
A Management and accountability

This appendix provides information on the management and accountability of the Commission, as well as additional information in accordance with parliamentary requirements for departmental annual reports.

Overview

Role and structure

The Commission — established under the *Productivity Commission Act 1998* — is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Information about the Commission's objectives is contained in the overview to chapter 2. Further information on the Commission's role is available on its website and in its first annual report (PC 1998a, pp. 25–36).

The Commission comprises its Chairman and between four and 11 other Commissioners, appointed by the Governor-General for periods of up to five years. Associate Commissioners can be appointed by the Assistant Treasurer for terms of up to five years or for the duration of specific inquiries. The work of the Commission is assisted by employees who are employed under the *Public Service Act 1999*.

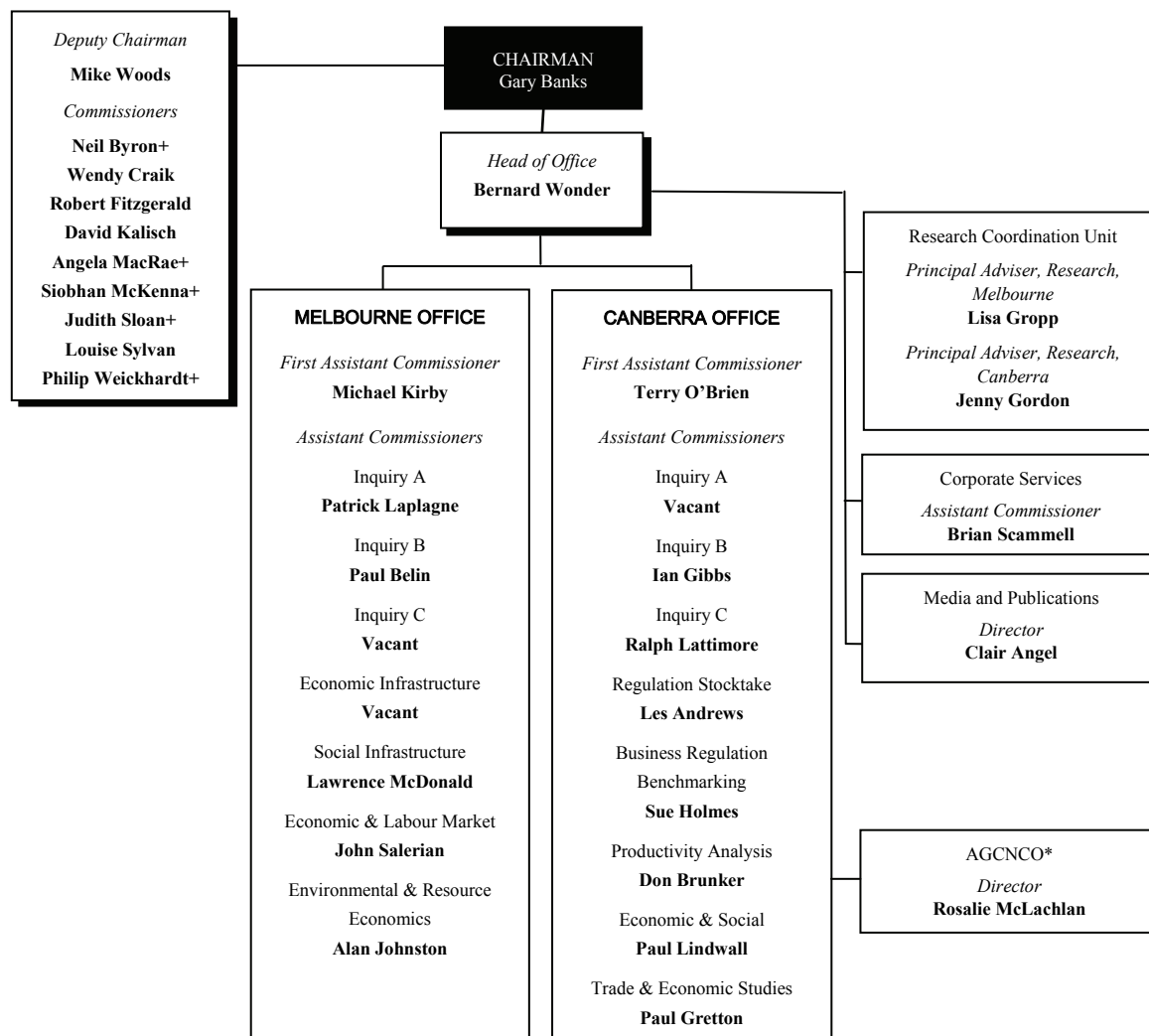
The Commission's structure and senior staff at 30 June 2009 are shown in figure A.1.

Commissioners

At 30 June 2009 there were eleven Commissioners, including the Chairman. Five Commissioners were part-time appointments.

On 8 October 2008 Commissioner Mike Woods was appointed as Deputy Chair until the end of his current appointment as a Commissioner on 16 April 2011.

Figure A.1 Productivity Commission structure and senior staff, 30 June 2009



+ Part-time Commissioners

* Australian Government Competitive Neutrality Complaints Office

Commissioner Philip Weickhardt was re-appointed on a part-time basis for five years from 12 December 2008. Commissioner Robert Fitzgerald AM was re-appointed on a full-time basis for five years from 27 January 2009.

On 1 August 2008 Ms Louise Sylvan was appointed as a full-time Commissioner for five years. Ms Sylvan had previously been Deputy Chair of the Australian Competition and Consumer Commission, and is a former Chief Executive of the Australian Consumers' Association (ACA) and President of Consumers International. Ms Sylvan has also served internationally on the OECD Consumer Policy Committee and nationally on the federal government's Expert Group in

Electronic Commerce and the Australian Statistics Advisory Council to the ABS. Prior memberships also include six years on the Australian Prime Minister's Economic Planning Advisory Council and the Self-Regulation Task Force in 1999-2000.

