 | Appropriation applied in 2018 (current and prior years) \$'000 | Variance ³ \$'000 |
|-----------------------------|--|---|----------------------------------|---|---------------------------------|
| Departmental | | | | | |
| Ordinary annual services | 34,304 | 1,009 | 35,313 | 33,288 | 2,025 |
| Capital Budget ⁴ | 830 | - | 830 | 338 | 492 |
| Total departmental | 35,134 | 1,009 | 36,143 | 33,626 | 2,517 |

Notes:

1. Departmental appropriations do not lapse at financial year-end.
2. The adjustment to appropriation was PGPA Act Section 74 receipts.
3. The variance in appropriation applied to ordinary annual services largely reflects the lower drawdown of funds to meet employee related expenses (as a consequence of lower staffing levels due to higher than anticipated separations and outward secondments). The variance in appropriation applied to the capital budget reflects variation in the timing of the procurement of capital items, with a lower draw-down of funds required in 2018. The variance shown above excludes any section 51 determination reduction.
4. The Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Note 3A-2: Appropriations – Unspent Departmental Annual Appropriations
(‘Recoverable GST exclusive’)

| | 2019 | 2018 |
|----------------------------------|----------------------|---------------|
| | \$'000 | \$'000 |
| Authority | | |
| Appropriation Act (No.1) 2015-16 | - | 8 |
| Appropriation Act (No.1) 2016-17 | 7 | 93 |
| Appropriation Act (No.1) 2017-18 | 508 | 31,986 |
| Appropriation Act (No.1) 2018-19 | <u>33,632</u> | - |
| Total as at 30 June | <u>34,147</u> | <u>32,087</u> |

Accounting Policy

Revenue from Government – Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the Commission gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

Equity Injections – Amounts appropriated which are designated as ‘equity injections’ for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Note 3B: Appropriations Receivable

| | 2019 | 2018 |
|--|----------------------|---------------|
| | \$'000 | \$'000 |
| Appropriations receivable | | |
| Appropriation receivable | <u>33,704</u> | <u>31,735</u> |
| Total appropriations receivable | <u>33,704</u> | <u>31,735</u> |

Note 4: Property, Plant and Equipment

Note 4A: Analysis of Property, Plant and Equipment, and Intangibles

Reconciliation of the opening and closing balances of property, plant and equipment, and intangibles (2018-19)

| | <i>Leasehold improvements</i> | <i>Plant & equipment</i> | <i>Computer software</i> | <i>Total</i> |
|--|-----------------------------------|----------------------------------|------------------------------|---------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| As at 1 July 2018 | | | | |
| Gross book value | 3,818 | 1,372 | 597 | 5,787 |
| Accumulated depreciation / amortisation and impairment | <u>(593)</u> | <u>(345)</u> | <u>(508)</u> | <u>(1,446)</u> |
| Net book value 1 July 2018 | <u>3,225</u> | <u>1,027</u> | <u>89</u> | <u>4,341</u> |
| Additions: | | | | |
| By purchase | - | 224 | 184 | 408 |
| Depreciation / amortisation expense | (651) | (353) | (51) | (1,055) |
| Disposals | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net book value 30 June 2019 | <u>2,574</u> | <u>898</u> | <u>222</u> | <u>3,694</u> |
| Net book value as of 30 June 2019 represented by: | | | | |
| Gross book value | 3,761 | 1,596 | 781 | 6,138 |
| Accumulated depreciation/amortisation and impairment | <u>(1,187)</u> | <u>(698)</u> | <u>(559)</u> | <u>(2,444)</u> |
| Net book value as of 30 June 2019 | <u>2,574</u> | <u>898</u> | <u>222</u> | <u>3,694</u> |

No indicators of impairment were found for leasehold improvements, and plant and equipment, and intangible assets.

The fair value of leasehold improvements has been taken to be the depreciated replacement cost of similar leasehold improvements as determined by an independent valuer.

There are no capital commitments to acquire any property, plant, equipment, and intangible assets as at balance date.

There are no plans to dispose of any property, plant equipment or intangibles in the next 12 months.

Accounting Policy

Asset Recognition Threshold

Purchases of property, plant and equipment and software are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make-good' provisions in property leases taken up by the Commission where there exists an obligation to 'make-good' premises. These costs are included in the value of the Commission's leasehold improvements with a corresponding provision for the 'make-good' recognised.

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Assets were revalued by Jones Lang LaSalle Advisory Services Pty Ltd as at 30 June 2017. The revaluation decrement for leasehold improvements and increment for plant and equipment were debited and credited respectively to the asset revaluation reserve by asset class, and included in the equity section of the statement of financial position.

Management reviewed the valuation at 30 June 2019 and concluded that the fair value does not differ materially from the carrying amount; and is satisfied that the carry amount does not exceed the recoverable amount.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation and Amortisation

Depreciable property, plant and equipment assets and intangible assets are written-off to their estimated residual values over their estimated useful lives to the Commission using, in all cases, the straight-line method of depreciation.

Depreciation and amortisation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods as appropriate.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

| | 2019 | 2018 |
|--------------------------------------|----------------------|---------------|
| Leasehold improvements and make-good | Lease term | Lease term |
| Plant and equipment | 3 to 20 years | 3 to 20 years |
| Intangibles (computer software) | 3 to 5 years | 5 years |

Impairment

All assets were assessed for impairment at 30 June 2019. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Commission were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment and software is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles

The Commission's intangibles comprise purchased software. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Note 4B: Fair Value Measurement

| | Fair value measurements at the end of reporting period | |
|---|--|---------------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Non-financial assets | | |
| Leasehold improvements | 2,574 | 3,225 |
| Other property, plant and equipment | <u>898</u> | <u>1,027</u> |
| Total fair value measurements of assets in the statement of financial position | <u>3,472</u> | <u>4,252</u> |

Note 5: Other Financial Assets and Own Source Income

Note 5A: Trade and Other Receivables

| | 2019 | 2018 |
|--|------------|------------|
| | \$'000 | \$'000 |
| Goods and services receivables | | |
| Goods and services | <u>108</u> | <u>37</u> |
| Total goods and services receivables | <u>108</u> | <u>37</u> |
| Other receivables: | | |
| GST receivable from the Australian Taxation Office | 64 | 114 |
| Other | <u>5</u> | <u>6</u> |
| Total other receivables | <u>69</u> | <u>120</u> |
| Total trade and other receivables (gross) | <u>177</u> | <u>157</u> |

All receivables are not overdue and are expected to be recovered within 12 months.

