

Digital
Transformation
Office

Annual Report 2015–16

Digital
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Office



Australian Government



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Australian Government
Digital Transformation Office

The Hon Angus Taylor MP
Assistant Minister for Cities and Digital Transformation
Parliament House
CANBERRA ACT 2600

Dear Minister

I have pleasure in presenting to you the annual report for the Digital Transformation Office (DTO) for the year ended 30 June 2016, in accordance with section 70 of the *Public Service Act 1999*.

The report has been prepared in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*, sections 17AA to 17AJ of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule), and the relevant guidelines approved by the Joint Committee of Public Accounts and Audit.

I am satisfied that the DTO, in accordance with section 10 of the PGPA Rule, has prepared fraud risk assessments and fraud control plans; has put in place appropriate fraud prevention, detection, investigation and reporting mechanisms that meet the specific needs of the entity; and has taken all reasonable measures to appropriately deal with fraud relating to the entity.

Yours sincerely

Paul Shetler
Chief Executive Officer

21 October 2016

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01

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01

Chief Executive Officer's review

What a busy and exciting year. The Digital Transformation Office (DTO) became an executive agency in July 2015, and I was appointed as its Chief Executive Officer that same month.

Initially part of the Communications portfolio, the DTO was moved to the Prime Minister and Cabinet portfolio in September 2015. I would like to thank my predecessor, Interim Chief Executive Officer David Hazlehurst, for his excellent work in overseeing the transformation of the DTO from a taskforce to an executive agency.

The DTO was created with a clear mission: to help deliver simpler, clearer and faster public services, making it easy to work with government. We believe that government agencies should use lean and agile ways of working to develop end-user-facing services.

We released the alpha version of the Digital Service Standard in July 2015. The standard provides the criteria that all new and reformed government services must meet to deliver on the promise of 'simple, clear and fast'. With the release of the final version of the standard in May 2016, we established both criteria and a process for ensuring that services are being built right. The standard is now being tested beyond the Commonwealth, with the South Australian Government and the City of Melbourne seeing how it can help their agencies to deliver services better.

During 2015–16, the DTO hosted five digital transformation exemplar programs in its Canberra and Sydney delivery hubs. People from the departments of Industry, Innovation and Science, Immigration and Border Protection, and Human Services and people from the Australian Capital Territory Department of Health worked with DTO specialists to research, design, build and deploy new services. The digital exemplars are a great example of cooperation between the DTO and other agencies to improve existing products for the benefit of users. I am keen to see the communities that we have built across the Australian Public Service in service design and content continue to grow and learn.

01

We also began work on some of the bigger pieces of infrastructure that will be required to deliver real transformation of government service delivery. In 2015–16, we released alpha versions of our vision of a single domain for government information and services, GOV.AU, and the Performance Dashboard for government services. We also deployed a cloud hosting platform, cloud.gov.au, and completed research for a digital authentication and verification solution and the Digital Marketplace.

In April 2016, the DTO welcomed Liam Maxwell from the United Kingdom's Government Digital Service, who made a short visit to sign a memorandum of understanding which encourages the exchange of ideas and learning between our organisations.

Capping off our efforts in 2015–16 was the work required to establish the organisation that enabled all of these things. By the end of the financial year, the DTO had over a hundred people, employees and contractors, working in Canberra and Sydney. While the delivery of the exemplars and platforms attracted the most attention from the outside world, I cannot stress enough the hard work and good spirit exhibited by all members of the DTO in building a well-functioning organisation that can work in an agile and lean manner and adhere to the values and standards of behaviour expected of public servants.

For the next financial year, the DTO's focus will shift from demonstrating the benefits of delivering simpler, clearer and faster public services to helping deliver the infrastructure necessary to industrialise this transformation of services. In 2016–17, the DTO will deliver a working beta version of the Digital Marketplace and an alpha prototype and framework of a digital verification and authentication solution, and continue to work with agencies to enable them to deliver services that meet the Digital Service Standard.

Australia has the opportunity to become a world leader in the provision of digital government. The DTO is the agency which can help government and agencies make this transformation. I would like to thank all the staff of the DTO for their dedication and the enthusiasm that they bring to their work; with their backing, I am confident that we can fulfil our mission.

Paul Shetler
Chief Executive Officer

01

Using agile methodologies

Agile methodologies are at the heart of the DTO's service delivery. This is an approach to software development that allows digital teams to respond to unpredictability through staged and iterative platform development.

Solutions are found on the go, through collaborative effort and user feedback. This approach enables teams to start small and learn fast. Critically, it reduces the risk of service failure.

DTO's service design and delivery process has four stages:

1. **Discovery:** This stage involves mapping the broader service landscape, researching the real needs and problems faced by users, and understanding the policy intent and technology constraints.
2. **Alpha:** During alpha, the team tests out a hypothesis by building prototypes in code, exploring different ways to meet the needs of users. User research is conducted to learn which of the approaches works best, and the solution continues to be iterated as more is learned.
3. **Beta:** Using the successful prototype from stage 2, a Minimum Viable Product is built as an accessible and secure service. Members of the public trial the beta version alongside the existing service, and their feedback is used to improve the service.
4. **Live:** The team and processes are put in place to continue operating and improving the service. Old services are phased out, and existing non-digital channels are consolidated.

Each stage of the process is strategically crafted to ensure feasibility and system capacity. The system is designed to allow users to engage in the process to give greater transparency to government processes and service provision.

To date, this staged approach has enabled the DTO to successfully map out issues pertaining to service delivery and to continue to develop the infrastructure required to assist government agencies and services as they undergo transformation.

01

Building an alpha of GOV.AU

In October 2015, a DTO team was given a project with an ambitious target: develop an alpha prototype of GOV.AU in just nine weeks.

This was the DTO's opportunity to test a central hypothesis: that it is possible to design an approach to presenting government information and services based around the needs of the user, rather than the way government is structured.

The first step involved co-locating a team in Sydney. While the team possessed a range of skill sets, including user research, service design, interaction design and product management and development, working in an agile, multidisciplinary way was essential to the project's success.

This was especially the case when it came to user research, which started on day four of the project. Having the entire team involved in user research helped to make sure that everyone had a level of intelligence around what the real user needs were, and built empathy.

The team met with a range of users, including people from culturally diverse backgrounds and people with different accessibility needs and different levels of technical literacy. This ensured that the design worked for the widest possible audience.

A common theme soon emerged: people who embark on engaging with government do not know when they have found all the relevant information and done all the things they need to do. There was a real need to bring all the information into one place so that people could be satisfied that they had everything they needed to be compliant or to access what they were entitled to.

Four weeks into the project, the team identified two particular user experiences upon which they could build the alpha version: coming to Australia to work, and starting a business.

The team started to develop a prototype which explored a pattern that allows users to explain their circumstances and then be presented with relevant content and information in a way that helps them to create a mental model of what is involved.

The alpha version was delivered on schedule and passed an assessment against the Digital Service Standard.

The project demonstrated that it is possible to come up with a reasonably simple model for a more efficient and consistent way of organising content, and to help solve a lot of users' problems in the process.

01

Changing the assessment process for the Digital Service Standard

After considering the United Kingdom's Government Digital Service Standard assessment model, the DTO moved to a new 'in-flight' model of assessment.

Assessors now work with the departmental transformation team throughout the assessment process, usually meeting on a weekly basis, to remove the burden of preparing for an assessment. This allows the assessors to work more collaboratively with the team, so that rather than getting to the end of a 10-week process before they see the product the team members can follow the shaping and the thinking as it happens.

Under the new in-flight model, each week the assessors rate parts of the project as either green, amber or red, depending on whether they are on track to deliver. This has seen incredibly effective work take place where the team and the assessors agree on the rating. The team members can talk about the gaps and what they need to do to get help and move forward.

This model helps teams to address issues before it is too late. For example, sometimes in the early stages teams are not fully multidisciplinary. If this were not addressed until the end of the alpha stage, the team would have to wait for recruitment processes to be completed before it could move on to beta. However, if the issue gets an amber or red light early on, it does not have to stop the project in its tracks and things can keep going while the issue is being addressed.

Although a red light might look alarming for a team, it is actually an important tool to support a team and reduce the risk in a project. It can help the team members to go to their service manager or their stakeholders and say, 'Look, unless we address this problem we are at risk of not delivering'. It enables teams to have much earlier and more sensible conversations to actually mitigate the risk, rather than getting to the end and saying, 'Oh no, it's not right, let's go back to the drawing board'.

The new in-flight model means that digital teams and assessors are better able to focus on the common goal of designing and delivering. The relationship between the assessors and the teams is now one of mentoring and influencing. This assists the assessors to help get the product on the right track, and reinforces the team members' confidence that they are doing the right thing.

01

About this report

This annual report covers the performance, accountability and financial reporting of the Digital Transformation Office (DTO) for the financial year ending on 30 June 2016.

The report was drafted in line with the Public Governance, Performance and Accountability Rule 2014 and the Department of Finance *Resource Management Guide No. 135: Annual reports for non-corporate Commonwealth entities*, July 2016.

The ‘Overview’ section in this part of the report includes a description of the DTO’s role, structure, and outcome and program framework.

In Part 2, Report on program performance, the DTO provides its annual performance statements for 2015–16, including a report of its results against portfolio performance measures.