On 4 June 2009 Dr Wendy Craik AM and Mr David Kalisch were appointed as full-time Commissioners, and Ms Siobhan McKenna was appointed as a part-time Commissioner, each for a period of five years.

Dr Craik was Chief Executive of the Murray-Darling Basin Commission from 2004 to 2008. She was previously President of the National Competition Council, Chair of the Australian Fisheries Management Authority and Chair of the National Rural Advisory Council. Other former positions include Executive Director of the National Farmers Federation, Executive Officer of the Great Barrier Reef Marine Park Authority and CEO of Earth Sanctuaries Ltd. Dr Craik holds a Bachelor of Science (Hons) from the ANU, a PhD (Zoology) from University of British Columbia, and a Graduate Diploma in Management from the Capricornia Institute in Queensland. She was made a Member of the Order of Australia in 2007 for service to the natural resources sector and for contributions to policies affecting rural and regional Australia.

Mr Kalisch had been a Deputy Secretary in the Department of Health and Ageing for the past few years. In that role he had a range of responsibilities, including for portfolio strategies, acute care policy and health workforce. He has done research and formulated policy in a range of welfare, labour market and social policy areas within government since the early 1980s. He also spent some years in the Employment and Social Policy Divisions of the OECD and at the Australian Delegation in Paris. Mr Kalisch has been a member of the Board of the Australian Institute of Family Studies, the Australian Institute of Health and Welfare and the National Blood Authority. He has an honours degree in economics from the University of Adelaide.

Ms McKenna had been an Associate Commissioner working on the infrastructure services study that forms part of the rolling review of regulatory burdens on business. She was previously an Associate Commissioner on the Chemicals and Plastics research study. In addition to her role as a part-time Commissioner, Ms McKenna is the Managing Partner of Illyria Pty Ltd a media focused investment company. In earlier years, she was a Partner of McKinsey & Company. More recently she has been on the Advisory Board of the Bureau of Meteorology. Ms McKenna has a Bachelor of Economics (Honours) degree from the Australian National University and a Master of Philosophy from Cambridge University.

Commissioner Matthew Butlin resigned with effect from 30 September 2008 to take up the position of Chairman of the Victorian Competition and Efficiency Commission.

Commissioner Steven Kates' term of appointment expired on 16 April 2009.

Biographical information on Commissioners is available on the Commission's website and their terms of appointment are listed in table A1.1 of attachment A.

Associate Commissioners

At 30 June 2009 three Associate Commissioner appointments were current (table A1.2 of attachment A1).

On 2 February 2009 Paul Coghlan was appointed on a part-time basis to assist with the current stage of the Commission's work stream on Performance Benchmarking of Australian Business Regulation, focusing on occupational health and safety regulation and food safety regulation. Mr Coghlan has extensive experience in regulatory review activities, including as a former head of the Office of Regulation Review. He has previously been appointed as a part-time Associate Commissioner for the commissioned study on Standard Setting and Laboratory Accreditation conducted in 2006.

On 16 March 2009 Mr Dennis Trewin AO was appointed on a part-time basis for the duration of the study on the contributions of the not-for-profit sector. Mr Trewin has extensive experience in the application of official statistics to research and analysis of economic, social and environmental policy issues. He was the Australian Statistician and head of the Australian Bureau of Statistics from July 2000 until January 2007. Prior to that Mr Trewin was Deputy Australian Statistician and, from 1992 to 1995, Deputy Government Statistician in New Zealand.

On 17 March 2009 Professor Allan Fels AO was appointed on a part-time basis for the duration of the inquiry into executive remuneration. Since 2003, he has been the Dean of the Australia and New Zealand School of Government. Professor Fels was Chairman of the Australian Competition and Consumer Commission from 1995 until 30 June 2003 and prior to that he was Chairman of the Trade Practices Commission from 1991 to 1995 and Chairman of the Prices Surveillance Authority from 1989 to 1992. He was co-Chair of the OECD Trade and Competition Committee from 1996 to 2003.

Associate Commissioner appointments completed during 2008-09 are listed in table A1.3 of attachment A1.

Staff

The average staffing level during 2008-09 was 184 compared to 199 in 2007-08. This in part reflects the transfer of the Office of Best Practice Regulation to the Department of Finance and Deregulation, as part of the revised administrative arrangements following the 2007 Federal Election.

The Commission recruited 26 staff during the year, including eight through its graduate recruitment program. Staff turnover was approximately 15 per cent.

Statistical information on staffing is provided in tables A1.4 to A1.6 of attachment A1.

Outcome, outputs and resources

The financial and staffing resources devoted to the achievement of the Government's desired outcome objective for the Commission — outlined on page 24 — through the provision of four mandated outputs, are summarised in table A.1. An agency resource statement for 2008-09 is included at Attachment A2. Performance information in respect of these outputs is provided in appendix B.

Table A.1 Financial and staffing resources summary

| | <i>Budget *</i> <i>2008-09</i> <i>\$'000</i> | <i>Actual</i> <i>2008-09</i> <i>\$'000</i> | <i>Variation</i> <i>\$'000</i> |
|---|--|--|-----------------------------------|
| 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 | | | |
| | <i>(a)</i> | <i>(b)</i> | <i>(a-b)</i> |
| Output Group 1.1 - Productivity Commission | | | |
| Departmental Outputs | | | |
| Ordinary Annual Services (Appropriation Bill No. 1) | 30,753 | 30,159 | 594 |
| Previous years' outputs | 868 | 868 | - |
| Revenues and gains from other sources | 735 | 735 | - |
| Total for Outcome 1 | 32,356 | 31,762 | 594 |
| Average Staffing Level (number) | | 184 | |

* Full-year budget, including any subsequent adjustment made to the 2008-09 Budget

Governance

The Commission's governance arrangements are designed to achieve efficient, effective and ethical use of resources in the delivery of the Commission's mandated outputs. 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 Chairman is responsible for the overall management and governance of the Commission.