Credit Terms for goods and services were within 30 days (2018: 30 days)

Accounting Policy

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Note 5B: Own Source Income - Sale of Goods and Rendering of Services

| | 2019 | 2018 |
|---|------------|------------|
| | \$'000 | \$'000 |
| Sale of goods | - | 1 |
| Rendering of services | <u>515</u> | <u>404</u> |
| Total sales of goods and rendering of services | <u>515</u> | <u>405</u> |

Accounting Policy

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the Commission retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and

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

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) the probable economic benefits associated with the transaction will flow to the Commission.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Note 6: Other Information

Note 6A: Contingent Assets and Liabilities

At 30 June 2019, to the best of its knowledge, the Commission was not exposed to any unrecognised contingencies that would have any material effect on the financial statements. (2018: Nil)

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

Note 6B: Financial Instruments

Note 6B-1: Financial Instruments – Categories of financial instruments

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | \$'000 | \$'000 |
| Financial Assets under AASB 139 | | |
| <i>Loans and receivables</i> | | |
| Cash and cash equivalents | | 337 |
| Trade receivables | | <u>37</u> |
| <i>Total loans and receivables</i> | | <u>374</u> |
| Financial Assets under AASB 9 | | |
| <i>Financial assets at amortised cost</i> | | |
| Cash and cash equivalents | 436 | |
| Trade receivables | <u>108</u> | |
| <i>Total financial assets at amortised cost</i> | <u>544</u> | |
| Total financial assets | <u><u>544</u></u> | <u><u>374</u></u> |
| Financial Liabilities | | |
| <i>Financial liabilities measured at amortised cost</i> | | |
| Payables – suppliers | <u>233</u> | <u>344</u> |
| Total financial liabilities | <u><u>233</u></u> | <u><u>344</u></u> |

There is no change in carrying amount at 1 July 2018 due to the initial application of AASB 9.

Accounting Policy

Financial Assets

With the implementation of AASB 9 Financial Instruments for the first time in 2019, the entity classifies its financial assets in the following categories:

- a) financial assets at fair value through profit or loss;
- b) financial assets at fair value through other comprehensive income; and
- c) financial assets measured at amortised cost.

The classification depends on both the entity's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when the entity becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

The Commission currently only has financial assets at amortised cost.

Comparatives have not been restated on initial application.

Financial Assets at Amortised Cost

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

Effective Interest Method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses, using the general approach which measures the loss allowance based on an amount equal to *lifetime expected credit losses* where risk has significantly increased, or an amount equal to *12-month expected credit losses* if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.



A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

Financial Liabilities

Financial liabilities are classified as either financial liabilities ‘at fair value through profit or loss’ or other financial liabilities. Financial liabilities are recognised and derecognised upon ‘trade date’.

The Commission currently only has other financial liabilities (financial liabilities as amortised cost).

Financial Liabilities at Amortised Cost

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with the interest expense recognised on an effective interest basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Note 6B-2: Financial Instruments - Net income and expense from financial assets

There is no income or expense from financial assets – loans and receivables in the year ending 30 June 2019. (2018: nil)

Note 6B-3: Financial Instruments - Net income and expense from financial liabilities

There is no income or expense from other financial liabilities in the year ending 30 June 2019. (2018: nil)

Note 6C: Aggregate Assets and Liabilities (Maturity Information)

| | 2019 | 2018 |
|---|----------------------|----------------------|
| | \$'000 | \$'000 |
| Assets expected to be recovered in: | | |
| <i>No more than 12 months</i> | | |
| Cash and cash equivalents | 436 | 337 |
| Trade and other receivables | 177 | 157 |
| Appropriation receivables | 33,704 | 31,735 |
| Prepayments | <u>577</u> | <u>751</u> |
| | <u>34,894</u> | <u>32,980</u> |
| <i>More than 12 months</i> | | |
| Leasehold improvements | 2,574 | 3,225 |
| Plant and equipment | 898 | 1,027 |
| Computer software | <u>222</u> | <u>89</u> |
| | <u>3,694</u> | <u>4,341</u> |
| Total assets | <u>38,588</u> | <u>37,231</u> |
| Liabilities expected to be recovered in: | | |
| <i>No more than 12 months</i> | | |
| Suppliers | 233 | 344 |
| Other payables | 580 | 523 |
| Employee provisions | <u>1,933</u> | <u>1,877</u> |
| | <u>2,746</u> | <u>2,744</u> |
| <i>More than 12 months</i> | | |
| Other payables | 822 | 1,085 |
| Employee provisions | 9,439 | 8,818 |
| Other provisions | <u>592</u> | <u>580</u> |
| | <u>10,853</u> | <u>10,483</u> |
| Total liabilities | <u>13,599</u> | <u>13,227</u> |

Appendix

Executive remuneration

Table 6 **Key management personnel, 2018-19**

| <i>Name</i> | <i>Position</i> | <i>Term as KMP</i> |
|-----------------|--|---|
| Michael Brennan | Chair | Part year — appointed 11 September 2018 |
| Peter Harris | Chair | Part year — ceased 10 September 2018 |
| Karen Chester | Deputy Chair | Part year — ceased 27 January 2019 |
| Nina Davidson | Head of Office | Full year |
| Mary Cavar | Executive Manager | Full year |
| Ralph Lattimore | Executive Manager | Full year |
| Brian Scammell | Assistant Commissioner, Corporate (CFO) | Full year |

Table 7 **Key management personnel remuneration (as reported in the Notes to the Financial Statements)**

| <i>Benefit type</i> | <i>\$'000</i> |
|--|---------------|
| Short-term employee benefits | 1 931 |
| Post-employment benefits | 237 |
| Other long-term employee benefits | 48 |
| Total key management personnel remuneration | 2 216 |