Portfolio performance measures were first published for the DTO in the Communications Portfolio Budget Statements 2015–16. When the DTO was transferred to the Prime Minister and Cabinet portfolio, by amendment of the Administrative Arrangements Order on 21 September 2015, the program objective was changed and one deliverable, relating to streamlining grants administration, was deleted. Responsibility for streamlining grants administration was transferred to the Department of Finance and will be covered in that department’s annual report.

The report on the management and accountability of the DTO in 2015–16, along with other information required by legislation, is covered in Part 3, Report on organisational performance.

A summary of the DTO’s financial performance is provided in Part 2, while the audited financial statements for 2015–16 are provided in Part 4.

01

Overview

The DTO was established to assist in designing a more user-friendly government. We are creating unified digital platforms that will make it easier for all Australians to access the government services and information they need, and leading a user-focused, whole-of-government approach to digital transformation that will make public services simpler, clearer and faster for all.

The role of the DTO is to design the system and governance for this change process in collaboration with our partners: it is not to own services or content. We facilitate collaboration and a whole-of-government approach while digital transformation takes place within the entities that provide government services and information.

Outcome and program structure

The DTO has one portfolio outcome, delivered through one program:

Outcome 1: To improve the user experience for all Australians accessing government information and services by leading the design, development and continual enhancement of whole-of-government service delivery policies and standards, platforms and joined-up services.

Program 1.1: The Digital Transformation Office

In 2015–16, the objective of Program 1.1 was:

To support the Prime Minister in transforming government services to improve the user experience, cut red tape and ensure services are delivered efficiently.

01

Values

At the heart of our values are the values of the Australian Public Service (APS) and a desire to transform government services to ensure that all users' experiences are made simpler, clearer and faster. We encourage innovation by providing a nurturing and supportive environment.

We are also committed to:

- devolving responsibility wherever possible, to enable improved decision making, accountability and communications
- acknowledging and valuing diversity and flexibility in the workplace
- providing opportunities for personal development and advancement
- promoting a culture of collaboration through robust and lively debate with internal and external stakeholders.

Legal framework

The DTO was established as an executive agency under the *Public Service Act 1999* on 1 July 2015. It is a non-corporate Commonwealth entity subject to the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The DTO resides in the Prime Minister and Cabinet portfolio. The minister responsible for the DTO is the Prime Minister, the Hon Malcolm Turnbull MP, assisted by the Assistant Minister for Cities and Digital Transformation, the Hon Angus Taylor MP.

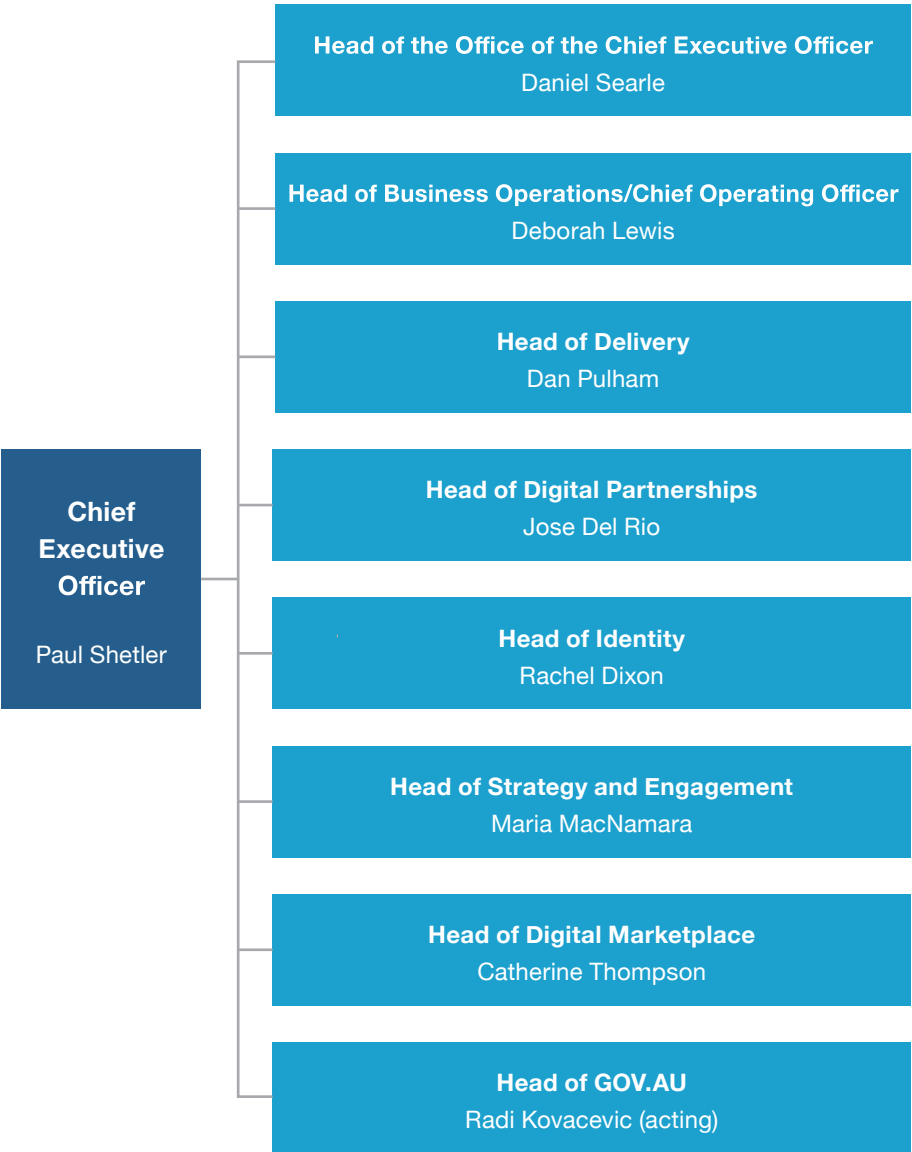
The DTO does not administer any legislation.

01

Organisational structure

The structure of the agency at 30 June 2016 is shown in Figure 1.

Figure 1 Structure at 30 June 2016



01

Executive management**Chief Executive Officer
Paul Shetler**

Paul was appointed as the inaugural Chief Executive Officer (CEO) of the DTO in July 2015.

Hailing from the United Kingdom, the technologist and entrepreneur has 20 years of international experience working in financial and digital services, including the role of Chief Digital Officer of the United Kingdom Ministry of Justice from 2014 to 2015. Bringing to the table extensive knowledge of managing startups and corporate ventures, he is now tasked with making government services simpler, clearer, faster and more humane.

Before Paul took up his appointment, David Hazlehurst acted as the Interim CEO of the DTO. David subsequently moved to a deputy secretary position at the Department of Industry, Innovation and Science.

**Head of the Office of the
Chief Executive Officer
Daniel Searle**

Prior to joining the DTO, Daniel was a digital director at Kainos and the Deputy Group Chief Digital Officer at the United Kingdom's Ministry of Justice.

Daniel holds an Executive MBA from Cass Business School. His previous roles include: Identity Advisor to GOV.UK Verify; Strategy and Delivery Advisor to the United Kingdom's Home Secretary; and Private Secretary to the UK Border Agency Chief Executive. He has also held senior roles in asylum and immigration enforcement operations.

01



Head of Business Operations/ Chief Operating Officer Deborah Lewis

Deborah is responsible for the financial operations of the DTO, including risk, compliance, human resources, procurement, IT and support for the CEO.

Deborah has a strong public sector background, having led divisions with hundreds of staff to embed significant culture and business change agendas. She has held positions across service delivery, policy and program, and corporate functions, in entities such as Austrade and the departments of Immigration; Climate Change and Energy Efficiency; and Resources, Energy and Tourism.



Head of Delivery Dan Pulham

Dan joined the DTO in April 2016 having previously spent nine years at Telstra, the last five of those as a founding member of Telstra Digital.

During his time at Telstra Digital, Dan led a transformation program to rebuild Telstra's MyAccount, delivered the Consumer Identity platform, and ran the portfolio process which managed change into Telstra's MyAccount, E-Commerce, 24/7 and Identity platforms.

01

**Head of Digital Partnerships**
Jose Del Rio

Jose started the taskforce that led to the creation of the DTO. He has held a number of senior strategic and social policy roles at the Department of the Prime Minister and Cabinet. He has also led immigration processing, program and policy teams at the Department of Immigration and Border Protection and at Citizenship and Immigration Canada.

**Head of Identity**
Rachel Dixon

Rachel's professional background encompasses IT and telecommunications, and film, television and new media production.

Rachel has held executive positions at Suncorp, Viocorp, thePlatform for Media, and Massive Interactive. She has also been a director of the Australian Centre for Advanced Computing and Communications, Choice (the Australian Consumers Association) and several small software companies. She cofounded FIBRE, a telecommunications company servicing the motion picture post-production and visual effects industry. She is a past director and chair of several other media, software and telecommunications companies, and a former senior executive with Film Australia and Film Victoria.

01



Head of Strategy and Engagement Maria MacNamara

Prior to joining the DTO, Maria was responsible for marketing and business development at Swaab Attorneys. Maria also established a professional services start-up, after leading marketing and business development teams in Australia's foremost legal and consulting firms. She co-founded the Awesome Women's Project and the Ecosystem Leaders' Lunch, and sits on the advisory boards delivering the Women in Fintech initiative at Stone & Chalk and The Spark Festival, Sydney.