He is assisted in these tasks by the Head of Office and a Management Committee which addresses matters of strategic direction, organisational development, policies and practices, monitoring of performance and resource allocation. Management Committee comprises the Chairman (as chair), Deputy Chairman, the Head of Office, the Melbourne and Canberra First Assistant Commissioners and the Assistant Commissioner, Corporate Services. It meets monthly, or more frequently as necessary.

The Research Committee is responsible for approving research proposals and ensuring that these are consistent with the Commission's objectives and current research themes. More generally, it also promotes the effectiveness and efficiency of the Commission's research program. It meets monthly and comprises the Melbourne and Canberra Principal Advisers Research (alternate chairs), the Chairman, the Deputy Chairman, the Head of Office, the Melbourne and Canberra First Assistant Commissioners, two research Assistant Commissioners and the Media and Publications Director.

Commissioners have a role in strategic coordination and are responsible for the conduct of the individual inquiries, studies or other activities to which they are assigned by the Chairman. Responsibility extends to the quality, timeliness and resource use aspects of the assigned project or activity.

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:

- presiding Commissioners on government-commissioned projects report monthly on significant issues and progress against key milestones
- the Research Committee reports on a quarterly basis on the status and future directions of the research program
- the activities of the Steering Committee for the Review of Government Service Provision, chaired by the Chairman of the Commission, are reported on a quarterly basis
- one Commissioner is designated with responsibility for competitive neutrality issues, and also reports to the Commission on a quarterly basis
- the Head of Office provides Commissioners with a monthly update 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 (currently a Commissioner) and two senior members of staff. 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. The plan is reviewed annually by senior management and the Audit Committee.

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 Guidelines. No instances of fraud were reported during 2008-09. The Chairman's certification in respect of fraud control is at attachment A3.

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 undertaken periodically.

Ethical standards

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

- It has embraced the Australian Public Service (APS) Values and Code of Conduct. The Commission's various employment agreements contain a commitment from employees to at all times conduct themselves in a manner consistent with the Values and Code.
- All employees have been provided with a copy of the Values and Code, while new employees receive a copy as part of their induction.
- Senior managers in particular are encouraged to set an example through the ethical and prudent use of Commonwealth resources.

The Commission has developed a number of specific policies relating to ethical standards which 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. Staff awareness and training sessions are offered in these topics.

External and internal scrutiny

The Commission's transparent and consultative processes, which provide for community participation and scrutiny of its work, are a key means of promoting external scrutiny. These processes are outlined in some detail in the corporate chapters of the Commission's annual reports.

External scrutiny is also promoted through the Commission's extensive reporting, in various publications, of different aspects of its work. This annual report is an example and, in particular, appendix B provides an account of the Commission's performance in its four output groups.

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 2008-09 in respect of either charter.

The Auditor-General issued an unqualified independent audit report on the Commission's 2007-08 financial statements.

References to particular reports of the Commission made by federal parliamentary committees during the year are detailed in appendix B. In addition, the Senate Standing Committee on Economics (2008) commended the Commission for including a comprehensive compliance index against both FMA Act and PC Act reporting requirements in its 2007-08 Annual Report, in response to the committee's suggestion. Details of the Commission's appearances at Senate Estimates hearings in 2008-09 are included in appendix B in response to a further suggestion by the Committee.

Internal scrutiny occurs through an ongoing review program of policies, procedures and activities for effectiveness, efficiency and public accountability. Particular matters addressed during the year included the following.

Website and publications: 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 2008-09 the Commission continued to enhance the structure and presentation of website content.

Information technology: Maintenance, review and upgrade of Commission ICT infrastructure has continued including:

- joining FedLink to enable secure communication with other Australian Government agencies, following an assessment of the security of the Commission's ICT environment
- upgrade of the fire suppression system in the Melbourne server room
- improved 'out-of-office' secure access to systems.

Human Resources: Recruitment and selection guidelines were reviewed and updated during 2008-09, together with the work value matrix used as the basis of staff performance appraisals. The Commission also continued a system of ‘upwards appraisal’ for Commissioners and Senior Executives, intended to enhance individual development and improve organisational performance, by providing another avenue for feedback from staff.

Internal Audit: The Commission engaged an accounting firm, PKF, to conduct a program of internal audits over a three-year period commencing in 2006-07. Internal audits conducted in 2008-09 focused on payroll, purchasing, accounts payable, credit cards and travel. No control or compliance deficiencies involving unacceptable risk were identified.

Audit Committee: 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, and associated issues
- scrutiny of the Commission’s risk management, fraud control and business continuity plans
- reviews of relevant ANAO reports.

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 through a range of feedback mechanisms, including through standing reports to its monthly meetings.

Workforce planning

Management Committee plays the key role for 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. In particular, the Commission has been actively monitoring the age profile of its workforce and is

seeking to retain mature aged employees by making available flexible working arrangements.

The Commission reviews its graduate recruitment process annually with a view to increasing the awareness of graduating university students of the Commission as a potential employer. Eight new employees were engaged during 2008-09 through the Commission's graduate recruitment program.

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

Remuneration and employment conditions

All Commissioners, aside from the Chairman, are part of the Principal Executive Office structure established by the Government. The Chairman, as the 'employing body', is responsible for determining Commissioners' remuneration within guidelines and parameters set and reviewed by the Remuneration Tribunal. The Chairman's remuneration continues to be set directly by the Tribunal.

The Commission's 19 Senior Executive Service (SES) employees are employed under Australian Workplace Agreements or 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 SES Remuneration Survey conducted for the Department of Education, Employment and Workplace Relations.

Information on Commissioners and SES employees who received total remuneration of \$130 000 or more is set out in Note 11 to the Financial Statements (appendix F).

The Commission's non-SES employees are part of a collective agreement negotiated with the Commission's employees under the *Workplace Relations Act 2006*. The agreement has a nominal expiry date of 20 February 2010. The levels of remuneration and terms and conditions of employment of approximately 167 employees are covered by the Commission's collective agreement.

The workplace agreements place a strong emphasis on performance outcomes as the means of achieving remuneration increases. The agreements also include a number of provisions aimed at providing work/life balance and a satisfying and rewarding work environment for employees.