Table 8 Information about remuneration for key management personnel

| Name | Position title | Short-term benefits | | | Post-employment benefits | Other long-term benefits | | Termination benefits | Total remuneration |
|-----------------|-----------------------|---------------------|---------|-------------------------------|------------------------------|--------------------------|--------------------------|----------------------|--------------------|
| | | Base salary | Bonuses | Other benefits and allowances | Superannuation contributions | Long service leave | Other long-term benefits | | |
| Michael Brennan | Chair | 471,839 | 0 | 0 | 16,504 | 11,716 | 0 | 0 | 500,059 |
| Peter Harris | Chair | 112,600 | 0 | 0 | 16,204 | 2,718 | 0 | 0 | 131,522 |
| Karen Chester | Deputy Chair | 227,780 | 0 | 0 | 31,281 | 5,668 | 0 | 0 | 264,729 |
| Nina Davidson | Head of Office | 356,139 | 0 | 0 | 61,646 | 8,666 | 0 | 0 | 426,451 |
| Mary Cavar | Executive Manager | 270,791 | 0 | 0 | 20,535 | 7,142 | 0 | 0 | 298,468 |
| Ralph Lattimore | Executive Manager | 271,093 | 0 | 0 | 47,535 | 6,644 | 0 | 0 | 325,272 |
| Brian Scammell | Asst Comm, Corp (CFO) | 220,245 | 0 | 0 | 43,348 | 5,812 | 0 | 0 | 269,405 |

Note: Base salary includes annual leave provision movement (accrued annual leave less any leave paid during the year).

Table 9 **Information about remuneration for other Senior Executives and Commissioners**

| Total remuneration bands | Number of senior executives | Short-term benefits | | | Post-employment benefits | Other long-term benefits | | Termination benefits | Total remuneration |
|--------------------------|-----------------------------|---------------------|-----------------|---------------------------------------|--------------------------------------|----------------------------|----------------------------------|------------------------------|----------------------------|
| | | Average base salary | Average bonuses | Average other benefits and allowances | Average superannuation contributions | Average long service leave | Average other long-term benefits | Average termination benefits | Average total remuneration |
| \$0 - \$220,00 | 10 | 106,131 | 0 | 0 | 17,718 | 3,128 | 0 | 0 | 126,977 |
| \$220,001 - \$245,000 | 2 | 188,408 | 0 | 0 | 36,429 | 4,632 | 0 | 0 | 229,469 |
| \$245,001 - \$270,000 | 3 | 217,466 | 0 | 0 | 33,584 | 5,576 | 0 | 0 | 256,626 |
| \$270,001 - \$295,000 | 4 | 240,970 | 0 | 0 | 39,844 | 5,972 | 0 | 0 | 286,786 |
| \$320,001 - \$345,000 | 1 | 294,167 | 0 | 0 | 20,535 | 7,234 | 0 | 0 | 321,936 |
| \$370,001 - \$395,000 | 2 | 342,641 | 0 | 0 | 35,879 | 8,884 | 0 | 0 | 387,404 |
| \$395,001 - \$420,000 | 2 | 343,242 | 0 | 0 | 51,007 | 8,525 | 0 | 0 | 402,774 |

Note: 'Number of senior executives' includes Senior Executives and Commissioners during the year, excluding key management personnel. Base salary includes annual leave provision movement (accrued annual leave less any leave paid during the year).

Table 10 Information about remuneration for other highly paid staff

| Total remuneration bands | Number of other highly paid staff | <i>Short-term benefits</i> | | | <i>Post-employment benefits</i> | <i>Other long-term benefits</i> | | <i>Termination benefits</i> | <i>Total remuneration</i> |
|--------------------------|-----------------------------------|----------------------------|-----------------|---------------------------------------|--------------------------------------|---------------------------------|----------------------------------|------------------------------|----------------------------|
| | | Average base salary | Average bonuses | Average other benefits and allowances | Average superannuation contributions | Average long service leave | Average other long-term benefits | Average termination benefits | Average total remuneration |
| \$220,001 - \$245,000 | 1 | 180,077 | 0 | 600 | 37,884 | 4,304 | 0 | 0 | 222,865 |

Accountable authority

Table 11 **Details of Accountable Authority during the reporting period
Current Report Period (2018-19)**

| <i>Accountable authority</i> | | <i>Period as the accountable authority or member</i> | |
|------------------------------|---------------------------------|--|----------------------|
| Name | Position Title/Position held | Date of Commencement | Date of cessation |
| Michael Brennan | Chair | 11 September 2018 | - |
| Peter Harris | Chair | - | 10 September 2018 |

Resource statement

Table 12 **Agency Resource Statement 2018-19**

| | <i>Actual Available Appropriation 2018-19</i> | <i>Payments Made 2018-19</i> | <i>Balance Remaining</i> |
|---|---|----------------------------------|------------------------------|
| | \$'000 | \$'000 | \$'000 |
| | (a) | (b) | (a-b) |
| Ordinary Annual Services | | | |
| Departmental appropriation¹ | | | |
| Prior year Departmental appropriation | 32,072 | | |
| Departmental appropriation 2018-19 | 34,367 | 32,299 | |
| s. 74 Relevant agency receipts² | 854 | 854 | |
| Total ordinary annual services | 67,293 | 33,153 | 34,140 |
| Total Resourcing and Payments | 67,293 | 33,153 | 34,140 |

Human resources

Table 13 **Ongoing Employees Current Report Period (2018-19), at 30 June 2019**

| | <i>Male</i> | | | <i>Female</i> | | | <i>Indeterminate</i> | | | <i>Total</i> |
|-----------------------------|-------------|-----------|------------|---------------|-----------|--------------|----------------------|-----------|---------------------|--------------|
| | Full Time | Part Time | Total Male | Full Time | Part Time | Total Female | Full Time | Part Time | Total Indeterminate | |
| NSW | - | - | - | - | - | - | - | - | - | - |
| Qld | - | - | - | - | - | - | - | - | - | - |
| SA | - | - | - | - | - | - | - | - | - | - |
| Tas | - | - | - | - | - | - | - | - | - | - |
| Vic | 42 | 6 | 48 | 41 | 12 | 53 | - | - | - | 101 |
| WA | - | - | - | - | - | - | - | - | - | - |
| ACT | 26 | 0 | 26 | 16 | 6 | 22 | - | - | - | 48 |
| NT | - | - | - | - | - | - | - | - | - | - |
| External Territories | - | - | - | - | - | - | - | - | - | - |
| Overseas | - | - | - | - | - | - | - | - | - | - |
| Total | 68 | 6 | 74 | 57 | 18 | 75 | - | - | - | 149 |