Head of Digital Marketplace Catherine Thompson

Catherine is interested in enterprise cost-efficiency, operations and the procurement/supply chain, with a particular focus on the cultural change that supports innovation in those fields. Her experience has been deepened in senior leadership and consulting roles across the financial services, transport, petrochemicals, retail and health services sectors. She particularly enjoys start-ups and remediations.

Most recently Head of Delivery for pioneering virtual reality start-up Zero Latency, Catherine has also been the Chief Procurement Officer of ANZ Banking Group and a director of Portland Group (now Infosys Portland). She writes for Procurement Leaders on issues at the nexus of technology, innovation and the supply chain.

01

**Head of GOV.AU**
Radi Kovacevic (acting)

In his previous role, Radi was the Chief Information Officer for the Department of the Prime Minister and Cabinet, with responsibility for all digital services.

Radi has a strong background in digital delivery for large programs, including the 2014 G20 summit in Brisbane, and large machinery of government changes. In the Department of Climate Change and Energy Efficiency, Radi assisted with the remediation program for the Home Insulation Program and led the digital delivery for energy efficiency programs such as National Solar Schools.

02

Report on program performance

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02

Annual performance statements

Statement of compliance by the accountable authority

I, as the accountable authority of the Digital Transformation Office (DTO), present the 2015–16 annual performance statements of the DTO, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.

Paul Shetler
Chief Executive Officer

Purpose

The DTO's purpose is to facilitate the digital transformation of Australian Government services through innovative and collaborative development of service delivery policies and standards, platforms and joined-up services.

As the DTO did not have a corporate plan in 2015–16, the DTO's purpose for the reporting period has been aligned with its portfolio outcome:

Outcome 1: To improve the user experience for all Australians accessing government information and services by leading the design, development and continual enhancement of whole-of-government service delivery policies and standards, platforms and joined-up services.

Performance

In its inaugural year, the DTO set an ambitious agenda to implement a new approach to service delivery and product development in the Australian Public Service (APS). To achieve its purpose, the DTO established deliverables that required key service delivery agencies to embrace the unknown and believe in the vision and capability of the DTO. The DTO found great allies across the APS who embraced the opportunity to transform government services through an agile approach that focused on user needs.

02

Digital Service Standard

Through consultation with consumers and stakeholders across government, the DTO published the Digital Service Standard on 6 May 2016. The standard ensures that all digital teams across the APS build government services that are simple, clear and fast for all users.

The standard is being applied to all public-facing Australian Government services and information sites administered by non-corporate Commonwealth entities. The standard applies to:

- new and redesigned government services, informational and transactional
- all high-volume transactional services (over 50,000 transactions a year), existing or being designed/redesigned.

The publishing of the standard created a need for expert advice and facilitation to enable agencies to transition services to the new standard. The DTO established two digital transformation hubs, one in Canberra and one in Sydney, which provide dedicated workspaces for redesigning key government services.

In addition, many agencies undertook the development and redesign of services in house. The DTO's assessments of such services against the standard can be found at www.dto.gov.au/standard/assessments/.

Easier ways to access government services

In conjunction with releasing the Digital Service Standard, the DTO began developing five platforms to provide individuals and businesses with easier ways to access government services.

GOV.AU

In March 2016, the DTO publicly released the alpha version of GOV.AU (www.gov.au/alpha/), a program of work with the vision of creating a place where users can find anything to do with the Australian Government without having to visit multiple websites to access key services. This was a major step in providing customers with a simplified and navigable mechanism for accessing the enormous volume of information and services that the government and APS provide in digital form.

02

In conjunction with the development and release of GOV.AU, the DTO worked with entities across the APS to develop a content style guide to assist government as a whole to shape its voice, project consistency, convey trust and communicate clearly.

Digital Marketplace

As part of the National Innovation and Science Agenda, the DTO has started development of the Digital Marketplace.

The aim of the Digital Marketplace is to transform the way government buyers procure digital and technology services and to make it easier for businesses—especially small and medium enterprises and start-ups—to deliver digital services to government.

The DTO took the first step towards establishing the Digital Marketplace in March 2016, by publishing a request for tender for digital specialists interested in providing services to government in an agile way.

This process established a panel that will be accessible through future iterations of the Digital Marketplace. This will connect federal, state and territory government buyers with a range of digital sellers pre-approved to bid for government work.

The discovery phase commenced in April 2016, and involved six weeks of user research with government buyers and ICT professionals. The team then entered the alpha phase and tested the prototype with users.

cloud.gov.au

In 2015–16, the DTO developed the first version of cloud.gov.au to make delivering and operating digital services easier. The platform makes it easier for teams to release, monitor and grow user-facing digital services, by:

- providing the infrastructure, monitoring and delivery tools required to release and operate user-facing web applications that meet user needs
- making it simpler for teams to adopt best practices in releasing software
- simplifying the security accreditation process for new services.

The platform has been tested with teams in the DTO delivery hubs. The Department of Immigration and Border Protection is also using the platform.

02

Performance Dashboard

The DTO has created the Performance Dashboard, a platform to assist government entities to publicly measure the performance of services against the metrics defined by criterion 11 of the Digital Service Standard. The platform will increase the visibility of how well government services are performing and drive the continued improvement of services for users.

In May 2016, a working alpha version was released with performance data for myGov, at dashboard.gov.au.

Digital authentication and verification

The DTO commenced the discovery phase of the digital authentication and verification program in January 2016. The program aims to provide a platform that will allow users to establish their identity once only when using different government services online.

In 2015–16, the DTO began building an alpha version of a service to verify the identity of individuals to a level that means they can access government services. To make it easier for government agencies to work together, the DTO also began development of the Trusted Digital Verification and Authentication Framework.

Exemplars and partnerships

In 2015–16, the DTO partnered with other agencies to deliver exemplar projects in its delivery hubs. The DTO has worked with:

- the Department of Immigration and Border Protection to deliver a new online appointment booking service for citizenship applicants, and a digital permits service to simplify the import of goods requiring a permit
- the Department of Human Services to deliver a simpler Medicare enrolment process for newborn children (currently under trial), and improvements to the myGov user experience
- the Department of Industry, Innovation and Science to deliver a service to help users understand if their hobby is classified as a business
- the ACT Government to deliver an appointment booking service for new parents with ACT Health
- the Queensland Government on a pilot program of improvements to the senior citizens' entitlements service.

02

Results

Table 1 outlines the DTO’s performance against portfolio budget statements performance criteria.

The key performance indicators (KPIs) for 2015–16 were defined when the DTO commenced in the Communications portfolio, and retained when the DTO was transferred to the Prime Minister and Cabinet portfolio. The targets for 2015–16 were defined in the Prime Minister and Cabinet Portfolio Budget Statements 2016–17.

Table 1 Performance against portfolio measures

KPI ¹	Target ²	Action	Comment
Improved levels of public satisfaction with the government services as measured by a public digital dashboard	Positive change in stakeholder feedback	The DTO conducted research to establish a baseline for user satisfaction, and published a summary of the results at www.dto.gov.au/blog/how-do-australians-really-feel-about-digital-government-services/ .	The DTO has released the alpha of the Performance Dashboard, which reports on user satisfaction of government services. The first tranche of service dashboards have been released.

KPI ¹	Target ²	Action	Comment
Increased use of common ICT platforms across government, with a resulting decline in entities developing systems for their individual use	Number of agencies using common ICT platforms has increased	<p>An Australian Government moratorium prevents Commonwealth entities from investing in new, or duplicating, service delivery capability. This helps to limit the fragmenting of users' experiences across government.</p> <p>The DTO started working with Commonwealth entities on the design, governance and funding of whole-of-government service delivery platforms. The DTO also made substantial progress on the delivery of a number of platforms, including for online publishing and digital authentication and verification. The DTO aims to deliver beta and live versions of those platforms in 2016–17.</p>	<p>Several agencies have adopted the DTO's common ICT platforms, including the Performance Dashboard and cloud.gov.au.</p> <p>The DTO is working with the Department of Finance to ensure that whole-of-government service delivery platforms are considered by agencies in their development of business cases under the ICT Investment Approval Process.</p>
Entities meeting the timeframes for digitising services specified in the Digital Transformation Plans	90% of entities are on schedule to meet the requirement of each Digital Transformation Plan	The DTO worked with Commonwealth entities to develop Digital Transformation Plans for the key service agencies, including the departments of Human Services and Immigration and Border Protection, and the Australian Taxation Office.	The publication of plans was delayed due to the election in July 2016.

02

KPI ¹	Target ²	Action	Comment
Entities adhering to the Digital Service Standard when designing new services or redesigning existing services	80% of agencies adhering to the Digital Service Standard for new services	<p>Since the release of the Digital Service Standard in May 2016, many Commonwealth entities have undertaken redesign or development of services in line with the standard. They include the DTO and the departments of Industry, Innovation and Science; Immigration and Border Protection; and Human Services.</p> <p>By 30 June 2016, the DTO had done nine assessments against six services (some services were assessed at both alpha and beta stages), and the Department of Industry, Innovation and Science had assessed and reported on one service.</p>	Change is occurring but it is too early to determine what proportion of agencies are adhering to the standard.

1 Key performance indicators from the Prime Minister and Cabinet Portfolio Additional Estimates Statements 2015–16, p. 63.

