16 October 2006

The Honourable Kevin Andrews MP
Minister for Employment and Workplace Relations
Parliament House
Canberra ACT 2600

Dear Minister

Re: Australian Fair Pay Commission Secretariat Annual Report

I have pleasure in submitting the Annual Report of the Australian Fair Pay Commission Secretariat for the period 14 December 2005 to 30 June 2006 in accordance with section 70 of the Public Service Act 1999 and section 49 of the Workplace Relations Act 1996 which requires the Director of the Australian Fair Pay Commission Secretariat to prepare and give to you a Report on the operation of the Australian Fair Pay Commission Secretariat during the financial year, for presentation to the Parliament.

Yours Sincerely

Jennifer Taylor
Director
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Director’s review

Introduction
This is the first Annual Report of the Australian Fair Pay Commission Secretariat (Secretariat) and deals primarily with the period from 6 March 2006, when the Secretariat’s Office opened, until 30 June 2006.

The primary focus of the Report is on the work that has been undertaken to establish the Secretariat and to support the Australian Fair Pay Commission (Commission) in its functions.

The Report does not include financial or other information that relates to the previous financial year as this pre-dates the Commission and Secretariat’s establishment.

Establishment
The Commission and the Secretariat were established on 14 December 2005 after the Australian Government’s Workplace Relations Amendment (Work Choices) Act 2005 received Royal Assent.

Professor Ian Harper was appointed the Commission’s inaugural Chairman designate, on 13 October 2005. I was appointed as Director of the Secretariat on 17 February 2006.

The Commission is a new and independent body responsible for setting and adjusting the Federal minimum and award classification wages. Its overarching objective is to promote the economic prosperity of the people of Australia.

The Secretariat has been established to support the Commission in performing its functions through assistance with research, consultations, stakeholder meetings, monitoring and evaluation. Funding to establish the Secretariat was transferred from the Department of Employment and Workplace Relations (DEWR) on April 27 2006.

On 6 March 2006, the Australian Fair Pay Commission Secretariat opened its offices on Level 4, 595 Collins St, Melbourne.

The first key milestone was the inaugural full meeting of the Commission, which took place on 30 March 2006, following the appointment on 27 March of four part-time Commissioners – Mr Hugh Armstrong, Mr Patrick McClure, Mr Mike O’Hagan and Professor Judith Sloan.

“The core values – openness, honesty, transparency, independence and fairness – were seen as fundamental to building the credibility of the Commission and the Secretariat.”
This was an important and formative meeting which focused on discussion around the underlying values for the operation of the Commission and the Secretariat. The core values – independence, openness, honesty, transparency and fairness – were seen as fundamental to building the credibility of the Commission and the Secretariat.

**Performance**

Within six weeks of the Secretariat’s establishment, processes were developed for conducting and commissioning research and a consultation strategy was developed to give key stakeholders and the Australian public an opportunity to put forward their views on the process of setting minimum wages.

In addition, work started on developing a communication strategy, the development of a brand identity for the Secretariat and the Commission and an overall plan of operation.

The Secretariat was operational for four months of the current financial year and consequently, formal performance indicators were not published for the 2005-06 financial year. However, during this period, the Secretariat was able to:

- plan and arrange meetings with 85 stakeholder organisations across Australia, representing the community sector, employee and employer groups;
- develop and advertise a process to invite submissions to the Commission, resulting in 28 submissions being received by 30 June;
- develop and issue tenders for five research projects and have one completed piece of research delivered by 30 June; and
- develop a website to keep members of the public informed of the processes that were being implemented by the Commission.

Targets have been established in the Portfolio Budget Statements for 2006-07 to ensure that the effectiveness of the Secretariat’s processes can be measured.

In terms of financial performance, the Secretariat’s operating expenses for 2005-06 were $1.364 million, including $0.463 million employee expenses and $0.899 million supplier expenses. This resulted in an operating surplus of $1.920 million from the budget of $3.264 million.

The total operating expenses for 2005-06 were lower than projected due to the start-up phase and establishment of the Secretariat.
**Future outlook**

The most immediate priority for the Secretariat is to ensure the Commission is able to deliver its first minimum wage decision, due by the end of spring 2006. There are a number of important tasks that need to be undertaken, including completing and analysing the research and the information from stakeholder meetings, public consultations and the public submissions.

The Secretariat will publish the Commission's wage-setting decision and the Commission's reasons for its decision. The objective is to provide all Australians with the opportunity to understand the processes used in reaching the decision, and to explain the rationale that underpinned the decision. The decision will be communicated widely.

Other key priorities will include monitoring and evaluating the impact of the Commission’s decision and developing a research agenda to inform the Commission’s future decisions.

I would like to recognise the achievements of the staff involved in the establishment phase of the Secretariat. The fact that the Secretariat and the Commission have been able to build such a solid foundation in a relatively short time-frame is largely due to their hard work and dedication.

I look forward to reporting on the achievements of the Australian Fair Pay Commission Secretariat at the conclusion of the next reporting period.

Jennifer Taylor
Director
Overview of the Australian Fair Pay Commission

The Australian Fair Pay Commission is an independent Commission responsible for setting Federal minimum and award classification wages to promote the economic prosperity of the people of Australia.

The Commission was established on 14 December 2005 following Royal Assent to the *Workplace Relations Amendment (Work Choices) Act 2005* and is one component of a broad range of industrial relations reforms introduced by the Australian Government under this Act.

The Commission replaces the wage-setting and adjusting functions of the Australian Industrial Relations Commission (AIRC). The AIRC retains its role as a national tribunal dealing with employment disputes.

Specifically, the Australian Fair Pay Commission:
- adjusts the standard Federal Minimum Wage;
- determines and adjusts minimum classification rates of pay in Australian Pay and Classification Scales;
- determines and adjusts special Federal Minimum Wages for junior employees, employees with disabilities or employees to whom training arrangements apply;
- determines and adjusts basic periodic rates of pay and basic piece rates of pay payable to employees or employees of particular classifications; and
- determines and adjusts casual loadings.

In fulfilling its wage-setting function, the Commission must have regard to the following four key considerations:
- the capacity for the unemployed and low paid to obtain and remain in employment;
- employment and competitiveness across the economy;
- providing a safety net for the low paid; and
- providing minimum wages for junior employees, and employees to whom training arrangements apply and employees with disabilities that ensure those employees are competitive in the labour market.

There are five Commissioners who make up the Australian Fair Pay Commission. They are all part-time and come from a range of backgrounds, including economics, business, social justice, workplace relations, academia and community service. The inaugural Chairman is Professor Ian Harper. The other Commissioners are Mr Hugh Armstrong, Mr Patrick McClure, Mr Mike O'Hagan and Professor Judith Sloan.