APS salary ranges which correspond to the Commission's broadbanded classifications are shown in the collective agreement which is available on the Commission's website.

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 (through performance appraisals)
- provide a basis for determining salary advancement and performance bonuses
- identify learning and development needs
- assist in identifying and managing underperformance.

Ahead of each appraisal round — which occurs at six monthly intervals — senior staff attend 'context setting' meetings to promote a consistent approach to the appraisal process and outcomes. Training is conducted for new employees and new managers to ensure employee readiness for the appraisal round.

Appraisal outcomes influence salary advancement and performance bonuses. Under the collective agreement, bonuses of 3 per cent of salary are paid to those employees who achieved the highest performance rating. For SES employees, somewhat higher bonuses are able to be achieved, in keeping with the policy of having a higher proportion of SES employees' remuneration 'at risk'. For Principal Executive Offices, bonuses of up to 15 per cent of total remuneration are available within the Remuneration Tribunal framework.

Performance bonuses paid for 2008-09 are summarised in table A.2.

Table A.2 Performance bonuses paid for 2008-09

| <i>Classification level</i> | <i>Employees receiving bonus</i> | <i>Total bonuses paid</i> | <i>Average bonus paid</i> |
|------------------------------|----------------------------------|---------------------------|---------------------------|
| Staff Level 1 | 4 | 6 371 | 1 592 |
| Staff Level 2 | 7 | 7 563 | 1 080 |
| Staff Level 3 | 10 | 15 459 | 1 546 |
| Staff Level 4 | 14 | 30 118 | 2 151 |
| SES | 19 | 189 468 | 9 972 |
| Principal Executive Officers | 7 | 100 124 | 14 303 |
| Total | 61 | 349 103 | 5 723 |

Consultative arrangements

The key employee consultative mechanism is the Productivity Commission Consultative Committee (PCCC). The PCCC comprises five elected employee representatives and four management representatives.

The PCCC met on the four occasions during the year to discuss a range of workplace issues.

In addition, direct consultation between management and employees occurs on a regular basis, including through the Chairman's 'all staff' meetings, a range of topic-specific committees, and regular team and branch meetings.

The Commission also undertakes a staff opinion survey every two to three years. The survey seeks staff views on a range of organisational and management issues, and is designed to help identify areas where current practices could be improved and ways to provide a better working environment for staff. The most recent survey was conducted in October 2008 and had a focus on employee engagement.

Learning and development

The Commission encourages employees to undertake learning and development in an appropriate mix of 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.

Recorded expenditure on learning and development in 2008-09 was 1 per cent of the annual salary budget. This expenditure related to:

- 114 employees who undertook a total of 327 days of specific training and development
- 30 Staff Level 3 employees who attended two-day general development programs
- 7 employees who received studies assistance in the form of paid leave and assistance with fees in the pursuit of tertiary qualifications.

The above activities are in addition to one-on-one coaching to address particular development needs and extensive on-the-job training within the Commission.

Occupational health & safety (OHS)

An OHS Committee oversees the Commission's health and safety program. Committee membership includes health and safety representatives and staff observers from both offices. The Committee met three times during 2008-09.

The Commission has developed health and safety management arrangements in consultation with staff consistent with the requirements of OHS legislation.

OHS activities during the year included:

- Commission funded flu vaccinations (take up rate in 2008-09 was around 56 per cent)
- ergonomic work station assessments (38 were completed, including 19 as part of the induction program — they are provided for all new employees as well as existing employees who require advice, particularly after a workplace relocation)
- regular workplace hazard inspections conducted by members of the OHS Committee
- desk calendars for all employees promoting emergency evacuation and threat procedures
- the opportunity for employees to complete working hours questionnaires
- workplace health related seminars
- a review of the pandemic response plan.

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

No formal OHS investigations were conducted during the year and the Commission was not required to give any notices under section 68 of the *Occupational Health and Safety Act 1991*. No notices under sections 29, 46 or 47 of that Act were given to the Commission during 2008-09.

An indicator of the effectiveness of the Commission's OHS programs is Comcare's workers' compensation rate. The Commission's rate for 2008-09 was assessed at approximately one-fifth of the rate for the whole-of-Australian Government pool.

Employee Assistance Program

The Commission offers its employees independent, confidential and professional counselling, consultation and training assistance for work-related or personal issues. During 2008-09, the external provider of this service conducted information sessions for staff about the type of the services available. Seven employees or their families utilised the service in 2008-09.

Workplace diversity

The Commission continues to foster a culture that is supportive of employees achieving their potential and which values employee diversity. This is facilitated through the commitment — in the Commission's collective agreement, equity and diversity plan and related policies — to promote workplace diversity.

During 2008-09 the Commission reviewed its equity and diversity plan which operates to 2012.

Commonwealth Disability Strategy

The Commonwealth Disability Strategy is designed to help agencies improve access for people with disabilities to their services and facilities. Attachment A3 provides a summary of the Commission's performance in this area during 2008-09.

Financial performance

The Productivity Commission is a prescribed agency under the *Financial Management and Accountability Act 1997*.

The annual Appropriation Acts provide the major source of revenue for the operations of the Commission.

The operating result for 2008-09 was a \$0.6 million surplus (\$0.2 million in 2007-08).

Additional funding was provided to the Commission in the 2009-10 Budget, as part of the measure relating to implementation of the COAG federal financial framework, including \$0.9 million for prior years' outputs in 2008-09.

However, overall, appropriations and other income decreased slightly to \$32.4 million in 2008-09 (\$32.6 million in 2007-08). This decrease is largely a consequence of the full-year impact of the transfer of the Office of Best Practice Regulation to the Department of Finance and Deregulation in 2007-08 as part of the administrative arrangements implemented following the 2007 Federal Election.

Operating expenses also decreased in 2008-09 to \$31.8 million (\$32.4 million in 2007-08). The major expenses in 2008-09 were \$23.1 million in respect of employee expenses, \$7.0 million relating to supplier payments, and \$1.7 million in asset depreciation, amortisation and related expenses.