2 Targets from the Prime Minister and Cabinet Portfolio Budget Statements 2016–17, p. 134.

02

Analysis

The DTO was established as an executive agency in the Communications portfolio in July 2015 and transferred to the Prime Minister and Cabinet portfolio in September 2015.

The DTO had a rapid start-up in its first 12 months. This involved recruiting a workforce, including a large number of contractors; establishing bases in Canberra and Sydney; developing organisational capacity and enabling services; and delivering whole-of-government priorities.

It is rare for a Commonwealth entity to be built from scratch rather than shaped from an amalgam of parts of other entities. As a brand-new organisation, the DTO did not have its own corporate memory and culture and did not inherit all the necessary corporate support systems and administrative processes.

The result was a split in key priorities, between the need to rapidly build technical capacity to meet the demands of the DTO's mission, and the need to build the administrative, management and governance processes required by a government entity. This split limited the DTO's ability to operate to its full potential.

Nonetheless, throughout 2015–16, the DTO built capacity across both technical and corporate areas. This has allowed the agency to set the foundations for key program and organisational capability that will be built on in the year ahead.

02

Report on financial performance

The DTO recorded an operating surplus of \$1.92 million for 2015–16. At 30 June 2016, the DTO had net equity of \$5.4 million, representing \$13.3 million of assets offset by \$7.9 million of liabilities. The assets balance primarily relates to appropriation receivable of \$9.3 million, while the majority of liabilities relate to suppliers payable of \$5.9 million.

The DTO's financial statements are presented in Part 4 of this annual report. The Australian National Audit Office issued an unmodified audit opinion of the statements on 16 September 2016. As 2015–16 was the first year of operation for the DTO, there are no comparative figures presented in the financial statements.

Tables 2 and 3 summarise the agency's total resources and total expenses for the year.

02

Table 2 Resource statement

		Actual available appropriation for 2015–16 \$'000 (a)	Payments made 2015–16 \$'000 (b)	Remaining balance 2015–16 \$'000 (a) – (b)
Ordinary annual services ¹				
Departmental appropriation ²		32,025	22,215	9,810
Total		32,025	22,215	9,810
Total ordinary annual services	A	32,025	22,215	
Departmental non-operating				
Equity injections		2,226	–	2,226
Total		2,226	–	2,226
Total other services	B	2,226	–	
Total available annual appropriations and payments		34,251	22,215	
Total resourcing				
A+B		34,251	22,215	
Total net resourcing for DTO		34,251	22,215	

1 Appropriation Act (No.1) 2015–16 and Appropriation Act (No.3) 2015–16.

2 Includes an amount of \$1.500 million in 2015–16 for the Departmental Capital Budget. For accounting purposes this amount has been designated as 'contribution by owners'.

02

Table 3 Expenses for Outcome 1

Outcome 1: To improve the user experience for all Australians accessing government information and services by leading the design, development and continual enhancement of whole-of-government service delivery policies and standards, platforms and joined-up services	Budget ¹ 2015–16 \$'000 (a)	Actual expenses ² 2015–16 \$'000 (b)	Variation 2015–16 \$'000 (a) – (b)
Program 1.1: The Digital Transformation Office			
Departmental expenses			
Departmental appropriation ²	30,525	28,013	2,512
Expenses not requiring appropriation in the budget year	498	848	350
Total for Program 1.1	31,023	28,861	2,862
Total expenses for Outcome 1	31,023	28,861	2,862
	2014–15	2015–16	
Average staffing level (number)	0	37	

1 Full-year budget, including any subsequent adjustment made to the 2015–16 Budget at Additional Estimates.

2 Departmental appropriation combines ordinary annual services (Appropriation Act Nos 1, 3 and 5) and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

03

Report on organisational performance

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03

Corporate governance

As a small Commonwealth entity in its first year of operation, the DTO has developed a corporate governance model which ensures that individuals and the organisation meet statutory obligations, and that government priorities and the expectations of the public are met.

Due to its size and mobile workforce, the DTO has implemented a devolved governance model while ensuring that the Chief Executive officer (CEO) is supported in his individual obligations.

The model also ensures that all staff are aware of their responsibilities under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the *Public Service Act 1999*, including effective, efficient and ethical use of public resources, and acknowledgement of risks related to their responsibilities.

Governance committees

The DTO has established two formal governance committees, the Executive Group and the Audit Committee. The governance committees are supported by a number of informal committees that meet regularly to resolve operational issues and provide advice on strategic issues.

Executive Group

The Executive Group is the DTO's key governance body, providing strategic advice and direction and managing the overall performance of the organisation. The group meets weekly and comprises the CEO (as chair) and all program heads.

Audit Committee

The Audit Committee provides independent assurance and assistance to the CEO on the DTO's risk, controls and compliance mechanisms, and its external accountability responsibilities under the PGPA Act. The committee comprises a DTO Senior Executive Service (SES) officer, two external SES officers, and an independent member.

03

Advisory committees

The DTO has established a cross-agency governance committee structure to facilitate consultation on the development and delivery of key elements of initiatives under the Digital Transformation Agenda.

Service Delivery Leaders' Group

The Service Delivery Leaders' Group is the peak forum through which the DTO consults and seeks strategic advice from key entities across the Australian Public Service (APS). The group comprises 23 deputy secretaries (or equivalent) from entities such as the Australian Taxation Office, the Department of Human Services and the Department of Finance. It provides strategic oversight for a number of program-based digital transformation groups aligned with the development of GOV.AU, the digital verification and authentication solution and the Digital Marketplace.

Corporate planning and reporting

The DTO worked under a hub-and-spoke model in 2015–16. Central teams managed the DTO's policy, corporate and reporting responsibilities, allowing program areas to focus on delivering the key priorities of the DTO. Throughout the year, the central teams developed policies and processes in consultation with program areas, to ensure that there was a consistent, clear understanding of key priorities and the allocation of responsibilities.

The policies and processes include Accountable Authority Instructions; frameworks for risk management, internal audit and fraud control; and financial and human resources delegations.

The DTO has implemented systems, overseen by the Executive Group, to ensure that program areas deliver on their obligations as listed in the portfolio budget statements and other key corporate documents. This involves the presentation of program roadmaps to the Executive Group throughout the year, and an ongoing process of progress reporting that includes the identification of any changes to key risks.

03

Risk management

During 2015–16, the DTO:

- developed an overarching risk control plan
- identified risks through the development of program roadmaps and business process documentation
- where necessary, developed and implemented controls to mitigate or remove risks.

The management of risks was monitored through weekly reporting to the Executive Group.

Throughout 2016–17, the DTO will continue to develop, implement and evaluate risk systems and processes as part of its business process.

Fraud prevention and control

The DTO has developed a fraud control plan that provides advice on fraud to the Executive Group, management and individuals. It includes:

- potential internal and external fraud risks
- fraud prevention and detection
- investigation, reporting and response strategies for fraudulent activities.

In 2016–17, the DTO will continue to develop internal systems, processes and guidance to ensure that the risk of fraudulent activity is reduced and there are comprehensive systems and processes for addressing any such activity should it occur.

Internal audit

The CEO established the Audit Committee in compliance with section 45 of the PGPA Act and section 17 of the Public Governance, Performance and Accountability Rule 2014. The committee provides independent assurance to the CEO on the DTO's compliance, risk and control mechanisms and maturity.

03

In 2015–16, the DTO contracted Synergy Group Australia to undertake two audits: Recruitment and Payroll Assurance, and Finance and Procurement Assurance.

The DTO is developing a forward audit plan for 2016–17 that will provide assurance to the Executive Group across various functions and programs.

Significant issues of non-compliance

The DTO experienced no issues related to non-compliance with the finance law in 2015–16.

External scrutiny

The DTO was not the subject of judicial decisions or decisions of administrative tribunals or the Australian Information Commissioner in 2015–16. Nor was it the subject of any reports by the Auditor-General (with the exception of the financial statements audit), parliamentary committees, the Commonwealth Ombudsman or capability reviews.

The DTO appeared before the Senate Estimates (Finance and Public Administration Legislation) Committee on two occasions, in October 2015 and February 2016.

Freedom of information

Entities subject to the *Freedom of Information Act 1982* are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the Freedom of Information Act and has replaced the former requirement to publish a section 8 statement in an annual report.

The DTO publishes a range of information in accordance with the IPS, including the DTO's information publication plan and details of our organisation and functions. Information published under the IPS is accessible on the DTO's website at www.dto.gov.au/freedom-of-information.

03

Management of human resources

Much of the DTO's human resources activity during 2015–16 was related to establishing offices in Sydney and Canberra. This involved extensive recruitment activity and engagement with entities across the APS and external recruitment agencies, to source team members with appropriate experience in digital and platform development.

The DTO's workforce collaborates with officers from across the APS, complemented by specialist contractors, to deliver on its mission to lead the transformation of the government's online services. The DTO has been effective in attracting, managing and developing employees in pursuit of that objective.

The DTO's APS workforce is governed by local arrangements as articulated in a determination regarding pay and conditions.

A suite of DTO policies, procedures, guidelines and supporting documents is being developed to underpin a strategic human resources framework for the organisation. These developments include the establishment of a staff consultative mechanism to ensure open, effective communication and management in relation to workplace matters, including work health and safety and equity and diversity.