The Australian Fair Pay Commission is required by legislation to make its first minimum wage decision by the end of spring 2006.
Overview of the Australian Fair Pay Commission Secretariat

Role and function
The primary function of the Australian Fair Pay Commission Secretariat is to assist the Australian Fair Pay Commission in the performance of its legislative functions by:

• undertaking or commissioning research on behalf of the Commission;
• assisting the Commission to consult widely with employers, employee representatives, industry associations, community groups and individuals;
• monitoring and evaluating the impact of the Commission’s wage-setting decisions; and
• providing corporate and administrative support to the Commission.

The Secretariat was established by the *Workplace Relations Amendment (Work Choices) Act 2005*. This legislation establishes the Secretariat as a Statutory Agency for the purposes of the *Public Service Act 1999* and as a prescribed Agency for the purposes of the *Financial Management and Accountability Act 1997*.

The Department of Employment and Workplace Relations was initially directly appropriated to establish the Secretariat, with funding transferred to the Secretariat on 27 April 2006.

At 30 June 2006, the Australian Fair Pay Commission Secretariat was a statutory authority responsible to the Minister for Employment and Workplace Relations, the Hon. Kevin Andrews MP.
Overview of the Australian Fair Pay Commission Secretariat

Organisational structure

Table (1) - Australian Fair Pay Commission organisational structure 30 June 2006.

Outcome and output structure

Funding for the establishment of the Secretariat was initially appropriated to the Department of Workplace and Employment Relations during the 2005-06 financial year. There was no outcome or output structure specific to the Secretariat’s functions for the 2005-06 year.

The Secretariat developed one outcome for the Portfolio Budget Statement 2006-07, which was to Set Federal minimum and classification wages to promote the economic prosperity of the people of Australia. Three outputs have been developed together with a number of specific performance indicators. The Secretariat has been structured to meet this single outcome and the activities it performs are classified as departmental. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the Secretariat in its own right. Future Annual Reports will include reporting against performance measures in the output structure.
Table (2) Outcome and output structure.

Australian Fair Pay Commission Secretariat
Total Departmental appropriations: $7.718m

Outcome 1
Set Federal minimum and classification wages to promote the economic prosperity of the people of Australia
Departmental appropriations: $7.718m

Output Group 1.1 Wage Reviews
Departmental appropriations: $5.730m

Output Group 1.2 Wage-Setting
Departmental appropriations: $1.070m

Output Group 1.3 Information Services
Departmental appropriations: $0.918m

Outcomes and outputs
A summary of outputs in relation to the Secretariat’s planned outcome for 2006-07 is provided in Table (3).

Table (3) Outcome 1 - Set Federal minimum and classification wages to promote the economic prosperity of the people of Australia.

| Outcome 1 | Set Federal minimum and classification wages to promote the economic prosperity of the people of Australia | Departmental appropriations: $7.718m |

<table>
<thead>
<tr>
<th>(1) Budget *</th>
<th>(2) Actual Expenses 2005–06</th>
<th>Variation (column 2 minus column 1)</th>
<th>Budget ** 2006–07</th>
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<td>2005–06</td>
<td>$'000</td>
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PRICE OF DEPARTMENTAL OUTPUTS

| Output Group 1.1 – Wage Reviews | 5,730 |
| Output Group 1.2 – Wage-setting | 1,070 |
| Output Group 1.3 – Information Services | 918 |

Revenue from Government ( Appropriations) for Departmental Outputs

| Revenue from Government (Resources received free of charge) | 3,264 | 1,344 | 1,920 | 7,718 |
| Revenue from other Sources | 20 | 20 | – |
| Total Price of Outputs | 3,264 | 1,364 | 1,940 | 7,718 |

TOTAL FOR OUTCOME 1

| TOTAL FOR OUTCOME 1 | 3,264 | 1,364 | 1,940 | 7,718 |

Average staffing level (number)

| 2005–06 | 2006–07 |
| 114    | 125    |
Performance

Review of performance
There were no formal published performance indicators for 2005-06, however the following provides an indication of the extent of the Secretariat's activities in assisting the Commission within the short operational period to 30 June 2006:

• Consultation functions – the development and implementation of a stakeholder engagement strategy that resulted in the Commissioners’ meeting with 85 stakeholder groups across Australia in the period to 30 June 2006. Stakeholders were drawn from employer and employee groups, community sector and government at national and state level. A public consultation strategy was also developed involving every state. The public consultations are scheduled to commence in July 2006.

• Submission process – the development, marketing and implementation of a process for the Commission to receive written submissions from individuals, groups and organisations from all sectors of the Australian community. Prior to 30 June 2006, 28 submissions were received. The call for submissions is scheduled to close on 28 July 2006.

• Commissioned research – the development and issuing of five research tenders and the completion of one by 30 June 2006.

• Public information – the development of a website to keep members of the public informed of the processes that were being implemented by the Commission.

Financial performance
The Australian Fair Pay Commission Secretariat is a prescribed agency under the Financial Management and Accountability Act 1997.

The chief source of revenue for its operations is an appropriation from the Federal Government. The funding was initially appropriated to the Department of Employment and Workplace Relations (DEWR) pending the passage of the enabling legislation for the Australian Fair Pay Commission Secretariat.

Funding of $3.264 million was subsequently transferred from DEWR to the Secretariat. Other revenue relates to the transfer of leave balances from other public sector agencies.

During 2005-06, operating expenses were $1.364 million, including $0.463 million employee expenses and $0.899 million supplier expenses. This resulted in an operating surplus of $1.920 million. Lower than anticipated operating expenses are due to a longer than projected start-up and establishment phase of the Secretariat.
Corporate governance

Section 59 of the *Workplace Relations Act 1996* establishes the Director of the Australian Fair Pay Commission Secretariat as the Agency Head and responsible agent for the administration of the Australian Fair Pay Commission Secretariat.

The Director has the power of an Agency Head under the *Public Service Act 1999* and the responsibilities of the chief executive of an agency under the *Financial Management and Accountability Act 1997*.

**Senior appointments**
Ms Jennifer Taylor was appointed as Director of the Australian Fair Pay Commission Secretariat on 17 February 2006. As at 30 June 2006, other senior appointments comprised:
- Miranda Pointon, Assistant Director, Research and Analysis; and
- Paul McGee, Acting Assistant Director, Corporate Management.