Table 14 **All Non-Ongoing Employees Current Report Period (2018-19), at 30 June 2019**

| | <i>Male</i> | | | <i>Female</i> | | | <i>Indeterminate</i> | | | <i>Total</i> |
|-----------------------------|-------------|-----------|------------|---------------|-----------|--------------|----------------------|-----------|---------------------|--------------|
| | Full Time | Part Time | Total Male | Full Time | Part Time | Total Female | Full Time | Part Time | Total Indeterminate | |
| NSW | - | - | - | - | - | - | - | - | - | - |
| Qld | - | - | - | - | - | - | - | - | - | - |
| SA | - | - | - | - | - | - | - | - | - | - |
| Tas | - | - | - | - | - | - | - | - | - | - |
| Vic | 3 | 1 | 4 | 3 | 0 | 3 | - | - | - | 7 |
| WA | - | - | - | - | - | - | - | - | - | - |
| ACT | 1 | 0 | 1 | 2 | 1 | 3 | - | - | - | 4 |
| NT | - | - | - | - | - | - | - | - | - | - |
| External Territories | - | - | - | - | - | - | - | - | - | - |
| Overseas | - | - | - | - | - | - | - | - | - | - |
| Total | 4 | 1 | 5 | 5 | 1 | 6 | - | - | - | 11 |

Table 15 **All Ongoing Employees Previous Report Period (2017-18),
at 30 June 2018**

| | <i>Male</i> | | | <i>Female</i> | | | <i>Indeterminate</i> | | | <i>Total</i> |
|-----------------------------|-------------|-----------|------------|---------------|-----------|--------------|----------------------|-----------|---------------------|--------------|
| | Full Time | Part Time | Total Male | Full Time | Part Time | Total Female | Full Time | Part Time | Total Indeterminate | |
| NSW | - | - | - | - | - | - | - | - | - | - |
| Qld | - | - | - | - | - | - | - | - | - | - |
| SA | - | - | - | - | - | - | - | - | - | - |
| Tas | - | - | - | - | - | - | - | - | - | - |
| Vic | 45 | 2 | 47 | 33 | 20 | 53 | - | - | - | 100 |
| WA | - | - | - | - | - | - | - | - | - | - |
| ACT | 20 | 1 | 21 | 13 | 8 | 21 | - | - | - | 42 |
| NT | - | - | - | - | - | - | - | - | - | - |
| External Territories | - | - | - | - | - | - | - | - | - | - |
| Overseas | - | - | - | - | - | - | - | - | - | - |
| Total | 65 | 3 | 68 | 46 | 28 | 74 | - | - | - | 142 |

Table 16 **All Non-Ongoing Employees Previous Report Period (2017-18), at 30 June 2018**

| | <i>Male</i> | | | <i>Female</i> | | | <i>Indeterminate</i> | | | <i>Total</i> |
|-----------------------------|-------------|-----------|------------|---------------|-----------|--------------|----------------------|-----------|---------------------|--------------|
| | Full Time | Part Time | Total Male | Full Time | Part Time | Total Female | Full Time | Part Time | Total Indeterminate | |
| NSW | - | - | - | - | - | - | - | - | - | - |
| Qld | - | - | - | - | - | - | - | - | - | - |
| SA | - | - | - | - | - | - | - | - | - | - |
| Tas | - | - | - | - | - | - | - | - | - | - |
| Vic | 3 | 1 | 4 | 2 | 1 | 3 | - | - | - | 7 |
| WA | - | - | - | - | - | - | - | - | - | - |
| ACT | 1 | 0 | 1 | 0 | 1 | 1 | - | - | - | 2 |
| NT | - | - | - | - | - | - | - | - | - | - |
| External Territories | - | - | - | - | - | - | - | - | - | - |
| Overseas | - | - | - | - | - | - | - | - | - | - |
| Total | 4 | 1 | 5 | 2 | 2 | 4 | - | - | - | 9 |

Table 17 **Australian Public Service Act Ongoing Employees Current Report Period (2018-19), at 30 June 2019**

| | <i>Male</i> | | | <i>Female</i> | | | <i>Indeterminate</i> | | | <i>Total</i> |
|--------------|-------------|-----------|------------|---------------|-----------|--------------|----------------------|-----------|---------------------|--------------|
| | Full Time | Part Time | Total Male | Full Time | Part Time | Total Female | Full Time | Part Time | Total Indeterminate | |
| SES 3 | 0 | 0 | 0 | 1 | 0 | 1 | - | - | - | 1 |
| SES 2 | 1 | 0 | 1 | 1 | 0 | 1 | - | - | - | 2 |
| SES 1 | 6 | 0 | 6 | 6 | 0 | 6 | - | - | - | 12 |
| EL 2 | 19 | 1 | 20 | 9 | 2 | 11 | - | - | - | 31 |
| EL 1 | 15 | 2 | 17 | 11 | 7 | 18 | - | - | - | 35 |
| APS 6 | 13 | 2 | 15 | 13 | 4 | 17 | - | - | - | 32 |
| APS 5 | 6 | 1 | 7 | 5 | 2 | 7 | - | - | - | 14 |
| APS 4 | 8 | 0 | 8 | 11 | 2 | 13 | - | - | - | 21 |
| APS 3 | 0 | 0 | 0 | 0 | 1 | 1 | - | - | - | 1 |
| APS 2 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| APS 1 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total | 68 | 6 | 74 | 57 | 18 | 75 | - | - | - | 149 |

Table 18 **Australian Public Service Act Non-Ongoing Employees Current Report Period (2018-19), at 30 June 2019**

| | <i>Male</i> | | | <i>Female</i> | | | <i>Indeterminate</i> | | | <i>Total</i> |
|--------------|-------------|-----------|------------|---------------|-----------|--------------|----------------------|-----------|---------------------|--------------|
| | Full Time | Part Time | Total Male | Full Time | Part Time | Total Female | Full Time | Part Time | Total Indeterminate | |
| SES 3 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| SES 2 | 1 | 0 | 1 | 0 | 0 | 0 | - | - | - | 1 |
| SES 1 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| EL 2 | 0 | 0 | 0 | 0 | 1 | 1 | - | - | - | 1 |
| EL 1 | 1 | 0 | 1 | 1 | 0 | 1 | - | - | - | 2 |
| APS 6 | 1 | 1 | 2 | 2 | 0 | 2 | - | - | - | 4 |
| APS 5 | 1 | 0 | 1 | 2 | 0 | 2 | - | - | - | 3 |
| APS 4 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| APS 3 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| APS 2 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| APS 1 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total | 4 | 1 | 5 | 5 | 1 | 6 | - | - | - | 11 |