Statistics

03

At 30 June 2016, the DTO had 71 staff employed under the Public Service Act, as shown in Table 4.

Table 4 Ongoing and non-ongoing active and inactive employees at 30 June 2016

	Ongoing				Non-ongoing				Total
	Full time		Part time		Full time		Part time		
	Male	Female	Male	Female	Male	Female	Male	Female	
APS1	0	0	0	0	0	0	0	0	0
APS2	0	0	0	0	0	0	0	0	0
APS3	0	0	0	0	0	0	0	0	0
APS4	1	0	0	0	1	1	0	0	3
APS5	0	2	0	0	0	1	0	0	3
APS6	6	1	1	0	0	4	0	0	12
EL1	8	8	1	0	4	1	0	1	23
EL2	5	2	0	2	9	4	0	1	23
SES1	0	1	0	0	2	1	0	0	4
SES2	0	1	0	0	1	0	0	0	2
SES3	0	0	0	0	0	0	0	0	0
CEO	1	0	0	0	0	0	0	0	1
Total	21	15	2	2	17	12	0	2	71

APS = Australian Public Service, EL = Executive Level, CEO = Chief Executive Officer, SES = Senior Executive Service

Notes: 'Active' employees are engaged in the workplace; 'inactive' employees are on paid or unpaid long-term leave. This table does not include employees in the Digital Transformation Office (DTO) on secondment. The DTO had no casual employees at 30 June 2016.

Across all classification bands, the DTO had 31 female employees and 40 male employees. The DTO had equal proportions of female and male representation at the SES level, and 41 per cent female and 59 per cent male representation at the Executive Level.

The DTO has 20 employees (28 per cent) working in Sydney and 51 employees (72 per cent) working Canberra. The DTO currently does not collect demographic information in relation to whether staff members identify as Indigenous Australians.

03

Employment arrangements

All non-SES employees are engaged under the DTO Determination 2015/01. Five SES employees are engaged via individual section 24(1) agreements and one SES employee is engaged via an external recruitment agency.

The DTO Determination 2015/01 is supplemented by the Australian Public Service Enterprise Award 2015 and relevant legislative instruments. The determination provides salary bands for APS and Executive Level employees across the DTO, as shown in Table 5. There is also the provision to remunerate APS staff for specific specialist skills through individual section 24(1) arrangements.

Table 5 Salary ranges under DTO Determination 2015/01 at 30 June 2016

Classification	Minimum (\$)	Maximum (\$)
APS1	44,088	48,415
APS2	49,602	54,978
APS3	56,411	60,946
APS4	63,229	68,335
APS5	70,492	76,813
APS6	77,731	91,291
EL1	100,620	111,542
EL2	116,729	138,369
SES (all bands) ¹	165,360	321,480

APS = Australian Public Service, EL = Executive Level

¹ Individual arrangements established in line with individualised section 24(1) agreements.

The DTO provides paid leave and flexible work arrangements to employees as part of its overall employee value proposition, as outlined in the determination. It does not provide specific non-salary benefits or performance pay to staff.

During 2016–17, the DTO will work with employees to develop an enterprise agreement to replace the DTO Determination 2015/01.

03

Workforce planning and recruitment

Much of the DTO's human resources activity in 2015–16 was focused on securing a core group of staff with expertise and experience in digital platforms, digital communication and IT. As the DTO finalises the business case for the future of digital delivery across the APS, the focus for human resources in 2016–17 and beyond will be on the recruitment of specialist staff and the development of programs to support and maintain retention and succession.

Performance development framework

Given the dynamic nature of the DTO's structure in its first year, the initial performance development framework was a simplified review of individuals' performance and compliance with the APS values and standards of conduct. A more structured performance development framework is being developed for deployment in 2016–17.

Learning and development

The DTO is committed to the personal and professional development of all staff. Learning and development is based around the 70:20:10 learning framework, which represents a balance between on-the-job learning (70 per cent), mentoring, coaching and peer learning (20 per cent), and formal classroom and online learning (10 per cent).

During 2015–16, employees participated in a range of in-house and external development opportunities, including forums, conferences, networking events, formal study, conferences and DTO Showcases.

To better structure and support staff learning and development, the DTO is working towards an online learning system which will provide a range of required training in such areas as compliance, fraud, security, work health and safety, and equity and diversity, along with development opportunities in the areas of management, communication and IT.

03

Disability

DTO's offices and facilities were selected with accessibility requirements and standards in mind. The Sydney and Canberra offices are readily accessible to staff and visitors. Where required, reasonable accommodations are provided to support the engagement of staff with disability.

The National Disability Strategy 2010–2020 sets out a 10-year national policy framework to improve the lives of people with disability, promote participation, and create a more inclusive society. A high-level, two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first report was published in 2014 and can be found on the Department of Social Security website: dss.gov.au.

Work health and safety

The DTO is committed to providing a safe workplace for all staff and contractors working across the organisation. The DTO recognises the importance of its legislative obligations under the *Work Health and Safety Act 2011* to prevent work-related injury and illness.

As part of its commitment to providing a safe working environment, the DTO has:

- promoted the use of counselling for staff and their immediate family members through the employee assistance program
- established a network of health and safety representatives, first aid officers and fire wardens
- provided workstation assessments and ergonomically appropriate workstation equipment, including sit–stand desks and dual monitors
- developed of a suite of health and wellbeing programs for staff, including training on bullying and harassment and workplace health and safety
- provided voluntary influenza vaccinations.

During 2015–16, there were no notifiable incidents that required reporting to Comcare, no directions or notices given to the DTO, and no work health and safety investigations. No workers compensation matters were active or ongoing at 30 June 2016.

03

Purchasing and procurement

The DTO's procurement and purchasing in 2015–16 was undertaken in accordance with the principles set out in the Commonwealth Procurement Rules.

The Commonwealth Procurement Rules were applied to the DTO's procurement activities through the CEO's Accountable Authority Instructions. These ensure that the DTO undertakes competitive, non-discriminatory procurement processes; uses resources efficiently, effectively, economically and ethically; and makes decisions in an accountable and transparent manner.

The DTO assists its staff and contractors to manage procurements by providing information on procurement policies and procedures and maintaining a central point of contact for advice on procurements.

As part of these arrangements, in 2015–16 the DTO published the following on the AusTender website:

- details of publicly available business opportunities with a value of \$80,000 or more
- details of all contracts awarded with a value of \$10,000 or more.

By publishing on AusTender, the DTO ensures that information is available to industry, including small and medium enterprises (SMEs), while simplifying the way business interacts with government online.

The DTO publishes details of all contracts with a value of \$100,000 or more during the previous 12 months, in accordance with the Senate Order on entity contracts. There were no contracts in 2015–16 that were exempt from being reported on AusTender. All contracts included a requirement for contractors to allow access to their premises by the Australian National Audit Office.

The DTO supports small business participation in the Commonwealth Government procurement market. Participation statistics for SMEs and small enterprises are available on the Department of Finance's website: www.finance.gov.au.

03

The DTO's procurement practices support SMEs by adopting whole-of-government solutions to simplify interactions with SMEs. This includes using the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000. This reduces process costs for SMEs by creating contracting consistency and simplifying liability, insurance and indemnity requirements.

In addition, the DTO is establishing a digital services panel through the Digital Marketplace to encourage SMEs to enter the government market for digital services. This panel arrangement is part of the National Innovation and Science Agenda, and provides more opportunities for businesses with digital expertise to work with government.

The DTO recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website: www.treasury.gov.au. The DTO is committed to improving its ability to make payments on time.

Consultancies

The DTO engages consultants where it lacks specialist expertise or where independent research, review or assessment is required. Consultants are typically engaged to investigate or diagnose a defined issue or problem; carry out defined reviews or evaluations; or provide independent advice, information or creative solutions to assist in the DTO's decision making.

Prior to engaging consultants, the DTO takes into account the skills and resources required for the task, the skills available internally and the cost-effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with the PGPA Act and related regulations, including the Commonwealth Procurement Rules and relevant internal policies.

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

03

During 2015–16, two new consultancy contracts were entered into by the DTO, involving total actual expenditure of \$0.35 million. No ongoing consultancy contracts were active during the financial year.

Advertising and market research

Under section 311A of the *Commonwealth Electoral Act 1918*, the DTO is required to report annually on its use of advertising and marketing services. During 2015–16, the DTO did not make any payments for advertising campaigns. The agency did make payments for market research services, as shown in Table 6.

Table 6 Commissions paid to market research agencies in 2015–16 (including GST)

Vendor	Details	Cost (\$)
Thinkplace	Market research on the future of identity	81,982.18
Deloitte Access Economics	Market research on digital identity within Australia	79,580.99
Total		161,563.17

Environmental performance

The following summary of the DTO's environmental management activities and performance is provided in accordance with section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act), which requires Australian Government entities to report on:

- how their activities accord with, and their outcomes contribute to, the principles of ecologically sustainable development
- the environmental impacts of their operations during the year and measures taken to minimise those impacts.

03

Principles

As a new agency, the DTO is developing an environmental policy statement, which will describe how the DTO intends to support each of the five principles of sustainable development identified in the EPBC Act (integration, precaution, intergeneration, biodiversity and valuation) where they apply to the organisation's operations.