Table A.1 provides a summary of financial and staffing resources by output. The agency resource statement is provided at Attachment A2. The audited financial statements for 2008-09 are shown in appendix F.

Other information

Purchasing

The Commission applies the Commonwealth Procurement Guidelines.

The Commission's purchases of goods and services during 2008-09 were consistent with the 'value-for-money' principle underpinning those guidelines.

Consultancies

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

During 2008-09, 12 new consultancy contracts were entered into involving total actual expenditure of \$124 105. There were no ongoing consultancy contracts during the 2008-09 year.

Table A.3 provides information on expenditure on consultants in the five years to 2008-09.

Further information on consultancies, as required by government reporting requirements, is provided in attachment A4.

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.

Table A.3 Expenditure on consultancies, 2004-05 to 2008-09

| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|-------------|---------|---------|---------|---------|---------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Expenditure | 249 | 308 | 229 | 493 | 124 |

Special payments

The Commission made a number of special payments during 2008-09. Such payments were made to organisations and activities judged by management as making a worthwhile contribution to the Commission's outputs. The main payments were as follows:

Consortium memberships: \$23 135 for membership of the Global Trade Analysis Project Consortium based at Purdue University in the United States. The Commission's contribution supports the development and updating of a publicly available database and model framework for multi-country trade policy analysis. It gives the Commission early access to database updates that are needed in its research, priority access to model training, and input to the future direction of model and database development.

Research partnerships: \$26 400 to the Australian National University for an ARC partnership project on setting priorities for services trade reform; and \$11 000 to the University of NSW for an ARC partnership project on productivity measurement in infrastructure, services, and research and development.

Conference sponsorships: \$5500 to the Australian Agricultural and Resource Economics 53rd Annual Conference; \$7500 for the 37th Australian Conference of Economists 2008; \$2200 to the Australian National University for the 2008 PhD

Conference in Economics and Business; and \$550 to the Australian Evaluation Society Annual Conference.

Awards: \$1200 to the 2008 top student, Economics Honours, at Monash University (R H Snape Productivity Commission Prize); \$1000 to the top student, Master of Economics, at the Australian National University (Robert Jones Productivity Commission Prize); \$300 to each of the top two students, Faculty of Law and Management, La Trobe University.

Legal services

Total expenditure on legal services in 2008-09 was \$24 997. Further details are published on the Commission's website, in accordance with *Legal Services Directions 2005* issued by the Attorney-General.

Ecologically sustainable development (ESD)

Under the *Environment Protection and Biodiversity Conservation Act 1999*, agencies are required — through their annual reports — to report on 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' (section 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' (section 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. Examples of Commission projects where different aspects of ESD have arisen have been provided in past annual reports. The Commission's recent inquiry into government drought support arrangements is a further example of work being undertaken which will require 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, environmental and/or social. 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 the actions able to be taken are somewhat limited. However, the Commission 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.

Freedom of information

No requests were received in 2008-09 for access to information under the *Freedom of Information Act 1982*. A statement encompassing formal reporting requirements is provided in Attachment A5.

Advertising and market research

The Commission publicises 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, regular distribution of *pc update*, press releases, an email alert service, notification on the Commission's website and distribution of Commission circulars.

A total of \$168 760 was paid for advertising (including recruitment advertising) in 2008-09 to HMA Blaze Pty Ltd.

Publications and submissions

Appendix E lists all the Commission's publications in 2008-09.

Annual reporting requirements and aids to access

Information contained in this annual report is provided in accordance with section 74 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991*, section 49 of the *Financial Management and Accountability Act 1997* and section 8 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 the Prime Minister and Cabinet. A compliance index is provided in attachment A6.

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

Assistant Commissioner
Corporate Services Branch
Productivity Commission
Locked Bag 2
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MELBOURNE VIC 8003
Telephone: (03) 9653 2251
Facsimile: (03) 9653 2304

The Commission's internet home page is at <http://www.pc.gov.au>

This annual report can be found at the above internet address. Inquiries about any Commission publication can be made to:

Director
Media and Publications Section
Productivity Commission
PO Box 1428
CANBERRA CITY ACT 2601
Telephone: (02) 6240 3239
Facsimile: (02) 6240 3300

Attachment A1

Commissioner and employee statistics

Table A1.1 **Chairman and Commissioners, 30 June 2009**

| | <i>Current period of appointment</i> | |
|--------------------------------|--------------------------------------|--------------|
| | <i>From</i> | <i>To</i> |
| Mr G R Banks AO (Chairman) | 20 May 2008 | 19 May 2013 |
| Mr M C Woods (Deputy Chairman) | 17 Apr 2006 | 16 Apr 2011 |
| Dr R N Byron (C) (p/t) | 17 Apr 2007 | 16 Apr 2012 |
| Dr W Craik AM (C) | 4 Jun 2009 | 3 Jun 2014 |
| Mr R Fitzgerald AM (C) | 27 Jan 2009 | 26 Jan 2014 |
| Mr D Kalisch (C) | 4 Jun 2009 | 3 Jun 2014 |
| Ms A MacRae (M) (p/t) | 19 Mar 2007 | 18 Mar 2010 |
| Ms S McKenna (M) (p/t) | 4 Jun 2009 | 3 Jun 2014 |
| Prof J Sloan (M) (p/t) | 17 Apr 2006 | 16 Apr 2010 |
| Ms L Sylvan (C) | 1 Aug 2008 | 31 July 2013 |
| Mr P Weickhardt (M) (p/t) | 4 Dec 2008 | 3 Dec 2013 |

(C) denotes Canberra based, (M) denotes Melbourne based and (p/t) denotes part-time.