Table 19 **Australian Public Service Act Ongoing Employees Previous Report Period (2017-18), at 30 June 2018**

| | <i>Male</i> | | | <i>Female</i> | | | <i>Indeterminate</i> | | | <i>Total</i> |
|--------------|-------------|-----------|------------|---------------|-----------|--------------|----------------------|-----------|---------------------|--------------|
| | Full Time | Part Time | Total Male | Full Time | Part Time | Total Female | Full Time | Part Time | Total Indeterminate | |
| SES 3 | 0 | 0 | 0 | 1 | 0 | 1 | - | - | - | 1 |
| SES 2 | 1 | 0 | 1 | 1 | 0 | 1 | - | - | - | 2 |
| SES 1 | 3 | 0 | 3 | 7 | 2 | 9 | - | - | - | 12 |
| EL 2 | 22 | 2 | 24 | 9 | 2 | 11 | - | - | - | 35 |
| EL 1 | 14 | 1 | 15 | 8 | 8 | 16 | - | - | - | 31 |
| APS 6 | 12 | 0 | 12 | 11 | 6 | 17 | - | - | - | 29 |
| APS 5 | 7 | 0 | 7 | 5 | 3 | 8 | - | - | - | 15 |
| APS 4 | 6 | 0 | 6 | 4 | 5 | 9 | - | - | - | 15 |
| APS 3 | 0 | 0 | 0 | 0 | 2 | 2 | - | - | - | 2 |
| APS 2 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| APS 1 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total | 65 | 3 | 68 | 46 | 28 | 74 | - | - | - | 142 |

Table 20 **Australian Public Service Act Non-Ongoing Employees Previous Report Period (2017-18), at 30 June 2018**

| | <i>Male</i> | | | <i>Female</i> | | | <i>Indeterminate</i> | | | <i>Total</i> |
|--------------|-------------|-----------|------------|---------------|-----------|--------------|----------------------|-----------|---------------------|--------------|
| | Full Time | Part Time | Total Male | Full Time | Part Time | Total Female | Full Time | Part Time | Total Indeterminate | |
| SES 3 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| SES 2 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| SES 1 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| EL 2 | 2 | 0 | 2 | 0 | 1 | 1 | - | - | - | 3 |
| EL 1 | 0 | 0 | 0 | 0 | 1 | 1 | - | - | - | 1 |
| APS 6 | 1 | 1 | 2 | 0 | 0 | 0 | - | - | - | 2 |
| APS 5 | 1 | 0 | 1 | 2 | 0 | 2 | - | - | - | 3 |
| APS 4 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| APS 3 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| APS 2 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| APS 1 | 0 | 0 | 0 | 0 | 0 | 0 | - | - | - | 0 |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total | 4 | 1 | 5 | 2 | 2 | 4 | - | - | - | 9 |

Table 21 **Australian Public Service Act Employees by Full Time and Part Time Status Current Report Period (2018-19), at 30 June 2019**

| | <i>Ongoing</i> | | | <i>Non-Ongoing</i> | | | <i>Total</i> |
|--------------|----------------|-----------|---------------|--------------------|-----------|-------------------|--------------|
| | Full Time | Part Time | Total Ongoing | Full Time | Part Time | Total Non-Ongoing | |
| SES 3 | 1 | 0 | 1 | 0 | 0 | 0 | 1 |
| SES 2 | 2 | 0 | 2 | 1 | 0 | 1 | 3 |
| SES 1 | 12 | 0 | 12 | 0 | 0 | 0 | 12 |
| EL 2 | 28 | 3 | 31 | 0 | 1 | 1 | 32 |
| EL 1 | 26 | 9 | 35 | 2 | 0 | 2 | 37 |
| APS 6 | 26 | 6 | 32 | 3 | 1 | 4 | 36 |
| APS 5 | 11 | 3 | 14 | 3 | 0 | 3 | 17 |
| APS 4 | 19 | 2 | 21 | 0 | 0 | 0 | 21 |
| APS 3 | 0 | 1 | 1 | 0 | 0 | 0 | 1 |
| APS 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| APS 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | - | - | - | - | - | - | - |
| Total | 125 | 24 | 149 | 9 | 2 | 11 | 160 |

Table 22 **Australian Public Service Act Employees by Full Time and Part Time Status Previous Report Period (2017-18), at 30 June 2018**

| | <i>Ongoing</i> | | | <i>Non-Ongoing</i> | | | <i>Total</i> |
|--------------|----------------|-----------|---------------|--------------------|-----------|-------------------|--------------|
| | Full Time | Part Time | Total Ongoing | Full Time | Part Time | Total Non-Ongoing | |
| SES 3 | 1 | 0 | 1 | 0 | 0 | 0 | 1 |
| SES 2 | 2 | 0 | 2 | 0 | 0 | 0 | 2 |
| SES 1 | 10 | 2 | 12 | 0 | 0 | 0 | 12 |
| EL 2 | 31 | 4 | 35 | 2 | 1 | 3 | 38 |
| EL 1 | 22 | 9 | 31 | 0 | 1 | 1 | 32 |
| APS 6 | 23 | 6 | 29 | 1 | 1 | 2 | 31 |
| APS 5 | 12 | 3 | 15 | 3 | 0 | 3 | 18 |
| APS 4 | 10 | 5 | 15 | 0 | 0 | 0 | 15 |
| APS 3 | 0 | 2 | 2 | 0 | 0 | 0 | 2 |
| APS 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| APS 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | - | - | - | - | - | - | - |
| Total | 111 | 31 | 142 | 6 | 3 | 9 | 151 |