Measures

During 2015–16, the DTO demonstrated its environmental responsibility by minimising the negative effects it has on the environment in the areas of energy efficiency and waste. The measures taken included:

- supporting the use of electronic solutions to reduce our footprint, such as iPads to reduce the use of paper and videoconferencing to reduce the need for travel
- minimising waste, by
 - encouraging staff to utilise black-and-white and two-sided printing options
 - providing recycling bins and using recycled products and materials wherever practical
- reducing power consumption, by having lights automatically dimmed in workplaces following periods of inactivity.

04

Financial statements

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Digital Transformation Office Independent auditor's report



INDEPENDENT AUDITOR'S REPORT

To the Prime Minister

I have audited the accompanying annual financial statements of the Digital Transformation Office for the year ended 30 June 2016, which comprise:

- Statement by the Chief Executive Officer and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes comprising significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements of the Digital Transformation Office:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Digital Transformation Office as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Accountable Authority's Responsibility for the Financial Statements

The Chief Executive Officer of the Digital Transformation Office is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act and is also responsible for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

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Digital Transformation Office
Independent auditor's report**04**

entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Australian National Audit Office



John Jones
Executive Director

Delegate of the Auditor-General
Canberra
16 September 2016

04

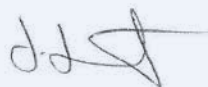
Digital Transformation Office Statement by the Chief Executive Officer and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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



Paul Shetler
Chief Executive Officer
15 September 2016



Lisa Leverton
Chief Financial Officer
15 September 2016

Digital Transformation Office

Statement of comprehensive income

for the period ended 30 June 2016

04

		2016	Original budget
	Notes	\$'000	\$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	11,547	17,276
Suppliers	1.1B	15,509	11,365
Depreciation and amortisation	2.2A	848	278
Write-down and impairment of assets	2.2A	957	-
Total expenses		28,861	28,919
Own-source income			
Own-source revenue			
Resources received free of charge	1.2A	261	-
Total own-source revenue		261	-
Total own-source income		261	-
Net cost of services		28,600	28,919
Revenue from Government		30,525	28,641
Surplus/(Deficit) attributable to the Australian Government		1,925	(278)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		-	-
Total comprehensive income/(loss) attributable to the Australian Government		1,925	(278)

Budget Variances Commentary

Total departmental expenses for 2015–16 were in line with the estimate published in the 2015–16 Portfolio Budget Statements. The variance for Employee benefits and Suppliers is attributable to a greater reliance on labour hire contractors due to a lower than expected ASL cap from what was originally budgeted.

Total departmental Revenue from Government for 2015–16 was \$1.884 million (7%) higher than the estimate published in the 2015–16 Portfolio Budget Statements. This is primarily attributable to additional Revenue from Government received in additional estimates (\$1.370 million) and current year funding for the transfer of a function from the Department of Finance (\$0.514 million).

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

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Digital Transformation Office Statement of financial position for the period ended 30 June 2016

		2016	Original budget
	Notes	\$'000	\$'000
ASSETS			
Financial assets			
Cash		145	-
Trade and other receivables	2.1A	10,451	286
Total financial assets		10,596	286
Non-financial assets			
Plant and equipment	2.2A	527	1,948
Leasehold improvements	2.2A	1,506	-
Intangibles	2.2A	364	-
Prepayments	2.2B	348	-
Total non-financial assets		2,745	1,948
Total assets		13,341	2,234
LIABILITIES			
Payables			
Suppliers	2.3A	5,926	-
Other payables	2.3B	100	-
Total payables		6,026	-
Provisions			
Employee provisions	4.1A	1,573	880
Make good provisions	2.4A	325	-
Total provisions		1,898	880
Total liabilities		7,924	880
Net assets		5,417	1,354
EQUITY			
Contributed equity		3,492	2,226
Retained surplus (Accumulated deficit)		1,925	(872)
Total equity		5,417	1,354

Budget Variances Commentary

Total departmental financial assets for 2015–16 were \$10.310 million higher than the estimate published in the 2015–16 Portfolio Budget Statements. The increase is primarily attributable to the amount of unspent appropriation receivable due to Revenue from Government not being fully expended and a higher than expected accrued suppliers balance.

Total departmental non-financial assets are higher than the estimate published in the 2015–16 Portfolio Budget Statements by \$0.797 million (41%) due to the transfer of intangible assets and prepayments as a result of machinery of Government changes.

Departmental payables mainly consist of accrued supplier expenditure disclosed against a nil balance published in the 2015–16 Portfolio Budget Statements.

Total departmental provisions are higher than the estimate published in the 2015–16 Portfolio Budget Statements by \$1.018 million. This is attributable to the transfer of staff provisions as a result of machinery of Government changes and the recognition of a makegood provision for the office leased in Canberra.

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

Digital Transformation Office

Statement of changes in equity

for the period ended 30 June 2016

04

	2016 \$'000	Original budget \$'000
CONTRIBUTED EQUITY		
Opening balance		
Balance carried forward from previous period	-	-
Adjusted opening balance	-	-
Transactions with owners		
Distributions to owners		
Returns of capital:		
Return of Appropriation (equity injection) ¹	(2,226)	-
Contributions by owners		
Restructuring ²	1,992	-
Appropriation (equity injection)	2,226	2,226
Departmental Capital Budget (DCB)	1,500	-
Total transactions with owners	3,492	2,226
Closing balance as at 30 June	3,492	2,226
RETAINED EARNINGS		
Opening balance		
Balance carried forward from previous period	-	-
Adjusted opening balance	-	-
Comprehensive income		
Restructuring	-	(594)
Surplus (Deficit) for the period	1,925	(278)
Total comprehensive income	1,925	(872)
Closing balance as at 30 June	1,925	1,354

1 Return of appropriation under section 51 of PGPA Act reflects the return of \$2.226m of unused funding for the development of the Grants Warehouse appropriated to the Digital Transformation Office in *Appropriation Act 2 2015/16*.

2 Restructuring of \$1.992m reflects the transfer of functions from the Department of Finance (\$1.003m) and the transfer of plant and equipment to assist with the establishment of the Digital Transformation Office as its own Executive Agency from the Department of the Prime Minister and Cabinet (\$0.989m).

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

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Digital Transformation Office Statement of changes in equity for the period ended 30 June 2016

	2016 \$'000	Original budget \$'000
TOTAL EQUITY		
Opening balance		
Balance carried forward from previous period	-	-
Adjusted opening balance	-	-
Comprehensive income		
Surplus (Deficit) for the period	1,925	(278)
Total comprehensive income	1,925	(278)
Transactions with owners		
Distributions to owners		
Returns of capital:		
Return of Appropriation (equity injection)	(2,226)	-
Contributions by owners		
Restructuring	1,992	(594)
Appropriation (equity injection)	2,226	2,226
Departmental Capital Budget (DCB)	1,500	-
Total transactions with owners	3,492	1,632
Closing balance as at 30 June	5,417	1,354

Accounting Policy

Equity injections

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

Other Distributions to Owners

The FRR require that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

Budget Variances Commentary

Departmental contributed equity for 2015–16 was \$1.266 million (57%) higher than the estimate published in the 2015–16 Portfolio Budget Statements. This is attributable to \$1.500 million of Departmental Capital Budgets received in *Appropriation Act 3 2015–16* and \$1.992 million of assets assumed as a result of machinery of Government, offset by the return of \$2.226 million equity funding following a section 51 quarantine.

Departmental retained earnings for 2015–16 were \$2.203 million higher than the estimate published in the 2015–16 Portfolio Budget Statements. This is mainly attributable to additional Revenue from Government received in additional estimates (\$1.370 million) and current year funding for the transfer of function from the Department of Finance (\$0.514 million).

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

Digital Transformation Office

Cash flow statement

for the period ended 30 June 2016

04

	Notes	2016 \$'000	Original budget \$'000
OPERATING ACTIVITIES			
Cash received			
Net GST received		778	-
Appropriations		21,259	28,355
Total cash received		22,037	28,355
Cash used			
Employees		10,575	16,990
Suppliers		9,847	11,365
Total cash used		20,422	28,355
Net cash from/(used by) operating activities	3.2	1,615	-
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment		2,970	2,226
Purchase of intangibles		-	-
Total cash used		2,970	2,226
Net cash from/(used by) investing activities		(2,970)	(2,226)
FINANCING ACTIVITIES			
Cash received			
Contributed equity			
Equity injections		-	2,226
Departmental capital budget		1,500	-
Total cash received		1,500	2,226
Net cash from/(used by) financing activities		1,500	2,226
Net increase/(decrease) in cash held		145	-
Cash and cash equivalents at the beginning of the reporting period		-	-
Cash and cash equivalents at the end of the reporting period		145	-

Budget Variances Commentary

Departmental net cash from operating activities is \$1.615 million higher than the estimate published in the 2015–16 Portfolio Budget Statements. This is primarily attributable to the drawing of operating funding to purchase property, plant and equipment (\$2.970 million) offset by Departmental Capital Budget funding of \$1.500 million.

Departmental net cash used by investing activities is \$0.744 million (33%) higher than the estimate published in the 2015–16 Portfolio Budget Statements. This is attributable to an increase in the purchase of property, plant and equipment.

Departmental net cash from financing activities is \$0.726 million (33%) lower than the estimate published in the 2015–16 Portfolio Budget Statements. This is attributable to the section 51 quarantine of equity funding (\$2.226 million) for the Grants Warehouse offset by Departmental Capital Budget funding (\$1.500 million) received in *Appropriation Act 3 2015–16*.