**Audit committee**
The *Financial Management and Accountability Act 1997* requires the Chief Executive of each Commonwealth agency to establish an audit committee to assist the Chief Executive in the financial governance of their agency. The Secretariat has established an audit committee comprising an independent (external) chair and two executives of the agency. The Director has approved the audit committee charter and the audit committee has held its inaugural meeting.

**Strategic and risk management planning**
Early in the 2006-07 financial year, the Secretariat intends to implement a Risk Management Plan and develop a three year Corporate Plan.

**Fraud control**
The Secretariat has implemented a Fraud Control Plan and has prepared an initial fraud risk assessment covering all aspects of the work of the Secretariat. The Fraud Control Plan includes appropriate fraud prevention, detection, investigation and reporting procedures that meet the needs of the Secretariat and comply with the Commonwealth Fraud Control guidelines, (see certification at Appendix 4).

**Remuneration**
The Remuneration Tribunal determines the level of remuneration for the Director of the Australian Fair Pay Commission Secretariat. Ongoing and non-ongoing staff of the Secretariat are remunerated through Australian Workplace Agreements.

**External scrutiny**
There were no significant external scrutiny activities involving the Secretariat during the 2005-06 period.
Purchasing and contracting

The Australian Fair Pay Commission Secretariat is a small government agency and its primary strategy for obtaining value for money is to cluster with the Department of Employment and Workplace Relations (DEWR), and other larger Commonwealth agencies, wherever practical, when contracting goods and services. In particular, DEWR provides some infrastructure and support services to the Secretariat.

Apart from the purchase of research services, which is exempt from the requirements of the Mandatory Procurement Procedures (Commonwealth Procurement Guidelines, Appendix B, Exemption 6), other purchasing undertaken by the Secretariat falls below the procurement thresholds outlined in the Commonwealth Procurement Guidelines.

The Secretariat does not have any contracts relating to the outsourcing of government activities under the Commonwealth’s competitive tendering and contracting policy.

The Director did not exempt any contracts from being published in AusTender during the reporting year.

Consultants and competitive tendering

During 2005-06, one new consultancy contract was entered into involving actual expenditure of $8,250. Appendix 3 provides details of consultancy services.

Commonwealth disability strategy

In the short time the Secretariat has been operating, the need to develop a comprehensive suite of Occupational Health and Safety (and related) policies and practices has been a priority. At the time of this Report, the Secretariat was in the process of completing its review of all OH&S related policies, agreements and strategies and finalising draft documents regarding implementation of the Commonwealth Disability Strategy. It is expected this review will be completed early in 2006-07 with a comprehensive report available in that year.
Human resources

Initiatives
During the first four months of operation a suite of documents, practices and processes were developed to support Secretariat staff. These included:

- Australian Workplace Agreements (AWAs);
- policies and guides such as:
  - leave (e.g. annual, personal, maternity etc);
  - performance management;
  - remuneration;
  - flexible working arrangements;
  - travel;
  - broadbanding and AWAs;
  - occupational health and safety; and
- the implementation of an orientation process for all new employees.

Employment arrangements – (AWAs)
Australian Workplace Agreements (AWAs) are offered to all Secretariat employees, regardless of classification level. As at 30 June 2006, 100% of employees had taken up offers of AWAs.

Typically, AWAs consist of a competitive salary in line with Secretariat broadband ranges for each level, a potential performance bonus, superannuation and access to a range of flexible working arrangements tailored to the needs of the individual and the Secretariat. Performance bonuses are available where an employee has met relevant performance standards.

The Director negotiates and agrees the appropriate remuneration arrangements for each SES in the Secretariat. For the reporting period, the total aggregate remuneration paid to SES employees did not reach the threshold as specified by the Department of Finance and Administration and so has not been included in this report.

Performance pay
There were no Performance Pay bonuses paid to employees for the 2005-06 financial year. Consistent with the reporting cycle, employees’ performance was assessed following the conclusion of the financial year, with eligible employees receiving performance pay in August 2006.

Staffing profile
Appendix 2 provides details of the Secretariat’s staffing profile.
Human resources

Learning and development
Learning and Development activities have been limited to building immediate capabilities around technology and business processes. In 2006-07 significant emphasis will be placed on linking learning and development to the implementation of the performance management system.

Workforce planning
Since commencing its operations, the Secretariat embarked on a targeted recruitment process, with a mix of ongoing and non-ongoing appointments. This approach was taken to ensure the Secretariat is well equipped to achieve its immediate business outcomes and to ensure flexibility to the recruitment of the longer term workforce.

It is expected that a review of the organisational make up of the Secretariat in the first quarter of 2006-07 will see the recruitment of additional employees and the establishment of a structure that will meet the needs of the organisation going forward.

As the Secretariat continues to grow its workforce, the focus will progressively shift to building the capabilities, leadership and technical competencies of its people, while continuing to refine its work practices to achieve business outcomes.
Other information

Occupational health and safety
The Secretariat remains committed to the health and safety of its workforce and has established broad frameworks for OH&S to become part of each employee's everyday work practices. All employees, as part of their orientation and probation, are informed about both their own responsibilities and those of the Secretariat's in relation to OH&S.

Appropriate OH&S workplace inspection audits have been conducted and, as at 30 June 2006, the Secretariat has no outstanding OH&S claims or unresolved OH&S related issues.

The Secretariat received no provisional improvement notices for 2005–06 and no dangerous occurrences were reported to Comcare.

The Secretariat has implemented interim processes regarding the operation of a Health and Safety Committee. The appropriate ongoing processes will be formalised during 2006-07 for this Committee.

Workstation assessments continue to be available for all employees. All new employees are encouraged to seek advice from the Secretariat to ensure the correct set up of their work-station.

Freedom of information

There were no Freedom of Information applications made to the Australian Fair Pay Commission Secretariat during 2005-06. Inquiries regarding access to information or freedom of information requests generally should be forwarded to the Director.

Advertising and market research
A total of $71,612 was paid to HMA Blaze Integrated Communications during 2005-06 for recruitment, call for submissions and consultation session advertising.

Ecological sustainable development and environmental performance
The Secretariat is committed to the principles of ecological sustainable development and environmental performance. The Secretariat has adopted a range of measures, including recycling activities, reducing energy consumption and appropriate water usage reduction strategies to minimise the impact on the environment.
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INDEPENDENT AUDIT REPORT

To the Minister for Employment and Workplace Relations

Scope

The financial statements and Director's responsibility

The financial statements comprise:

- Statement by the Director and Chief Finance Officer;
- Income Statement, Balance Sheet and Statement of Cash Flows;
- Statement of Changes in Equity; and
- Notes to and forming part of the Financial Statements

of the Australian Fair Pay Commission Secretariat for the period ended 30 June 2006.