Table A1.2 **Part-time Associate Commissioners, 30 June 2009**

| | <i>Inquiry/Study</i> | <i>Period of appointment^a</i> | |
|----------------|--|--|-------------|
| | | <i>From</i> | <i>To</i> |
| Mr P Coghlan | Performance Benchmarking of Australian Business Regulation | 2 Feb 2009 | 29 Jan 2010 |
| Mr D Trewin AO | Contribution of the Not-for-Profit Sector | 16 Mar 2009 | 15 Feb 2010 |
| Prof A Fels AO | Regulation of Director and Executive Remuneration in Australia | 17 Mar 2009 | 16 Jan 2010 |

^a Engagement ceases at the conclusion of the inquiry/study or the period of appointment, whichever is the earlier.

Table A1.3 Part-time Associate Commissioners completing appointments during 2008-09

| | <i>Inquiry/Study</i> | <i>Period of appointment</i> | |
|----------------|---|------------------------------|-------------|
| | | <i>From</i> | <i>To</i> |
| Ms S McKenna | Regulation of chemicals and plastics | 27 Jul 2007 | 27 Aug 2008 |
| | Social and Economic Infrastructure Services | 8 Oct 2008 | 17 May 2009 |
| Mr R G Granger | Government drought support | 20 Jun 2008 | 19 Apr 2009 |

Table A1.4 Employees by location and gender, 30 June 2009

| <i>Level</i> | <i>Melbourne</i> | | | <i>Canberra</i> | | | <i>Total</i> | | |
|---|------------------|-------------|--------------|-----------------|-------------|--------------|---------------|-------------|--------------|
| | <i>Female</i> | <i>Male</i> | <i>Total</i> | <i>Female</i> | <i>Male</i> | <i>Total</i> | <i>Female</i> | <i>Male</i> | <i>Total</i> |
| SES Band 3 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | 1 |
| SES Band 2 | 1 | 1 | 2 | 1 | 1 | 2 | 2 | 2 | 4 |
| SES Band 1 | 0 | 7 | 7 | 1 | 6 | 7 | 1 | 13 | 14 |
| Staff Level 4 | 9 | 13 | 22 | 6 | 18 | 24 | 15 | 31 | 46 |
| Staff Level 3 | 15 | 8 | 23 | 6 | 9 | 15 | 21 | 17 | 38 |
| Staff Level 2 | 16 | 12 | 28 | 3 | 10 | 13 | 19 | 22 | 41 |
| Staff Level 1 | 14 | 8 | 22 | 10 | 2 | 12 | 24 | 10 | 34 |
| Total^b | 55 | 49 | 104 | 27 | 47 | 74 | 82 | 96 | 178 |
| Corresponding totals at 30 June 2008 ^a | 61 | 49 | 110 | 24 | 50 | 74 | 85 | 99 | 184 |

^a Totals exclude 7 inoperative employees at 30 June 2008. ^b Totals exclude 8 inoperative employees at 30 June 2009; 2009 totals also include 1 acting SL4, 1 acting SL3 and 2 acting SL2s.

Table A1.5 Employees by employment status and gender, 30 June 2009

| <i>Level</i> | <i>Female</i> | | | <i>Male</i> | | | <i>Total</i> | | |
|--|---------------|------------|--------------|-------------|------------|--------------|--------------|------------|--------------|
| | <i>F/t</i> | <i>P/t</i> | <i>Total</i> | <i>F/t</i> | <i>P/t</i> | <i>Total</i> | <i>F/t</i> | <i>P/t</i> | <i>Total</i> |
| SES Band 3 | 0 | 0 | 0 | 1 | 0 | 1 | 1 | 0 | 1 |
| SES Band 2 | 2 | 0 | 2 | 2 | 0 | 2 | 4 | 0 | 4 |
| SES Band 1 | 1 | 0 | 1 | 13 | 0 | 13 | 14 | 0 | 14 |
| Staff Level 4 | 9 | 6 | 15 | 30 | 1 | 31 | 39 | 7 | 46 |
| Staff Level 3 | 17 | 4 | 21 | 17 | 0 | 17 | 34 | 4 | 38 |
| Staff Level 2 | 12 | 7 | 19 | 20 | 2 | 22 | 32 | 9 | 41 |
| Staff Level 1 | 18 | 6 | 24 | 10 | 0 | 10 | 28 | 6 | 34 |
| Total^b | 59 | 23 | 82 | 93 | 3 | 96 | 152 | 26 | 178 |
| Corresponding totals at 30 June 2008 ^a | 66 | 19 | 85 | 96 | 3 | 99 | 162 | 22 | 184 |

^a Totals exclude 7 inoperative employees at 30 June 2008. ^b Totals exclude 8 inoperative employees at 30 June 2009

Table A1.6 Employees by level and reason for separation, 2008-09

| <i>Level</i> | <i>Promotion</i> | <i>Transfer</i> | <i>Resignation</i> | <i>Invalidity</i> | | | <i>Other</i> | <i>Total</i> |
|---|------------------|-----------------|--------------------|-------------------|------------------------|----------|--------------|--------------|
| | | | | <i>Retirement</i> | <i>VRP^a</i> | | | |
| SES | 0 | 0 | 3 | 0 | 0 | 0 | 3 | |
| Staff Level 4 | 0 | 2 | 3 | 0 | 0 | 0 | 5 | |
| Staff Level 3 | 0 | 5 | 6 | 0 | 0 | 0 | 11 | |
| Staff Level 2 | 2 | 2 | 1 | 0 | 0 | 0 | 5 | |
| Staff Level 1 | 2 | 1 | 1 | 0 | 0 | 0 | 4 | |
| Total | 4 | 10 | 14 | 0 | 0 | 0 | 28 | |
| Corresponding totals at 30 June 2008 | 3 | 7 | 20 | 1 | 0 | 0 | 31 | |

^a Voluntary Redundancy Package.