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

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Digital Transformation Office Notes to and forming part of the financial statements for the period ended 30 June 2016

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Digital Transformation Office

Notes to and forming part of the financial statements

for the period ended 30 June 2016

Overview

Objectives of the Entity

The Digital Transformation Office (the DTO) is a not-for-profit Australian Government controlled Executive Agency established on 1 July 2015.

The objective of the DTO is to transform government services so they are easy to find, simple to use and convenient to access in a secure way.

The DTO is structured to meet one outcome as outlined below:

Outcome 1: To improve the user experience for all Australians accessing government information and services by leading the design, development and continual enhancement of whole-of-government service delivery policies and standards, platforms and joined-up services.

In 2015–16 the DTO's activities were identified under the following programme:

Programme 1.1: The Digital Transformation Office:

To support the Prime Minister in transforming government services to improve the user experience, cut red tape and ensure services are delivered efficiently.

The continued existence of the DTO in its present form and with its present programmes is dependent on Government policy and on continuing funding by Parliament for the DTO's administration and programmes.

Basis of preparation of the financial statements

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

The financial statements have been prepared in accordance with:

- (a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- (b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

As the DTO was established as an Executive Agency on 1 July 2015, there will be no comparative figures disclosed.

New Australian accounting standards

Adoption of New Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

Other new standards, revised standards, interpretations and amending standards that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material financial impact, and are not expected to have a future material financial impact on the DTO.

04

Digital Transformation Office Notes to and forming part of the financial statements for the period ended 30 June 2016

Future Australian Accounting Standard requirements

No new/revised/amending standards and/or interpretations issued by the AASB prior to the sign-off date are expected to have a future material impact on DTO's financial statements which are applicable to the DTO for future reporting periods.

Taxation

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

Events after the reporting period

There are no known events occurring after the reporting period that could impact on the financial statements.

Revenue from Government

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

Digital Transformation Office

Notes to and forming part of the financial statements

for the period ended 30 June 2016

1. Departmental Financial Performance

This section analyses the financial performance of the Digital Transformation Office for the year ended 2016.

1.1 Expenses

	2016
	\$'000
Note 1.1A: Employee benefits	
Wages and salaries	4,961
Superannuation	
Defined contribution plans	620
Defined benefit plans	245
Leave and other entitlements	755
Separation and redundancies	5
Seconded	4,914
Other	47
Total employee benefits	11,547

Accounting Policy

Accounting policies for employee related expenses is contained in the People and relationships section.

04

Digital Transformation Office Notes to and forming part of the financial statements for the period ended 30 June 2016

	2016 \$'000
Note 1.1B: Suppliers	
Goods and services supplied or rendered	
Consultants, legal and contractors	9,424
Equipment, repairs and maintenance	879
General expenses	685
Information technology and communication	2,163
Travel	1,029
Total goods and services supplied or rendered	14,180
Goods supplied	739
Services rendered	13,441
Total goods and services supplied or rendered	14,180
Other suppliers	
Operating lease rentals in connection with	
External parties	
Minimum lease payments	1,261
Workers compensation expenses	68
Total other supplier expenses	1,329
Total suppliers	15,509
Leasing commitments	
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:	
Within 1 year	1,242
Between 1 to 5 years	3,003
More than 5 years	-
Total operating lease commitments	4,245

Note: Commitments are GST inclusive where relevant.

Operating lease commitment - leases for office accommodation

Office accommodation lease payments are subject to periodic increases in accordance with the rent review provisions in the lease agreements.

The DTO has one lease that contains three, one year renewal options. The options require a minimum of six months' notice if the option for renewal is to be exercised.

The DTO has one MOU for the leasing of premises which has a provision requiring the premises to be restored to their original condition at the conclusion of the lease. The DTO has made a make good provision to reflect the present value of this obligation.

Accounting Policy

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

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 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.

Digital Transformation Office
Notes to and forming part of the financial statements
for the period ended 30 June 2016

1.2 Own-Source Revenue and Gains

Note 1.2A: Resources received free of charge

Audit fee	60
Assets received free of charge	201
<i>Total resources received free of charge</i>	261

Accounting Policy

Resources received free of charge are recognised as revenue 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. Resources received free of charge are recorded as either revenue or gains depending on their nature.

04

Digital Transformation Office Notes to and forming part of the financial statements for the period ended 30 June 2016

2. Departmental Financial Position

This section analyses the Digital Transformation Office's assets used to generate financial performance and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

2.1 Financial Assets

	2016
	\$'000
Note 2.1A: Trade and other receivables	
Goods and services receivables	
Goods and services	786
Total goods and services receivables	786
Appropriations receivables	
Existing programs	9,266
Total appropriations receivable	9,266
Other receivables	
Statutory receivables	399
Total other receivables	399
Total trade and other receivables	10,451
Trade and other receivables expected to be recovered	
No more than 12 months	10,451
More than 12 months	-
Total trade and other receivables	10,451
Trade and other receivables aged as follows	
Not overdue	10,451
Overdue by	
0 to 30 days	-
31 to 60 days	-
61 to 90 days	-
More than 90 days	-
Total receivables (gross)	10,451

Receivables have been assessed for impairment and no allowance has been made as at 30 June 2016.

Digital Transformation Office

Notes to and forming part of the financial statements

for the period ended 30 June 2016

2.2 Non-Financial Assets

Note 2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2016

	Leasehold improvements	Plant and equipment	Computer software internally developed	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2015				
Gross book value	-	-	-	-
Accumulated depreciation/amortisation and impairment	-	-	-	-
Total as at 1 July 2015	-	-	-	-
Additions				
Purchase	2,644	326	-	2,970
Acquisition of entities or operations (including restructuring)	-	391	841	1,232
Depreciation and amortisation	(181)	(190)	(477)	(848)
Write-down and impairments recognised in net cost of services	(957)	-	-	(957)
Total as at 30 June 2016	1,506	527	364	2,397
Total as at 30 June 2016 represented by				
Gross book value				
Fair value	1,687	717	841	3,245
Accumulated depreciation/amortisation and impairment	(181)	(190)	(477)	(848)
Total as at 30 June 2016	1,506	527	364	2,397

04

Digital Transformation Office
Notes to and forming part of the financial statements
for the period ended 30 June 2016

Accounting policy

Asset recognition threshold

Property, plant and equipment is the generic term that covers leasehold improvements and plant and equipment. Purchases of property, plant and equipment and intangibles are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition.

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

Intangibles

The entity’s intangibles comprise of internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation rates apply to intangibles and are based of the useful life of 2 to 3 years.

Revaluations

Fair values for each class of asset are determined as shown below:

<i>Asset class</i>	<i>Fair value measurement</i>
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price or depreciated replacement cost

Depreciation

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

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.

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

	2016
Leasehold improvements	Lease term
Plant and equipment	2 to 10 years

Impairment

All assets were assessed for impairment during 2016.

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.

A write-down of \$957,000 was recognised in 2016 for Leasehold Improvements for the write-off of the South Tower of level 3 50 Marcus Clarke Street due to the termination of the lease.

Derecognition

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

04

Digital Transformation Office**Notes to and forming part of the financial statements**

for the period ended 30 June 2016

	2016
	\$'000
Note 2.2B: Prepayments	
Prepayments	348
<i>Total prepayments</i>	348
 Prepayments expected to be recovered	
No more than 12 months	348
More than 12 months	-
<i>Total prepayments</i>	348

04

Digital Transformation Office Notes to and forming part of the financial statements for the period ended 30 June 2016

2.3 Payables

2016

\$'000

Note 2.3A: Suppliers

Trade creditors and accruals	5,926
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Total suppliers	5,926
------------------------	--------------

Suppliers expected to be settled

No more than 12 months	5,926
------------------------	-------

More than 12 months	-
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Total suppliers	5,926
------------------------	--------------

Settlement is usually made within 30 days.

Note 2.3B: Other payables

Salaries and wages	46
--------------------	----

Superannuation	7
----------------	---

Lease liability	19
-----------------	----

Statutory payable	15
-------------------	----

Other payables	13
----------------	----

Total other payables	100
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Other payables expected to be settled

No more than 12 months	81
------------------------	----

More than 12 months	19
---------------------	----

Total other payables	100
-----------------------------	------------

Accounting Policy

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

Financial liabilities are recognised and derecognised upon 'trade date'.

Digital Transformation Office
Notes to and forming part of the financial statements
for the period ended 30 June 2016

2.4 Other Provisions		
		2016
		\$'000
Note 2.4A: Other provisions		
Make good provision		325
Total other provisions		325
Other provisions expected to be settled		
No more than 12 months		-
More than 12 months		325
Total other provisions		325
	Make good Provision	Total
	\$'000	\$'000
As at 1 July 2015	-	-
Additional provisions made	325	325
Amounts used	-	-
Gain on reversal of provision	-	-
Unwinding of discount or change in discount rate	-	-
Total as at 30 June 2016	325	325

The entity currently has one MOU agreement for the leasing of premises which has a provision requiring the entity to restore the premises to their original condition at the conclusion of the lease.

Accounting Policy

Provision for the restoration of leased premises (makegood) is based on future obligations relating to the underlying assets. The provision is disclosed at the present value of the obligation utilising the appropriate Government bond rate.