The Director is responsible for preparing financial statements that give a true and fair presentation of the financial position and performance of the Office of Australian Fair Pay Commission Secretariat, and that comply with the Finance Minister’s Orders made under the Financial Management and Accountability Act 1997, and Accounting Standards and other mandatory financial reporting requirements in Australia. The Director is also responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit Approach

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management’s internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister’s Orders made under the Financial Management and Accountability Act 1997, Accounting Standards and other
mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Australian Fair Pay Commission Secretariat’s financial position, and of its financial performance and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Director.

**Independence**

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the ethical requirements of the Australian accounting profession.

**Audit Opinion**

In my opinion, the financial statements of the Australian Fair Pay Commission Secretariat:

(a) have been prepared in accordance with the Finance Minister’s Orders made under the *Financial Management and Accountability Act 1997*; and

(b) give a true and fair view of the Australian Fair Pay Commission Secretariat’s financial position as at 30 June 2006 and of its performance and cash flows for the year then ended, in accordance with:

(i) the matters required by the Finance Minister’s Orders; and

(ii) applicable Accounting Standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office

[Signature]

Brandon Jarrett
Executive Director

Delegate of the Auditor-General

Canberra

28 August 2006
STATEMENT BY THE DIRECTOR AND CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the period ending 30 June 2006 have been prepared based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the Financial Management and Accountability Act 1997, as amended.

Jennifer Taylor
Director
28 August 2006

Kaye Kieni
Chief Finance Officer
28 August 2006
Appendix 1: Financial statements

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### Income Statement
for the period ended 30 June 2006

<table>
<thead>
<tr>
<th>Notes</th>
<th>$</th>
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<tbody>
<tr>
<td><strong>INCOME</strong></td>
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<tr>
<td>Revenues</td>
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<tr>
<td>Revenues from Government</td>
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<tr>
<td>Total revenue</td>
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<tr>
<td>Gains</td>
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<tr>
<td>Other gains</td>
<td>3B</td>
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<tr>
<td>Total gains</td>
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<tr>
<td><strong>TOTAL INCOME</strong></td>
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</table>

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<th>Notes</th>
<th>$</th>
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<tbody>
<tr>
<td><strong>EXPENSES</strong></td>
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<tr>
<td>Employees</td>
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<tr>
<td>Suppliers</td>
<td>4B</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>4C</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
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</tbody>
</table>

**OPERATING RESULT**

1,919,807

The above statement should be read in conjunction with the accompanying notes.
### Australian Fair Pay Commission Secretariat

#### Balance Sheet
as at 30 June 2006

<table>
<thead>
<tr>
<th>2006</th>
<th>Notes</th>
<th>$</th>
</tr>
</thead>
</table>

#### ASSETS

**Financial assets**
- Cash and cash equivalents 5A 167,125
- Receivables 5B 2,772,621
- **Total financial assets** 2,939,746

**Non-financial assets**
- Infrastructure, plant and equipment 6A,B 109,895
- **Total non-financial assets** 109,895
- **Total Assets** 3,049,641

#### LIABILITIES

**Payables**
- Suppliers 7A 899,511
- **Total payables** 899,511

**Provisions**
- Employee provisions 8A 176,580
- **Total provisions** 176,580

- **Total Liabilities** 1,076,091

#### NET ASSETS

- **1,973,550**

#### EQUITY

- Contributed equity 53,743
- Retained surpluses or (accumulated deficits) 1,919,807
- **TOTAL EQUITY** 1,973,550

- Current assets 2,939,746
- Non-current assets 109,895
- Current liabilities 1,074,318
- Non-current liabilities 1,773

The above statement should be read in conjunction with the accompanying notes.
## Statement of Cash Flows
for the period ended 30 June 2006

<table>
<thead>
<tr>
<th>2006</th>
<th>Notes</th>
<th>$</th>
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</table>
### OPERATING ACTIVITIES

**Cash received**
- Goods and services: –
- Appropriations: 638,168
- Net GST received from ATO: –
**Total cash received**: 638,168

**Cash used**
- Employees: 399,603
- Suppliers: 12,714
**Total cash used**: 412,317

**Net cash from or (used by) operating activities**: 10 225,851

### INVESTING ACTIVITIES

**Cash used**
- Purchase of property, plant and equipment: 58,726
**Total cash used**: 58,726

**Net cash (used by) investing activities**: (58,726)

### FINANCING ACTIVITIES

**Cash received**
- Capital injections: –
**Total cash received**: –

**Net cash from financing activities**: –

**Net increase or (decrease) in cash held**: 167,125
- Cash at the beginning of the reporting period: –
**Cash at the end of the reporting period**: 5A 167,125

The above statement should be read in conjunction with the accompanying notes.
### Statement of Changes in Equity

for the period ended 30 June 2006

<table>
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<tbody>
<tr>
<td></td>
<td>Accumulated Results</td>
<td>Asset Revaluation Reserve</td>
<td>Contributed Equity/Capital</td>
<td>Total Equity</td>
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<tr>
<td>Opening Balance</td>
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<tr>
<td>Adjustment for errors</td>
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<td>Adjustments for changes in</td>
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<td>accounting policies</td>
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<td>Adjusted Opening Balance</td>
<td>–</td>
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<tr>
<td>Income and Expenses</td>
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<tr>
<td>Revaluation adjustment</td>
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<tr>
<td>Sub-total income and</td>
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<tr>
<td>expenses recognised</td>
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<tr>
<td>directly in equity</td>
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<tr>
<td>Net Operating Result</td>
<td>1,919,807</td>
<td>–</td>
<td>–</td>
<td>1,919,807</td>
</tr>
<tr>
<td>Total income and expenses</td>
<td>1,919,807</td>
<td>–</td>
<td>–</td>
<td>1,919,807</td>
</tr>
<tr>
<td>Transactions with Owners</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution to owners</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Returns on Capital</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Dividends</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Contributions by Owners</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriation (equity injection)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Restructuring (Note 9)</td>
<td>–</td>
<td>–</td>
<td>53,743</td>
<td>53,743</td>
</tr>
<tr>
<td>Sub-total Transactions with</td>
<td>–</td>
<td>–</td>
<td>53,743</td>
<td>53,743</td>
</tr>
<tr>
<td>Owners</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers between equity</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>components</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Closing balance at 30 June</td>
<td>1,919,807</td>
<td>–</td>
<td>53,743</td>
<td>1,973,550</td>
</tr>
</tbody>
</table>