Table 23 **Australian Public Service Act Employment Type by Location Current Report Period (2018-19), at 30 June 2019**

| | <i>Ongoing</i> | <i>Non-Ongoing</i> | <i>Total</i> |
|-----------------------------|----------------|--------------------|--------------|
| NSW | 0 | 0 | 0 |
| Qld | 0 | 0 | 0 |
| SA | 0 | 0 | 0 |
| Tas | 0 | 0 | 0 |
| Vic | 101 | 7 | 108 |
| WA | 0 | 0 | 0 |
| ACT | 48 | 4 | 52 |
| NT | - | - | - |
| External Territories | - | - | - |
| Overseas | - | - | - |
| Total | 149 | 11 | 160 |

Table 24 **Australian Public Service Act Employment Type by Location Previous Report Period (2017-18), at 30 June 2018**

| | <i>Ongoing</i> | <i>Non-Ongoing</i> | <i>Total</i> |
|-----------------------------|----------------|--------------------|--------------|
| NSW | 0 | 0 | 0 |
| Qld | 0 | 0 | 0 |
| SA | 0 | 0 | 0 |
| Tas | 0 | 0 | 0 |
| Vic | 100 | 7 | 107 |
| WA | 0 | 0 | 0 |
| ACT | 42 | 2 | 44 |
| NT | - | - | - |
| External Territories | - | - | - |
| Overseas | - | - | - |
| Total | 142 | 9 | 151 |

Table 25 **Australian Public Service Act Indigenous Employment Current Report Period (2018-19), at 30 June 2019**

| | <i>Total</i> |
|--------------------|--------------|
| Ongoing | 2 |
| Non-Ongoing | 0 |
| Total | 2 |

Table 26 **Australian Public Service Act Indigenous Employment Previous Report Period (2017-18), at 30 June 2018**

| | <i>Total</i> |
|--------------------|--------------|
| Ongoing | 2 |
| Non-Ongoing | 0 |
| Total | 2 |

**Table 27 Australian Public Service Act Employment Arrangements
Current Report Period (2018-19), at 30 June 2019**

| | SES | Non-SES | Total |
|--|-----|---------|-------|
| Enterprise agreement | 0 | 147 | 147 |
| Individual flexibility arrangements | - | 4 | 4 |
| Determinations under subsection 24(1) of the Public Service Act 1999 | 13 | 0 | 13 |
| Total | 13 | 151 | 164 |

Note: Staff on individual flexibility arrangements are also included in the Enterprise Agreement total.

**Table 28 Australian Public Service Act Employment Salary Ranges by
Classification Level (Minimum/Maximum) Current Report Period
(2018-19), at 30 June 2019**

| | Minimum Salary | Maximum Salary |
|--------------|----------------|----------------|
| SES 3 | \$346,620 | \$346,620 |
| SES 2 | \$265,749 | \$337,591 |
| SES 1 | \$187,331 | \$239,107 |
| EL 2 | \$120,898 | \$151,663 |
| EL 1 | \$99,710 | \$126,270 |
| APS 6 | \$78,724 | \$96,046 |
| APS 5 | \$72,250 | \$83,958 |
| APS 4 | \$64,479 | \$78,718 |
| APS 3 | \$56,929 | \$69,853 |
| APS 2 | \$49,972 | \$57,763 |
| APS 1 | \$43,709 | \$48,662 |
| Other | - | - |

Note: Salary excludes annual leave provision movement. The major non-salary benefit is superannuation, which is not included in the table. The above salary ranges for APS 1 to EL2 are those available under the Commission's current Enterprise Agreement. Due to 'grandfathering' of provisions from a previous agreement, some employees continue to receive a higher salary – the maximum salaries actually paid at each level are: APS6: \$96,652; EL1 \$129,213; and EL2 \$172,148. Under the Commission's Enterprise Agreement, progression to a maximum of \$159,853 is available at the EL2 level in limited circumstances (not through incremental advancement).

Table 29 **Australian Public Service Act Employment Performance Pay by Classification Level Current Report Period (2018-19)**

| | <i>Number of employees receiving performance pay</i> | <i>Aggregated (sum total) of all payments made</i> | <i>Average of all payments made</i> | <i>Minimum Payment Made</i> | <i>Maximum Payment made</i> |
|--------------|--|--|-------------------------------------|-----------------------------|-----------------------------|
| SES 3 | 0 | \$0 | \$0 | \$0 | \$0 |
| SES 2 | 0 | \$0 | \$0 | \$0 | \$0 |
| SES 1 | 0 | \$0 | \$0 | \$0 | \$0 |
| EL 2 | 0 | \$0 | \$0 | \$0 | \$0 |
| EL 1 | 0 | \$0 | \$0 | \$0 | \$0 |
| APS 6 | 0 | \$0 | \$0 | \$0 | \$0 |
| APS 5 | 0 | \$0 | \$0 | \$0 | \$0 |
| APS 4 | 0 | \$0 | \$0 | \$0 | \$0 |
| APS 3 | 0 | \$0 | \$0 | \$0 | \$0 |
| APS 2 | 0 | \$0 | \$0 | \$0 | \$0 |
| APS 1 | 0 | \$0 | \$0 | \$0 | \$0 |
| Other | 0 | \$0 | \$0 | \$0 | \$0 |
| Total | 0 | \$0 | \$0 | \$0 | \$0 |

Table 30 **Number and expenditure on Consultants Current Report Period (2018-19)**

| | <i>Total</i> |
|--|--------------|
| No. of New contracts entered into during the period | 5 |
| Total actual expenditure during the period on new contracts (inc. GST) | 47,000 |
| No. of Ongoing contracts engaging consultants that were entered into during a previous period | 3 |
| Total actual expenditure during the period on ongoing contracts (inc. GST) | 16,000 |

Indexes

Annual reporting requirements and aids to access

Information contained in this annual report is provided in accordance with Schedule 2 Part 4 of the *Work Health and Safety Act 2011*, section 46 of the *Public Governance, Performance and Accountability Act 2013* and Part II of the *Freedom of Information Act 1982*.

The entire report is provided in accordance with section 10 of the *Productivity Commission Act 1998*.

The annual report has also been prepared in accordance with parliamentary requirements for departmental annual reports issued by the Department of Finance. A compliance index is provided in the Appendices.

The Contact officer for inquiries or comments concerning this report is:

Assistant Commissioner, Corporate
Productivity Commission
Locked Bag 2, Collins Street East
MELBOURNE VIC 8003
Telephone: (03) 9653 2251

This annual report can be found at <https://www.pc.gov.au/about/governance/annual-reports>.