Digital Transformation Office
Notes to and forming part of the financial statements
for the period ended 30 June 2016

3. Funding

This section identifies the Digital Transformation Office funding structure.

3.1 Appropriations

Note 3.1A: Annual appropriations ('recoverable GST exclusive')

Annual Appropriations for 2016

	Appropriation Act		PGPA Act		Total appropriation	Appropriation applied in 2016 (current and prior years) ¹	Variance ²
	Annual Appropriation	AFM	Section 74 receipts	Section 75 payments			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental							
Ordinary annual services	30,011	-	-	514	30,525	(20,715)	9,810
Capital Budget ³	1,500	-	-	-	1,500	(1,500)	-
Other services							
Equity injections ⁴	2,226	-	-	-	2,226	-	2,226
Total departmental	33,737	-	-	514	34,251	(22,215)	12,036

1. Shared Service Centre spends money from the Consolidated Revenue Fund (CRF) on behalf of DTO.

2. The variance in departmental ordinary annual services is mainly attributable to undrawn current year appropriations due a higher than expected accrued expense balance.

3. Departmental Capital Budgets are appropriated through Appropriation Acts (No. 1.3.5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts.

4. The current year Equity injection is shown exclusive of the Section 51 Permanent Quarantine, which has reduced contributed equity by \$2.226 million.

Digital Transformation Office

Notes to and forming part of the financial statements

for the period ended 30 June 2016

Note 3.1B: Unspent annual appropriations ('recoverable GST exclusive')

	2016
	\$'000
Authority	
Departmental¹	
<i>Appropriation Act (No.1) 2015–16</i>	7,896
<i>Appropriation Act (No.1) 2015–16 - cash held by the department</i>	145
<i>Appropriation Act (No.3) 2015–16</i>	1,370
<i>Appropriation Act (No 2) 2015–16 - Non Operating Equity Injection</i>	2,226
Total departmental	11,637

¹ The current year Equity injection is shown exclusive of the Section 51 Permanent Quarantine, which has reduced contributed equity by \$2.226 million.

Note 3.1C: Disclosure by agent in relation to annual and special appropriations ('recoverable GST exclusive')

	Shared Service Centre
	2016
	\$'000
Total receipts	-
Total payments	22,215

During 2015–16, the Shared Services Centre provided the DTO with Treasury services.

04

Digital Transformation Office Notes to and forming part of the financial statements for the period ended 30 June 2016

3.2 Cash Flow Reconciliation

Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement

Cash and cash equivalents as per

Cash Flow Statement	145
Statement of Financial Position	145

Discrepancy	-
--------------------	---

Reconciliation of net cost of services to net cash from operating activities

Net cost of services	(28,600)
Revenue from Government	30,525

Adjustments for non-cash items

Depreciation and amortisation	848
Net write down of non-financial assets	957
Other non-cash items in operating cash	760

Movements in assets and liabilities

Assets

(Increase) / decrease in net receivables	(10,451)
(Increase) / decrease in prepayments	(348)

Liabilities

Increase / (decrease) in employee provisions	1,573
Increase / (decrease) in supplier payables	5,926
Increase / (decrease) in other payables	100
Increase / (decrease) in other provisions	325

Net cash from/(used by) operating activities	1,615
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Digital Transformation Office

Notes to and forming part of the financial statements

for the period ended 30 June 2016

04

4. People and Relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

4.1 Employee Provisions

	2016
	\$'000
Note 4.1A: Employee provisions	
Leave	1,573
Total employee provisions	1,573
Employee provisions expected to be settled	
No more than 12 months	675
More than 12 months	898
Total employee provisions	1,573

Accounting Policy

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

Leave

The liability for employee benefits includes provision for annual leave and long service leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the DTO's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination. The provision is disclosed at the present value of the obligation using the short hand method that utilises the appropriate Government bond rate.

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 the DTO is estimated to be less than the annual entitlement for sick leave.

Superannuation

The DTO's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or another fund of their choice.

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

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

The DTO makes employer contributions to the employees' superannuation scheme. For Commonwealth defined benefits schemes, these rates are determined by an actuary to be sufficient to meet the current cost to the Government. The DTO accounts for the contributions as if they were contributions to defined contribution plans.

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

04

Digital Transformation Office Notes to and forming part of the financial statements for the period ended 30 June 2016

4.2 Senior Management Personnel Remuneration

	2016
	\$'000
Short-term employee benefits	
Salary	1,987
Other	144
Total short-term employee benefits	2,131
Post-employment benefits:	
Superannuation	316
Total post-employment benefits	316
Other long-term employee benefits	
Annual leave	123
Long-service leave	41
Total other long-term benefits	164
Termination benefits	
Termination benefits	-
Total termination benefits	-
Total senior executive remuneration expenses	2,611

During the year, the total number of senior management personnel that were utilised and are included in the above table is 21. The additional positions reported relate to the short-term employment and secondment arrangements during 2015–16 to support the establishment and development of the DTO. As at 30 June 2016, the DTO has nine senior management positions.

Digital Transformation Office

Notes to and forming part of the financial statements

for the period ended 30 June 2016

04

5. Managing Uncertainties

This section analyses how the Digital Transformation Office manages financial risks within its operating environment.

5.1 Contingent Assets and Liabilities

Note 5.1A: Contingent assets and liabilities

The DTO is not aware of any material departmental quantifiable or unquantifiable contingent assets or liabilities as at the signing date that would require disclosure in the financial statements.

Accounting Policy

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

5.2 Financial Instruments

2016

\$'000

Note 5.2A: Categories of financial instruments

Financial assets

Loans and receivables

Cash and cash equivalents	145
Goods and services receivables	786

Total loans and receivables	931
------------------------------------	------------

Total financial assets	931
-------------------------------	------------

Financial liabilities

Financial liabilities measured at amortised cost

Trade creditors and accruals	5,926
------------------------------	-------

Total financial liabilities measured at amortised cost	5,926
---	--------------

Total financial liabilities	5,926
------------------------------------	--------------

Note 5.2B: Net gains or losses on financial assets

The DTO has no gains or losses on financial instruments

Note 5.2C: Fair value of financial instruments

The fair value of financial instruments approximate their carrying amounts.

04

Digital Transformation Office Notes to and forming part of the financial statements for the period ended 30 June 2016

Note 5.2D: Credit risk

The DTO is exposed to minimal credit risk as loans and receivables are comprised of cash and goods and services receivable with related entities. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of these outstanding receivables, 2016: \$0.786 million. The DTO has assessed the risk of the default on payment and has not allocated any funds to the impairment allowance account

Note 5.2E: Liquidity risk

The DTO's financial liabilities are suppliers payable. The exposure to liquidity risk is based on the notion that the DTO will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and mechanisms available to the DTO and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

Note 5.2F: Market risk

The DTO holds basic financial instruments that do not expose the DTO to interest risk, currency risk or other price risk.

Digital Transformation Office

Notes to and forming part of the financial statements

for the period ended 30 June 2016

5.3 Fair Value Measurement

The following tables provide an analysis of assets that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy.

The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Note 5.3A: Fair value measurements, valuation techniques and inputs used

Fair value measurements at the end of the reporting period

	2016		
	\$'000	Category (Level 1, 2 or 3 ¹)	Valuation Technique(s) and Inputs Used ²
Non-financial assets			
Leasehold improvements	1,506	2	Depreciated replacement cost/market comparables
Plant and equipment	527	2	Depreciated replacement cost/market comparables
Total non-financial assets	2,033		

1 DTO's assets are held for operational purposes and not held for the purposes of deriving a profit.

2 No revaluation has been performed in 2015–16 as all assets were transferred or purchased in the current year representing a proxy for fair value.

04

Digital Transformation Office Notes to and forming part of the financial statements for the period ended 30 June 2016

6. Other Information

6.1 Restructuring

Note 6.1A: Departmental restructuring

Restructuring

Net assets received from or relinquished to another Australian Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

During 2015/16, PM&C relinquished \$0.989 million in plant and equipment to assist with the establishment of the Digital Transformation Office as its own Executive Agency on 1 July 2015.

As part of the Administrative Arrangement Orders issued by the Government on 21 September 2015, the Gov 2.0 function (and associated assets and liabilities) was transferred from the Department of Finance.

	Set up of DTO from PM&C \$'000	GOV 2.0 from Finance \$'000	Total \$'000
Functions assumed			
Assets recognised			
Appropriation receivable	-	431	431
Plant and equipment	989	-	989
Intangibles- internally generated	-	841	841
Other non-financial assets (prepayments)	-	162	162
Total asset recognised	989	1,434	2,423
Liabilities recognised			
Employee provisions	-	431	431
Total liabilities recognised	-	431	431
Net assets recognised	989	1,003	1,992

6.2. Reporting of Outcomes

As the Digital Transformation Office has one Outcome, the Reporting of Outcomes is disclosed in the Statement of Comprehensive Income and Statement of Financial Position.

05

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05

Glossary and abbreviations list

APS	Australian Public Service
CEO	Chief Executive Officer
DTO	Digital Transformation Office
EPBC Act	<i>Environment Protection and Biodiversity Conservation Act 1999</i>
ICT	information and communications technology
IPS	Information Publication Scheme
IT	information technology
KPI	key performance indicator
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
SES	Senior Executive Service
SMEs	small and medium enterprises

05

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