The above statement should be read in conjunction with the accompanying notes.
| Note 1: | Summary of Significant Accounting Policies |
| Note 2: | Events after the Balance Sheet Date |
| Note 3: | Income |
| Note 4: | Operating Expenses |
| Note 5: | Financial Assets |
| Note 6: | Non-Financial Assets |
| Note 7: | Payables |
| Note 8: | Provisions |
| Note 9: | Restructuring |
| Note 10: | Cash Flow Reconciliation |
| Note 11: | Executive Remuneration |
| Note 12: | Remuneration of Auditors |
| Note 13: | Compensation and Debt Relief |
| Note 14: | Average Staffing Level |
| Note 15: | Financial Instruments |
| Note 16: | Appropriations |
| Note 17: | Reporting of Outcomes |
Note 1: Summary of Significant Accounting Policies

1.1 Objectives of the Australian Fair Pay Commission Secretariat (AFPCS)

The Australian Fair Pay Commission Secretariat (APFCS) is an Australian Public Service organisation. The Australian Fair Pay Commission (the Commission) is an independent statutory body responsible for setting federal minimum and classification wages to promote the economic prosperity of the people of Australia. The objective of the AFPCS is to provide support to the Commission. The AFPCS is structured to meet this single outcome.

AFPCS activities contributing to this outcome are classified as departmental. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the AFPCS in its own right.

Both the Commission and the AFPCS were established by the Workplace Relations Amendment (Work Choices) Act 2005. This legislation creates the Director and staff of the AFPCS as a statutory agency for the purposes of the Public Service Act 1999 and an Financial Management and Accountability Act 1997 agency. The effective date for creation of both organisations is 14 December 2005.

The Department of Employment and Workplace Relations was initially directly appropriated to establish the AFPCS, with funding transferred to AFPCS on 27 April 2006.

The continued existence of the AFPCS in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the AFPCS’s administration and programs.

1.2 Basis of Preparation of the Financial Statements

The financial statements are required by section 49 of the Financial Management and Accountability Act 1997 and are a general purpose financial report.

The statements have been prepared in accordance with:

• Finance Minister’s Orders (or FMOs, being the Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 01 July 2005));
• Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board that apply for the reporting period; and
• Interpretations issued by the AASB and UIG that apply for the reporting period.

The Income Statement and Balance Sheet have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets and liabilities, which, as noted, are at fair value or amortised cost. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.
The financial report is presented in Australian dollars and values are rounded to the nearest dollar.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Significant Accounting Judgments and Estimates
In the process of applying the accounting policies listed in this note, AFPCS has not made any judgments that have a significant impact on the amounts recorded in the financial statements.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

1.4 Statement of Compliance
The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS).

Australian Accounting Standards require AFPCS to disclose Australian Accounting Standards that have not been applied, for standards that have been issued but are not yet effective.

The AASB has issued amendments to existing standards, these amendments are denoted by year and then number, for example 2005-1 indicates amendment 1 issued in 2005.

The table below illustrates standards and amendments that will become effective for AFPCS in the future. The nature of the impending change within the table, has been out of necessity abbreviated and users should consult the full version available on the AASB’s website to identify the full impact of the change. The expected impact on the financial report of adoption of these standards is based on AFPCS’s initial assessment at this date, but may change. AFPCS intends to adopt all standards upon their application date.
<table>
<thead>
<tr>
<th>Title</th>
<th>Standard affected</th>
<th>Application date*</th>
<th>Nature of impending change</th>
<th>Impact expected on financial report</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-1</td>
<td>AASB 139</td>
<td>1 Jan 2006</td>
<td>Amends hedging requirements for foreign currency risk of a highly probable intra-group transaction.</td>
<td>No expected impact.</td>
</tr>
<tr>
<td>2005-4</td>
<td>AASB 139, AASB 132, AASB 1, AASB 1023 and AASB 1038</td>
<td>1 Jan 2006</td>
<td>Amends AASB 139, AASB 1023 and AASB 1038 to restrict the option to fair value through profit or loss and makes consequential amendments to AASB 1 and AASB 132.</td>
<td>No expected impact.</td>
</tr>
<tr>
<td>2005-5</td>
<td>AASB 1 and AASB 139</td>
<td>1 Jan 2006</td>
<td>Amends AASB 1 to allow an entity to determine whether an arrangement is, or contains, a lease. Amends AASB 139 to scope out a contractual right to receive reimbursement (in accordance with AASB 137) in the form of cash.</td>
<td>No expected impact.</td>
</tr>
<tr>
<td>2005-6</td>
<td>AASB 3</td>
<td>1 Jan 2006</td>
<td>Amends the scope to exclude business combinations involving entities or businesses under common control.</td>
<td>No expected impact.</td>
</tr>
<tr>
<td>2005-9</td>
<td>AASB 4, AASB 1023, AASB 139 and AASB 132</td>
<td>1 Jan 2006</td>
<td>Amended standards in regards to financial guarantee contracts.</td>
<td>No expected impact.</td>
</tr>
<tr>
<td>2005-10</td>
<td>AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038</td>
<td>1 Jan 2007</td>
<td>Amended requirements subsequent to the issuing of AASB 7.</td>
<td>No expected impact.</td>
</tr>
<tr>
<td>2006-1</td>
<td>AASB 121</td>
<td>31 Dec 2006</td>
<td>Changes in requirements for net investments in foreign subsidiaries depending on denominated currency.</td>
<td>No expected impact.</td>
</tr>
<tr>
<td>AASB7 Financial Instruments: Disclosures</td>
<td></td>
<td>1 Jan 2007</td>
<td>Revise the disclosure requirements for financial instruments from AASB132 requirements.</td>
<td>No expected impact.</td>
</tr>
</tbody>
</table>

* Application date is for annual reporting periods beginning on or after the date shown
1.5 Revenue
Revenues from Government
Amounts appropriated for Departmental outputs appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue, except for certain amounts which 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.

Other Revenue
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:

• The amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
• The probable economic benefits with the transaction will flow to the entity.

The stage of completion 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.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is no longer probable.

1.6 Gains
Resources Received Free of Charge
Services received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gain at their fair value when the asset qualifies for recognition, unless received from another government agency as a consequence of a restructuring of administrative arrangements. (Refer Note 1.7).

Other Gains
Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer.
Notes to and forming part of the Financial Statements

1.7 Transactions with the Government as Owner

**Equity injections**
Amounts appropriated which are designated as ‘equity injections’ for a year (less any formal reductions) are recognised directly in Contributed Equity in that year.

**Restructuring of Administrative Arrangements**
Net assets received from or relinquished to another Commonwealth agency or authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

**Other distributions to owners**
The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend.

1.8 Employee Benefits

As required by the Finance Minister's Orders, AFPCS has early adopted AASB 119 Employee Benefits as issued in December 2004.