Inquiries about any Commission publication can be made to:

Director
Media, Publications and Web
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601
Telephone: (02) 6240 3239
Email: mpw@pc.gov.au

List of Requirements – non-corporate Commonwealth entities

| PGPA Reference | Rule | Part of Report | Description | Requirement |
|-----------------|------|--|--|-------------|
| 17AD(g) | | Letter of transmittal | | |
| 17AI | | p. iii | A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report. | Mandatory |
| 17AD(h) | | Aids to access | | |
| 17AJ(a) | | pp. v–vi | Table of contents. | Mandatory |
| 17AJ(b) | | pp. 93–95 | Alphabetical index. | Mandatory |
| 17AJ(c) | | p. 96 | Glossary of abbreviations and acronyms. | Mandatory |
| 17AJ(d) | | pp. 86–92 | List of requirements. | Mandatory |
| 17AJ(e) | | p. 85 | Details of contact officer. | Mandatory |
| 17AJ(f) | | p. ii | Entity's website address. | Mandatory |
| 17AJ(g) | | p. 85 | Electronic address of report. | Mandatory |
| 17AD(a) | | Review by accountable authority | | |
| 17AD(a) | | p. vii | A review by the accountable authority of the entity. | Mandatory |
| 17AD(b) | | Overview of the entity | | |
| 17AE(1)(a)(i) | | p. 1 | A description of the role and functions of the entity. | Mandatory |
| 17AE(1)(a)(ii) | | p. 3 | A description of the organisational structure of the entity. | Mandatory |
| 17AE(1)(a)(iii) | | p. 2 | A description of the outcomes and programmes administered by the entity. | Mandatory |
| 17AE(1)(a)(iv) | | p. 1 | A description of the purposes of the entity as included in corporate plan. | Mandatory |
| 17AE(1)(aa)(i) | | p. 73 | Name of the accountable authority or each member of the accountable authority | Mandatory |
| 17AE(1)(aa)(ii) | | p. 73 | Position title of the accountable authority or each member of the accountable authority | Mandatory |

| PGPA Reference | Rule | Part of Report | Description | Requirement |
|--|------|----------------|---|-----------------------------------|
| 17AE(1)(aa)(iii) | | p. 73 | Period as the accountable authority or member of the accountable authority within the reporting period | Mandatory |
| 17AE(1)(b) | | N/A | An outline of the structure of the portfolio of the entity. | Portfolio departments - mandatory |
| 17AE(2) | | N/A | Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change. | If applicable, Mandatory |
| 17AD(c) Report on the Performance of the entity | | | | |
| <i>Annual performance Statements</i> | | | | |
| 17AD(c)(i); 16F | | p. 5 | Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule. | Mandatory |
| 17AD(c)(ii) Report on Financial Performance | | | | |
| 17AF(1)(a) | | p. 38 | A discussion and analysis of the entity's financial performance. | Mandatory |
| 17AF(1)(b) | | p. 73 | A table summarising the total resources and total payments of the entity. | Mandatory |
| 17AF(2) | | N/A | If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results. | If applicable, Mandatory. |
| 17AD(d) Management and Accountability | | | | |
| <i>Corporate Governance</i> | | | | |
| 17AG(2)(a) | | p. iii, 32 | Information on compliance with section 10 (fraud systems) | Mandatory |
| 17AG(2)(b)(i) | | p. iii | A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared. | Mandatory |

| PGPA Reference | Rule | Part of Report | Description | Requirement |
|---|------|----------------|--|--------------------------|
| 17AG(2)(b)(ii) | | p. iii | A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place. | Mandatory |
| 17AG(2)(b)(iii) | | p. iii | A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity. | Mandatory |
| 17AG(2)(c) | | pp. 31–33 | An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance. | Mandatory |
| 17AG(2)(d) (e) | – | N/A | A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance. | If applicable, Mandatory |
| <i>External Scrutiny</i> | | | | |
| 17AG(3) | | pp. 33–34 | Information on the most significant developments in external scrutiny and the entity's response to the scrutiny. | Mandatory |
| 17AG(3)(a) | | N/A | Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity. | If applicable, Mandatory |
| 17AG(3)(b) | | p. 33 | Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman. | If applicable, Mandatory |
| 17AG(3)(c) | | N/A | Information on any capability reviews on the entity that were released during the period. | If applicable, Mandatory |
| <i>Management of Human Resources</i> | | | | |
| 17AG(4)(a) | | pp. 34–38 | An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives. | Mandatory |
| 17AG(4)(aa) | | pp. 74–81 | Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees; (b) statistics on part-time employees; (c) statistics on gender; (d) statistics on staff location. | Mandatory |

| PGPA Reference | Rule | Part of Report | Description | Requirement |
|--------------------------|------|----------------|---|--------------------------|
| 17AG(4)(b) | | pp. 74–81 | <p>Statistics on the entity’s APS employees on an ongoing and non-ongoing basis; including the following:</p> <ul style="list-style-type: none"> - Statistics on staffing classification level; - Statistics on full-time employees; - Statistics on part-time employees; - Statistics on gender; - Statistics on staff location; - Statistics on employees who identify as Indigenous. | Mandatory |
| 17AG(4)(c) | | p. 82 | Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> . | Mandatory |
| 17AG(4)(c)(i) | | p. 82 | Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c). | Mandatory |
| 17AG(4)(c)(ii) | | p. 82 | The salary ranges available for APS employees by classification level. | Mandatory |
| 17AG(4)(c)(iii) | | p. 35–36 | A description of non-salary benefits provided to employees. | Mandatory |
| 17AG(4)(d)(i) | | N/A | Information on the number of employees at each classification level who received performance pay. | If applicable, Mandatory |
| 17AG(4)(d)(ii) | | N/A | Information on aggregate amounts of performance pay at each classification level. | If applicable, Mandatory |
| 17AG(4)(d)(iii) | | N/A | Information on the average amount of performance payment, and range of such payments, at each classification level. | If applicable, Mandatory |
| 17AG(4)(d)(iv) | | N/A | Information on aggregate amount of performance payments. | If applicable, Mandatory |
| Assets Management | | | | |
| 17AG(5) | | N/A | An assessment of effectiveness of assets management where asset management is a significant part of the entity’s activities | If applicable, mandatory |
| Purchasing | | | | |
| 17AG(6) | | pp. 38–39 | An assessment of entity performance against the <i>Commonwealth Procurement Rules</i> . | Mandatory |