Attachment A2

Agency Resource Statement — 2008-09

| | <i>Actual Available Appropriation 2008-09 \$'000</i> | <i>Payments Made 2008-09 \$'000</i> | <i>Balance Remaining \$'000</i> |
|---|--|---|---|
| | <i>(a)</i> | <i>(b)</i> | <i>(a-b)</i> |
| Ordinary Annual Services¹ | | | |
| Departmental appropriation | | | |
| Prior year Departmental appropriation | 9,267 | - | - |
| Departmental appropriation | 30,753 | 29,094 | 10,926 |
| S.31 Relevant agency receipts ³ | 698 | 698 | - |
| Total ordinary annual services | 40,718 | 29,792 | 10,926 |
| Other services² | | | |
| Departmental non-operating | | | |
| Previous years' outputs | - | - | - |
| Total other services | - | - | - |
| Total Resourcing and Payments | 40,718 | 29,792 | 10,926 |

¹ Appropriation Bill (No.1) 2008-09 and Appropriation Bill (No.3) 2008-09.

² Appropriation Bill (No.2) 2008-09 and Appropriation Bill (No.4) 2008-09.

³ Receipts received under section 31 of the *Financial Management and Accountability Act 1997*



Australian Government
Productivity Commission

GPO Box 1428
Canberra City ACT 2601
Telephone 02 6240 3202
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www.pc.gov.au

From the Chairman's Office

20 August 2009

Annual Report 2008-09 – Fraud Control Certification

In accordance with Guideline 2.8 of the *Commonwealth Fraud Control Guidelines 2002* (the Guidelines), issued pursuant to Regulation 19 of the *Financial Management and Accountability Regulations 1997*, I hereby certify that I am satisfied that:

- the Productivity Commission has prepared fraud risk assessments and has in place a fraud control plan that complies with the Guidelines;
- appropriate fraud prevention, detection and investigation and reporting procedures and processes are in place; and
- annual fraud data has been collected and reported that complies with the Guidelines.

A handwritten signature in black ink that reads "Gary Banks".

Gary Banks AO

Attachment A4

Commonwealth Disability Strategy (CDS): outcomes against performance indicators

Performance requirements of the 'policy adviser' role

| <i>Performance indicator</i> | <i>Performance measure</i> | <i>Outcome</i> |
|---|---|---|
| New or revised program/policy proposals assess impact on the lives of people with disabilities prior to decision | Percentage of new or revised policy/program proposals that document that the impact of the proposal was considered prior to the decision making stage | <p>Commission policies have checklists that cover the consideration of access (including disability) matters. The extent to which such considerations develop varies from inquiry to inquiry.</p> <p>Project evaluation templates have a section included for comments on disability issues as defined in our Disability Action Plan. Any comments are monitored to assess if procedures need to be further reviewed. No concerns were noted in reports.</p> <p>The Commission continues to promote the awareness of issues related to people with disabilities to all new employees through its induction program and briefings to other employees as appropriate.</p> |
| People with disabilities are included in consultations about new or revised policy/program proposals | Percentage of consultations about new or revised policy/program proposals that are developed in consultation with people with disabilities | <p>Commission inquiries are open to the public. Where appropriate, consultation is facilitated by:</p> <ul style="list-style-type: none"> • advertisements in the national press inviting submissions • development of interested parties lists • website conforms to mandatory disability access requirements • portable hearing loop available for public hearings • checklist on accessibility at venues. |
| Public announcements of new, revised or proposed policy/program initiatives are available in accessible formats for people with disabilities in a timely manner | Percentage of new, revised or proposed policy/program announcements available in a range of accessible formats | 100 per cent available on website. The 'Accessibility' page on the website was updated in 2008-09. |

(continued next page)

Performance requirements of the 'employer' role

| <i>Performance indicator</i> | <i>Performance measure</i> | <i>Outcome</i> |
|---|---|---|
| Employment policies, procedures and practices comply with the requirements of the <i>Disability Discrimination Act 1992</i> | Number of employment policies, procedures and practices that meet the requirements of the <i>Disability Discrimination Act 1992</i> | The Commission's Collective Agreement, Equity and Diversity Plan, Disability Action Plan and related policies and procedures have been developed with cognisance of the requirements of the Act. The Equity and Diversity Plan was reviewed in 2008-09. |
| Recruitment information for potential job applicants is available in accessible formats on request | Percentage of recruitment information requested and provided in: | All vacancies are advertised in the gazette and on our website. Most vacancies are advertised in the press. |
| | <ul style="list-style-type: none"> • accessible electronic formats | 100 per cent available. |
| | <ul style="list-style-type: none"> • accessible formats other than electronic. | None requested. |
| | Average time taken to provide accessible information in: | |
| | <ul style="list-style-type: none"> • electronic format | Immediate. One electronic file request received for screen reader – provided by email within 24 hours. |
| | <ul style="list-style-type: none"> • formats other than electronic | Dependent on request. Information has been sourced on the procedures for requesting alternative formats such as Braille and audio and is available should a request be received. |
| Agency recruiters and managers apply the principle of 'reasonable adjustment' | Percentage of recruiters and managers provided with information on 'reasonable adjustment' | Where relevant, selection panels are provided with this information. Managers receive information as required. Folders containing the list of candidates includes a reference to access and equity considerations, including 'reasonable adjustment'. A register has also been developed to record all requests for information in formats such as Braille and audiocassette. No requests were received during 2008-09. |
| Training and development programs consider the needs of employees with disabilities | Percentage of training and development programs that consider the needs of employees with disabilities | Training nomination forms include a section requesting information on the additional needs of employees. It is monitored by the training administrator. No assistance was requested during 2008-09. |

(continued next page)

| <i>Performance indicator</i> | <i>Performance measure</i> | <i>Outcome</i> |
|--|---|--|
| Training and development programs include information on disability issues as they relate to the content of the program | Percentage of training and development programs that include information on disability issues as they relate to the program | Induction programs include information on these issues including our Equity and Diversity Plan, Access and Equity and Disability Action Plans. |
| Complaints/grievance mechanism, including access to external mechanisms, in place to address issues and concerns raised by employees relating to disability issues | Established complaints/grievance mechanisms, including access to external mechanisms, in operation | These issues can be addressed with managers, Harassment Contact Officers, Employee Assistance Program and formally with 'Review of Action' procedures which are available to all employees. No procedures were conducted in 2008-09. |

Attachment A5

Consultancies

The following information is provided in accordance with government reporting requirements.