Employee benefits include salaries and allowances for both members of the Commission and staff of the AFPCS.

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

**Leave**
The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of AFPCS is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including AFPCS's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.
Notes to and forming part of the Financial Statements

Annual leave is disclosed as current where there is a legal right to the payment irrespective of whether the payment is not expected to be settled within 12 months. AFPCS expects all annual leave ($57,072) to be paid within 12 months.

The liability for long service leave has been determined by reference to the “shorthand method” outlined in Finance Brief 13 *Measurement of Commonwealth sector employee leave entitlements* and Finance Brief 27 *2005-06 Financial Statements and Guidance on Finance Minister’s Orders*. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation. Long service leave is disclosed as current where the service period is 10 years and over as there is a legal right to the payment irrespective of whether the payment is expected to be settled within 12 months. It is not anticipated that any long service leave will be taken within 12 months.

**Superannuation**

Staff of AFPCS are members of the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The PSS is a defined benefit scheme for the Commonwealth. 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.

AFPCS makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the AFPCS’s employees.

From 1 July 2005, new employees are eligible to join the PSSap scheme.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the year.

**1.9 Leases**

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits. AFPCS has no finance leases.

Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased assets.
Notes to and forming part of the Financial Statements

1.10 Cash
Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

1.11 Financial Risk Management
AFPCS’s activities expose it to normal commercial financial risk. As a result of the nature of AFPCS’s business and internal and Australian Government policies, dealing with the management of financial risk, AFPCS’s exposure to market, credit, liquidity and cash flow and fair value interest rate risk is considered to be low.

1.12 Derecognition of Financial Assets and Liabilities
As prescribed in the Finance Minister’s Orders, AFPCS has applied the option available under AASB 1 of adopting AASB 132 and 139 from 1 July 2005 rather than 1 July 2004.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the asset is transferred to another entity. In the case of a transfer to another entity, it is necessary that the risks and rewards of ownership are also transferred.

Financial liabilities are derecognised when the obligation under the contract is discharged or cancelled or expires.

1.13 Impairment of Financial Assets
AFPCS financial assets are cash and receivables. These assets were not impaired at balance date.

1.14 Trade Creditors
Trade creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.15 Commitments, Contingent Liabilities and Assets
The AFPCS had no commitments and contingencies as at 30 June 2006. Contingent Liabilities and Assets may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Remote contingencies are part of this disclosure. Where settlement becomes probable, a liability or asset is recognised. A liability or asset is recognised when its existence is confirmed by a future event, settlement becomes probable (virtually certain for assets) or reliable measurement becomes possible.
1.16 Acquisition of Assets
Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency’s accounts immediately prior to the restructuring.

1.17 Property, Plant and Equipment (PP&E)
Asset Recognition Threshold
Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, 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.

Basis
As this is the first period of operation for the AFPCS assets are carried at cost or fair value. They were assessed for fair value as at 30 June 2006. In future years assets will be revalued with sufficient frequency such that the carrying amount of each asset is not materially different, at reporting date, from its fair value.

Depreciation
Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to AFPCS using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation 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.
Notes to and forming part of the Financial Statements

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

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td></td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>4 to 10 years</td>
</tr>
</tbody>
</table>

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4C.

*Impairment*

All assets were assessed for impairment at 30 June 2006. 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 to sell* 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 of the asset’s ability to generate future cash flows, and the asset would be replaced if AFPCS were deprived of the asset, its *value in use* is taken to be its depreciated replacement cost.

No indicators of impairment were found for assets at fair value.

**1.18 Taxation**

The AFPCS is exempt from all forms of taxation except fringe benefits tax (FBT) and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST except:
- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

**1.19 Insurance**

The AFPCS has insured for risks through the Government’s insurable risk managed fund, called ‘Comcover’. Workers compensation is insured through the Government’s Comcare Australia.

**1.20 The impact of the transition to AEIFRS from previous AGAAP**

There is no impact of transition to AEIFRS from the previous AGAAP as AFPCS was not created until after the introduction of AEIFRS on 1 July 2005.
Notes to and forming part of the Financial Statements

Note 2: Events after the Balance Sheet Date
Lease negotiations for the AFPCS premises are expected to be finalised shortly. The lease is for a period of 10 years with minimum lease payments of $0.5m per year increasing by 4% pa. A lease incentive of $1.1m is payable on signing of the lease.

The AFPCS entered into an agreement for fitout works of their premises for $2.7m on 3 July 2006. An equity injection (capital funding) of $2.5 m was received in the 2006-07 Budget.

Note 3: Income

Revenues

Note 3A: Revenues from Government
Appropriations for outputs 3,264,000
Total revenues from government 3,264,000

Gains

Note 3B: Other Gains
Resources received free of charge 20,000
Total other gains 20,000

Note 4: Operating Expenses

Note 4A: Employee Expenses
Wages and Salaries 347,180
Superannuation 49,392
Leave and other entitlements 42,226
Other employee expenses 24,176
Total employee expenses 462,974

Note 4B: Supplier Expenses
Goods from related entities –
Goods from external entities 36,034
Services from related entities 73,396
Services from external entities 628,568
Operating lease rentals* 160,647
Workers’ compensation premiums –
Total supplier expenses 898,645

* These comprise minimum lease payments only.
Notes to and forming part of the Financial Statements

2006
$

Note 4C: Depreciation and Amortisation

*Depreciation*

<table>
<thead>
<tr>
<th>Plant and equipment</th>
<th>2,574</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Depreciation</strong></td>
<td><strong>2,574</strong></td>
</tr>
<tr>
<td><strong>Total depreciation and amortisation</strong></td>
<td><strong>2,574</strong></td>
</tr>
</tbody>
</table>

The aggregate amounts of depreciation or amortisation expensed during the reporting period for each class of depreciable asset are as follows:

<table>
<thead>
<tr>
<th>Plant and equipment</th>
<th>2,574</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total depreciation and amortisation</strong></td>
<td><strong>2,574</strong></td>
</tr>
</tbody>
</table>

Note 5: Financial Assets

Note 5A: Cash and cash equivalents

<table>
<thead>
<tr>
<th>Departmental</th>
<th>167,125</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total cash and cash equivalents</strong></td>
<td><strong>167,125</strong></td>
</tr>
</tbody>
</table>

Note 5B: Receivables

<table>
<thead>
<tr>
<th>Other Debtors</th>
<th>113,209</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST receivable from the Australian Taxation Office</td>
<td>33,580</td>
</tr>
<tr>
<td>Appropriations receivable</td>
<td>2,625,832</td>
</tr>
<tr>
<td>- for existing outputs</td>
<td></td>
</tr>
<tr>
<td><strong>Total receivables</strong></td>
<td><strong>2,772,621</strong></td>
</tr>
</tbody>
</table>

All receivables are current assets.
All receivables are with entities internal to the Commonwealth.