| PGPA Reference | Rule | Part of Report | Description | Requirement |
|--|------|----------------|--|--------------------------|
| Consultants | | | | |
| 17AG(7)(a) | | p. 39 | A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). | Mandatory |
| 17AG(7)(b) | | p. 39 | A statement that “ <i>During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million].</i> ” | Mandatory |
| 17AG(7)(c) | | p. 39 | A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged. | Mandatory |
| 17AG(7)(d) | | p. 39 | A statement that “ <i>Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website.</i> ” | Mandatory |
| Australian National Audit Office Access Clauses | | | | |
| 17AG(8) | | N/A | If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor’s premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract. | If applicable, Mandatory |
| Exempt contracts | | | | |
| 17AG(9) | | N/A | If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or | If applicable, Mandatory |

| PGPA Reference | Rule | Part of Report | Description | Requirement |
|--|------|----------------|--|--------------------------|
| | | | standing offer, to the extent that doing so does not disclose the exempt matters. | |
| Small business | | | | |
| 17AG(10)(a) | | p. 39 | A statement that “[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance’s website.” | Mandatory |
| 17AG(10)(b) | | p. 39 | An outline of the ways in which the procurement practices of the entity support small and medium enterprises. | Mandatory |
| 17AG(10)(c) | | N/A | If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that “[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury’s website.” | If applicable, Mandatory |
| Financial Statements | | | | |
| 17AD(e) | | pp. 43–68 | Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act. | Mandatory |
| Executive Remuneration | | | | |
| 17AD(da) | | pp. 69–72 | Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 2-3 of the Rule. | Mandatory |
| 17AD(f) Other Mandatory Information | | | | |
| 17AH(1)(a)(i) | | N/A | If the entity conducted advertising campaigns, a statement that “During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity’s website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance’s website.” | If applicable, Mandatory |
| 17AH(1)(a)(ii) | | p. 41 | If the entity did not conduct advertising campaigns, a statement to that effect. | If applicable, Mandatory |

| PGPA Reference | Rule | Part of Report | Description | Requirement |
|----------------|------|----------------|--|--------------------------|
| 17AH(1)(b) | | N/A | A statement that <i>“Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity’s website].”</i> | If applicable, Mandatory |
| 17AH(1)(c) | | pp. 40–41 | Outline of mechanisms of disability reporting, including reference to website for further information. | Mandatory |
| 17AH(1)(d) | | p. 41 | Website reference to where the entity’s Information Publication Scheme statement pursuant to Part II of FOI Act can be found. | Mandatory |
| 17AH(1)(e) | | N/A | Correction of material errors in previous annual report | If applicable, mandatory |
| 17AH(2) | | p. 38 | Information required by other legislation | Mandatory |

Index

- Audited financial statements, 43
- Australian Government Competitive Neutrality Complaints Office (AGCNCO), 16
- Australian National Audit Office (ANAO), 33
- Commissioners, 2, 27
- Commissioners, Associate, 29
- Compensation and rehabilitation for veterans inquiry, 13
- Competition in the Australian financial system inquiry, 20
- Competitive neutrality complaints activities, 16
- Compliance index, 86
- Council of Australian Governments (COAG), 11, 15
- Economic modelling, 31, 36
- Economic regulation of airports inquiry, 13, 19
- Enterprise agreement, 35
- Expenditure on children in the Northern Territory review, 11, 24
- Financial and staffing resources summary, 230
- Five-yearly productivity review, 7, 21, 22
- Freedom of Information Act 1982, 41
- Government-commissioned projects, 11
- Growing the digital economy study, 11
- Indigenous Australians,
 - expenditure reporting, 15
 - Indigenous evaluation strategy, 12
 - Overcoming Indigenous Disadvantage report, 15
- Media coverage of the Commission, 7, 21
- Mental health inquiry, 6, 8, 11
- Murray-Darling Basin Plan: five-year assessment inquiry, 7, 13, 19
- National Agreement reporting, 15
- National Disability Agreement review, 13, 19, 23
- National transport regulatory reform inquiry, 11
- Parliamentary committees, 20, 34



Performance reporting activities, 14

Productivity Commission,

- activities in 2018-19, 11
- appointments, 27
- competitive neutrality complaints activities, 16
- consultancies, 39
- alignment of tender threshold with procurement guidelines, 38
- consultative processes, 22
- external and internal scrutiny, 33
- disability strategy, 40
- feedback on activities, 19, 23
- financial statements, 43
- governance arrangements, 31
- government-commissioned projects, 11
- government responses to reports, 20
- management of human resources, 34
- organisation chart, 3
- outcome objective, 2
- performance management and pay, 35
- role, 2
- staffing statistics, 37
- research networks, 25
- training, 36
- visiting officials, 22
- workplace diversity, 37

Productivity Commission Act 1998, 4

References to Commission work

- in Federal Parliament, 20
- in House of Representatives and Senate committee reports, 20
- in State and Territory parliaments, 21
- in the media, see media coverage of the Commission

Remote area tax concessions and payments review, 11

Report on Government Services, 15

Review of Government Service Provision, 15

Service provision, see Review of Government Service Provision,



Steering Committee for the Review of Government Service Provision, 14

Superannuation: assessing competitiveness and efficiency inquiry 13, 20

Visiting officials, 22

Workplace diversity, 37

Abbreviations

| | |
|----------|---|
| ABS | Australian Bureau of Statistics |
| ACCC | Australian Competition and Consumer Commission |
| AGCNCO | Australian Government Competitive Neutrality Complaints Office |
| AIHW | Australian Institute of Health and Welfare |
| ANAO | Australian National Audit office |
| APS | Australian Public Service |
| COAG | Council of Australian Governments |
| HFE | Horizontal Fiscal Equalisation |
| IMF | International Monetary Fund |
| OECD | Organisation for Economic Cooperation and Development |
| OHS | Occupation Health and Safety |
| PGPA Act | <i>Public Governance, Performance and Accountability Act 2013</i> |
| ROGS | Report on Government Services |
| SES | Senior Executive Service |
| WHS | Work Health and Safety |