Selection

The Commission selects and engages consultants under the following circumstances:

- unavailability of specialist in-house resources within the project timeframe
- a need for independent expert advice, information or evaluation to assist in its research
- a need for specialised professional services including legal advice and benchmarking of its activities.

Procedures

The Commission's selection procedures follow the value-for-money objectives of the *Commonwealth Procurement Guidelines*. Under the *Productivity Commission Act 1998*, if the estimated value of a consultancy exceeds the amount prescribed by the regulations, the Chairman must ensure that an open, competitive tendering process is used in selecting the consultant. The amount prescribed by the regulations was increased from \$20 000 to \$80 000, with effect from 14 June 2007, to align with the mandatory open tender threshold set out in the procurement guidelines.

Purposes

The main purposes for which consultants were engaged in 2008-09 were to provide expert technical advice for a range of projects, referee particular pieces of work, undertake modelling work and provide expert advice.

Consultancies over \$10,000

The following table lists those consultancies let in 2008-09 valued at \$10 000 or more, including the method of selection, the reason for the consultancy and a summary of the overall costs involved. The total figure refers to total value of the contracts let, irrespective of the period of the contract, noting that some contracts are for periods in excess of one year.

Consultancy contracts let in 2008-09 valued at \$10,000 or more

| <i>Consultant</i> | <i>Nature of consultancy</i> | <i>Contract Amount</i> | <i>Selection Process (1)</i> | <i>Justification (2)</i> |
|----------------------------|--|------------------------|------------------------------|--------------------------|
| Regulation review | | | | |
| University of Melbourne | Investigation of potential solution methods for a multistage stochastic urban water model | 13 200 | 3 | B |
| Baldwins-FoodLegal | Comparison across Australia and New Zealand of food safety legislation for primary production and processing | 36 410 | 3 | B |
| Sensis Pty Ltd | Surveying small and medium enterprises (SMEs) about the impact of OHS regulations on compliance costs | 49 445 | 3 | B |
| Total consultancies | | 99 055 | | |

(1) Procurement Method

1. Open Tender
2. Select Tender
3. Direct Sourcing
4. Panel

(2) Reason for Contract

- A. Skills currently unavailable within agency
- B. Need for specialised or professional skills
- C. Need for independent research or assessment

(2) GST

All figures are GST inclusive.

Attachment A6

Freedom of Information Statement

The following information is provided in accordance with section 8(1) of the *Freedom of Information Act 1982*.

Organisation, role and functions

The role, functions and organisational structure of the Commission are detailed elsewhere in this report.

Arrangements for outside participation

The Commission is required under its Act to conduct public inquiries on matters referred to it by the Government and the Commission's inquiry procedures actively seek to encourage participation by all interested parties. In respect of its non-inquiry work, the Commission's procedures aim to promote transparency to the greatest extent possible.

The Commission may require people to send it information and summons persons to give evidence. People who assist the Commission by providing information, giving evidence at hearings or in any other way assist the Commission in the performance of its functions have protection under the Productivity Commission Act from intimidation and civil actions. Details of inquiry participation and consultation are given in each inquiry and commissioned research report.

The Commission periodically invites a range of government departments and agencies, peak employer bodies, unions, community and environmental groups and academics to consultations on the Commission's supporting research program. The Commission also meets with academics in various cities for the same purpose.

The Commission acts as the Secretariat for the Steering Committee for the Review of Government Service Provision. The Committee comprises senior representatives from the Australian, State and Territory governments.

The procedures of the Australian Government Competitive Neutrality Complaints Office allow any individual, organisation or government body to consider and, if necessary, lodge a complaint in relation to the application of competitive neutrality policy.

Categories of documents

Principal categories include:

- commissioned projects records including information circulars, issues papers, project guidelines, draft reports, submissions, participant correspondence and public hearing transcripts
- documents relating to infrastructure research and performance monitoring across the Australian Government, States and Territories
- documents relating to national and international benchmarking
- competitive neutrality complaint queries and details of investigations
- documents relating to research on industry and productivity issues
- administrative, policy, procedural and contractual documents, relating to information technology, human and financial resource management
- legal advice and other legal documents
- Freedom of Information documents
- media releases
- mailing lists
- speeches
- consultancy documents
- service charters
- parliamentary questions and answers
- submissions to inquiries undertaken by other organisations.

Facilities for access

Information circulars, issue papers, project guidelines and draft reports are sent to interested parties and project participants. They are also available from the Commission's website or free of charge from the Commission. Final reports are distributed, free of charge, to project participants and are also available from the Commission's website.

Documents available from the Commission's website and for purchase from CanPrint Communications include:

- the Commission's annual report series
- final inquiry reports, research reports and research papers

-
- reports by the Steering Committee for the Review of Government Service Provision.

Reports on competitive neutrality matters, submissions made by the Commission to other review bodies and Staff Working Papers are available from the Commission's website.

Copies of submissions (excluding confidential material) made to public inquiries, and transcripts of public hearings are available from the Commission's website and can be accessed through all State Libraries. Submissions can also be purchased through Flash Photobition, 61 Kembla St, Fyshwick ACT 2609.

Information and written requests for access to Commission documents under the *Freedom of Information Act 1982* can be made to:

FOI Coordinator
Productivity Commission
Locked Bag 2
Collins Street East Post Office
MELBOURNE VIC 8003
Telephone: (03) 9653 2107
Facsimile: (03) 9653 2199

Attachment A7

Compliance index

Compliance with the Joint Committee of Public Accounts and Audit requirements for annual reports

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Compliance with the Productivity Commission Act

The annual report is also prepared in accordance with the general provisions of s.10 of the Productivity Commission Act, as well as the following specific requirements:

| | |
|--|-----------------------------|
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In association with this annual report, the Commission is preparing one companion publication:

- *Trade & Assistance Review 2008-09*