Receivables are aged as follows:

| Not overdue | 2,772,621 |
Notes to and forming part of the Financial Statements

Note 6: Non-Financial Assets

Note 6A: Plant and Equipment

Plant and Equipment
- at fair value 112,469
- accumulated depreciation (2,574)
Total Plant and Equipment (non-current) 109,895

Note 6B: Analysis of Property, Plant, and Equipment, and Intangibles

TABLE A – Reconciliation of the opening and closing balances of property, plant and equipment

<table>
<thead>
<tr>
<th>Item</th>
<th>Buildings - Leasehold Improvements</th>
<th>Other P&amp;E</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 July 2005</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross book value</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Opening Net Book Value</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Additions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>by purchase</td>
<td>–</td>
<td>58,726</td>
<td>58,726</td>
</tr>
<tr>
<td>from acquisition of operations</td>
<td>–</td>
<td>53,743</td>
<td>53,743</td>
</tr>
<tr>
<td>(including restructuring)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net revaluation increment/(decrement)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Depreciation/amortisation expense</td>
<td>–</td>
<td>(2,574)</td>
<td>(2,574)</td>
</tr>
<tr>
<td>Disposals:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other disposals</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>As at 30 June 2006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross book value</td>
<td>–</td>
<td>112,469</td>
<td>112,469</td>
</tr>
<tr>
<td>Accumulated depreciation/amortisation</td>
<td>–</td>
<td>(2,574)</td>
<td>(2,574)</td>
</tr>
<tr>
<td>Closing Net Book Value</td>
<td>–</td>
<td>109,895</td>
<td>109,895</td>
</tr>
</tbody>
</table>

Note 7: Payables

Note 7A: Suppliers

Trade creditors 899,511
Operating lease rentals –
Total supplier payables 899,511

All supplier payables are current liabilities.
Settlement is usually made net 30 days.
Appendix 1: Financial Statements

Notes to and forming part of the Financial Statements

Note 8: Provisions
Note 8A: Employee Provisions
Salaries and wages 12,195
Leave 152,411
Superannuation 11,974
Total employee provisions 176,580

Current 174,807
Non-current 1,773
Total employee provisions 176,580

Note 9: Restructuring
Note 9A: Departmental Restructuring
The AFPCS was established by the Workplace Relations Amendment (Work Choices) Act 2005 on 14 December 2005. The Department of Employment and Workplace Relations was initially directly appropriated to establish the AFPCS, with funding transferred to AFPCS on 27 April 2006.

In respect of new functions, the net book values of assets and liabilities transferred to AFPCS for no consideration and recognised as at the date of transfer were:

Total assets recognised 53,743
Total liabilities recognised –
Net assets assumed 53,743

Note 10: Cash Flow Reconciliation
Reconciliation of cash per Balance Sheet to Statement of Cash Flows
Cash at year end per Statement of Cash Flows 167,125
Balance Sheet items comprising above cash: ‘Financial Asset – Cash and cash equivalents’ 167,125
Reconciliation of net surplus to net cash from operating activities:
Operating result 1,919,807
Depreciation / amortisation 2,574
(Increase) / decrease in net receivables (2,772,621)
Increase / (decrease) in employee provisions 176,580
Increase / (decrease) in supplier payables 899,511
Net cash from / (used by) operating activities 225,851
Notes to and forming part of the Financial Statements

Note 11: Executive Remuneration
No executives received remuneration of $130,000 or more during the period to 30 June 2006.

<table>
<thead>
<tr>
<th>2006</th>
<th>$</th>
</tr>
</thead>
</table>

Note 12: Remuneration of Auditors
Financial statement audit services are provided free of charge to AFPCS.
The fair value of the services provided was: 20,000

No other services were provided by the Auditor-General.

Note 13: Compensation and Debt Relief

Departmental
No Act of Grace payments were made under subsection 33(1) of the FMA Act 1997 during the reporting period.

No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the FMA Act 1997 during the reporting period.

No ex-gratia payments were made during the reporting period.

No payments were made under the ‘Defective Administration Scheme’ during the reporting period.

No payments were made under s73 of the Public Service Act 1999 during the reporting period.

<table>
<thead>
<tr>
<th>2006</th>
<th></th>
</tr>
</thead>
</table>

Note 14: Average Staffing Level
Average staffing levels for the period were:
Commissioners 1.5
APFCS staff 6.5
8.0

Australian Fair Pay Commission Secretariat | Annual Report 2005-06
### Notes to and forming part of the Financial Statements

**Note 15: Financial Instruments**

**Note 15A: Interest Rate Risk**

<table>
<thead>
<tr>
<th>Financial Instrument</th>
<th>Floating Interest Rate</th>
<th>Fixed Interest Rate Maturing in</th>
<th>Non-Interest Bearing</th>
<th>Total</th>
<th>Weighted Average Effective Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Note</td>
<td>1 Year or Less 2006</td>
<td>1 to 5 Years 2006</td>
<td>&gt; 5 Years 2006</td>
<td>2006</td>
</tr>
<tr>
<td><strong>Financial Assets</strong></td>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Cash at bank</td>
<td>5A</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>167,125</td>
</tr>
<tr>
<td>Receivables for other debtors (gross)</td>
<td>5B</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>113,209</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>280,334</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,049,641</td>
</tr>
<tr>
<td><strong>Financial Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Trade creditors</td>
<td>7A</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>899,511</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>899,511</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,076,091</td>
</tr>
<tr>
<td><strong>Liabilities Not Recognised</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Notes to and forming part of the Financial Statements

Note 15B: Net Fair Values of Financial Assets and Liabilities

<table>
<thead>
<tr>
<th>Notes</th>
<th>2006 Total Carrying Amount</th>
<th>Aggregate Fair Value</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

**Departmental**

**Financial Assets**

| Cash at bank | 5A | 167,125 | 167,125 |
| Receivables for other debtors (net) | 5B | 113,209 | 113,209 |
| **Total Financial Assets** | | 280,334 | 280,334 |

**Financial Liabilities (Recognised)**

| Trade creditors | 7A | 899,511 | 899,511 |
| **Total Financial Liabilities (Recognised)** | | 899,511 | 899,511 |

**Financial Liabilities (Unrecognised)**

| - | - | - |

**Note 15C: Credit Risk Exposures**

The AFPCS’s maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The AFPCS has no significant exposures to any concentrations of credit risk.
### Notes to and forming part of the Financial Statements

#### Note 16: Appropriations

**Note 16A: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (CRF) for Ordinary Annual Services Appropriations**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Departmental Outputs</th>
<th>Total 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 2006</td>
<td>$ 2006</td>
</tr>
<tr>
<td>Balance carried from previous period</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reductions of appropriations (prior years)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Adjusted Balance carried forward for previous period</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Appropriation Act (No.1) 2005-2006</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Appropriation Act (No.3) 2005-2006</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Departmental Adjustments by the Finance Minister</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjustments of appropriations on change of entity function (FMA Act s32)</td>
<td>3,264,000</td>
<td>3,264,000</td>
</tr>
<tr>
<td>Refunds credited (FMA Act s30)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sub-total Annual Appropriations</strong></td>
<td>3,264,000</td>
<td>3,264,000</td>
</tr>
<tr>
<td>Appropriations to take account of recoverable GST (FMA Act s30A)</td>
<td>33,580</td>
<td>33,580</td>
</tr>
<tr>
<td>Annotations to ‘net appropriations’ (FMA Act s31)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Appropriations available for payments</strong></td>
<td>3,297,580</td>
<td>3,297,580</td>
</tr>
<tr>
<td>Cash payments made during the year (GST inclusive)</td>
<td>471,043</td>
<td>471,043</td>
</tr>
<tr>
<td>Appropriations credited to Special Accounts (excluding GST)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance of Authority to draw Cash from the CRF for Ordinary Annual Services Appropriations</strong></td>
<td>2,826,537</td>
<td>2,826,537</td>
</tr>
</tbody>
</table>

*Represented by:*

- Cash at bank and on hand: 167,125
- Receivables – departmental appropriations: 2,625,832
- Receivables – GST receivable from ATO: 33,580

Total: 2,826,537
Notes to and forming part of the Financial Statements

Note 17: Reporting of Outcomes
The Australian Fair Pay Commission Secretariat is structured to meet one outcome. Outcome: Set federal minimum and classification wages to promote the economic prosperity of the people of Australia.

Note 17A: Net Cost of Outcome Delivery

<table>
<thead>
<tr>
<th>Outcome 1</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Departmental</td>
<td>1,364,193</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>1,364,193</strong></td>
</tr>
<tr>
<td>Costs recovered from provision of goods and services to the non-government sector</td>
<td></td>
</tr>
<tr>
<td>Departmental</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total costs recovered</strong></td>
<td>–</td>
</tr>
<tr>
<td>Other external revenues</td>
<td></td>
</tr>
<tr>
<td>Departmental</td>
<td></td>
</tr>
<tr>
<td>Other – Gain – Resources Received Free of Charge</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Total Departmental</strong></td>
<td>20,000</td>
</tr>
<tr>
<td>Total other external revenues</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Net cost/(contribution) of outcome</strong></td>
<td><strong>1,344,193</strong></td>
</tr>
</tbody>
</table>

Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome.
### Note 17B: Major Classes of Departmental Revenues and Expenses

<table>
<thead>
<tr>
<th>Outcome 1</th>
<th>Outcome 1 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006 $</td>
</tr>
<tr>
<td><strong>Departmental expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>462,974</td>
</tr>
<tr>
<td>Suppliers</td>
<td>898,645</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>2,574</td>
</tr>
<tr>
<td>Other expenses</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total departmental expenses</strong></td>
<td>1,364,193</td>
</tr>
<tr>
<td><strong>Funded by:</strong></td>
<td></td>
</tr>
<tr>
<td>Revenues from government</td>
<td>3,264,000</td>
</tr>
<tr>
<td>Sale of goods and services and other revenue</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Total departmental revenues</strong></td>
<td>3,284,000</td>
</tr>
</tbody>
</table>

Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome.
Appendix 2: Staffing profile

The following tables provide details of the Secretariat’s staffing profile at 30 June 2006.

**Table 1: Employees, by classification and gender**
(The Secretariat Director, Commission Chairman and Commissioners are not included)

<table>
<thead>
<tr>
<th>Classification</th>
<th>Female</th>
<th>Male</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Executive Band 1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>AFPC Broadband 3 (APS EL1 and EL2)</td>
<td>4</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>AFPC Broadband 2 (APS 4 to APS 6)</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>AFPC Broadband 1 (APS 1 to APS 3)</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8</td>
<td>4</td>
<td>12</td>
</tr>
</tbody>
</table>

**Table 2: Ongoing and non-ongoing, full-time employees by gender**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Ongoing full-time</th>
<th>Non-ongoing full-time</th>
<th>Ongoing part-time</th>
<th>Non-ongoing part-time</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Male</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
</tbody>
</table>

**Table 3: Salary ranges (not including bonus) by broadband classification**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Broadband salary pay point - lower ($)</th>
<th>Broadband salary pay point - higher ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Executive Band 1</td>
<td>not disclosed *</td>
<td></td>
</tr>
<tr>
<td>AFPC Broadband 3 (APS EL1 and EL2)</td>
<td>$70,000</td>
<td>$95,000</td>
</tr>
<tr>
<td>AFPC Broadband 2 (APS 4 to APS 6)</td>
<td>$45,001</td>
<td>$63,400</td>
</tr>
<tr>
<td>AFPC Broadband 1 (APS 1 to APS 3)</td>
<td>$32,000</td>
<td>$45,000</td>
</tr>
</tbody>
</table>

*SES Band 1 salary not disclosed as this would identify an individual

**Non salary benefits provided under AWAs**

- SES vehicle allowance
- Access to performance bonus
- Superannuation
- Access to flexible working arrangements

**Notes:**
1. All Secretariat employees are covered by AWAs
2. All Secretariat employees are located in Melbourne
3. No performance bonuses were paid to Secretariat employees in the year ended 30 June 2006
## Appendix 3: Consultancy services

Consultancy services let during 2005-06, of $10,000 or more

<table>
<thead>
<tr>
<th>Consultant Name</th>
<th>Description</th>
<th>Contract Price</th>
<th>Selection Process</th>
<th>Justification</th>
<th>Actual expenditure in 2005-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buchan Consulting Pty Ltd</td>
<td>Media and Public Relations</td>
<td>$49,500</td>
<td>Direct sourcing</td>
<td>B</td>
<td>$8,250</td>
</tr>
</tbody>
</table>
Annual Report 2005/06 – Fraud Control Certification

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

- the Australian Fair Pay Commission Secretariat 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.

Jennifer Taylor
Director
Australian Fair Pay Commission Secretariat
1 September 2006