

**Department of Employment**

**Financial Statements 2016–17**

**Department of Employment**

**STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2017 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 Department of Employment will be able to pay its debts as and when they fall due.

Signed.....

Renée Leon PSM  
Accountable Authority

5 September 2017

Signed.....

Glen Casson  
Chief Financial Officer

5 September 2017

**Department of Employment**  
**STATEMENT OF COMPREHENSIVE INCOME**  
*for the period ended 30 June 2017*

	Notes	2017 \$'000	2016 \$'000	Original Budget <sup>1</sup> \$'000
<b>NET COST OF SERVICES</b>				
<b>EXPENSES</b>				
Employee benefits	1.1A	211,105	203,275	208,995
Suppliers	1.1B	116,641	101,847	88,343
Grants	1.1C	346	300	-
Depreciation and amortisation	3.2A	32,885	21,861	27,710
Finance costs	1.1D	-	95	-
Write-down and impairment of assets	1.1E	4,926	371	-
Losses from asset sales		165	463	-
<b>Total expenses</b>		<b>366,068</b>	<b>328,212</b>	<b>325,048</b>
<b>OWN-SOURCE INCOME</b>				
<b>Own-source revenue</b>				
Sale of goods and rendering of services	1.2A	41,932	23,813	13,604
External audit		410	460	460
<b>Total own-source revenue</b>		<b>42,342</b>	<b>24,273</b>	<b>14,064</b>
<b>Gains</b>				
Other gains	1.2B	4,369	3,752	-
<b>Total gains</b>		<b>4,369</b>	<b>3,752</b>	<b>-</b>
<b>Total own-source income</b>		<b>46,711</b>	<b>28,025</b>	<b>14,064</b>
<b>Net cost of services</b>		<b>319,357</b>	<b>300,187</b>	<b>310,984</b>
Revenue from Government		286,351	280,305	283,274
<b>Deficit attributable to the Australian Government</b>		<b>(33,006)</b>	<b>(19,882)</b>	<b>(27,710)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation surplus		-	6,876	-
<b>Total other comprehensive income</b>		<b>-</b>	<b>6,876</b>	<b>-</b>
<b>Total comprehensive loss</b>		<b>(33,006)</b>	<b>(13,006)</b>	<b>(27,710)</b>

1. Employment's original budgeted financial statement that was first presented to parliament in respect of the reporting period was the 2016–17 Portfolio Budget Statements. The budgeted financial statements have not been audited.

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

**Department of Employment**  
**STATEMENT OF FINANCIAL POSITION**  
*as at 30 June 2017*

	Notes	2017 \$'000	2016 \$'000	Original Budget <sup>1</sup> \$'000
<b>ASSETS</b>				
<b>Financial Assets</b>				
Cash and cash equivalents		3,661	3,876	2,316
Trade and other receivables	3.1A	154,967	126,871	116,445
Accrued revenue		898	1,764	4,094
<b>Total financial assets</b>		<b>159,526</b>	<b>132,511</b>	<b>122,855</b>
<b>Non-financial Assets</b>				
Leasehold improvements	3.2A	24,722	23,274	21,637
Infrastructure, plant and equipment	3.2A	29,406	13,714	16,913
Intangibles	3.2A	95,928	88,511	89,472
Prepayments		17,162	9,635	12,011
<b>Total non-financial assets</b>		<b>167,218</b>	<b>135,134</b>	<b>140,033</b>
<b>Total assets</b>		<b>326,744</b>	<b>267,645</b>	<b>262,888</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	3.3A	29,242	17,879	17,918
Other payables	3.3B	43,860	32,959	36,027
<b>Total payables</b>		<b>73,102</b>	<b>50,838</b>	<b>53,945</b>
<b>Provisions</b>				
Employee provisions	6.1A	71,332	67,329	62,037
Other provisions	3.4A	52	2,397	843
<b>Total provisions</b>		<b>71,384</b>	<b>69,726</b>	<b>62,880</b>
<b>Total liabilities</b>		<b>144,486</b>	<b>120,564</b>	<b>116,825</b>
<b>Net assets</b>		<b>182,258</b>	<b>147,081</b>	<b>146,063</b>
<b>EQUITY</b>				
Contributed equity		262,484	194,301	232,534
Reserves		10,252	10,252	3,376
Accumulated deficit		(90,478)	(57,472)	(89,847)
<b>Total equity</b>		<b>182,258</b>	<b>147,081</b>	<b>146,063</b>

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**Department of Employment**  
**STATEMENT OF CHANGES IN EQUITY**  
*for the period ended 30 June 2017*

	Retained earnings			Asset revaluation surplus			Contributed equity/capital			Total equity		
	2017	2016	Original Budget <sup>1</sup>	2017	2016	Original Budget <sup>1</sup>	2017	2016	Original Budget <sup>1</sup>	2017	2016	Original Budget <sup>1</sup>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance</b>												
Balance carried forward from previous period	(57,472)	(37,590)	(62,137)	10,252	3,376	3,376	194,301	151,515	198,471	147,081	117,301	139,710
<b>Adjusted opening balance</b>	<b>(57,472)</b>	<b>(37,590)</b>	<b>(62,137)</b>	<b>10,252</b>	<b>3,376</b>	<b>3,376</b>	<b>194,301</b>	<b>151,515</b>	<b>198,471</b>	<b>147,081</b>	<b>117,301</b>	<b>139,710</b>
<b>Comprehensive income</b>												
Other comprehensive income	-	-	-	-	6,876	-	-	-	-	-	6,876	-
Deficit for the period	(33,006)	(19,882)	(27,710)	-	-	-	-	-	-	(33,006)	(19,882)	(27,710)
<b>Total comprehensive income</b>	<b>(33,006)</b>	<b>(19,882)</b>	<b>(27,710)</b>	<b>-</b>	<b>6,876</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(33,006)</b>	<b>(13,006)</b>	<b>(27,710)</b>
<b>Contributions by owners</b>												
Equity injection - Appropriation	-	-	-	-	-	-	7,316	15,408	6,253	7,316	15,408	6,253
Departmental capital budget	-	-	-	-	-	-	27,310	27,378	27,810	27,310	27,378	27,810
Restructuring	-	-	-	-	-	-	33,557	-	-	33,557	-	-
<b>Sub-total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,183</b>	<b>42,786</b>	<b>34,063</b>	<b>68,183</b>	<b>42,786</b>	<b>34,063</b>
<b>Closing balance attributable to Australian Government</b>	<b>(90,478)</b>	<b>(57,472)</b>	<b>(89,847)</b>	<b>10,252</b>	<b>10,252</b>	<b>3,376</b>	<b>262,484</b>	<b>194,301</b>	<b>232,534</b>	<b>182,258</b>	<b>147,081</b>	<b>146,063</b>

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**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.

Restructuring of Administrative Arrangements

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

Other Distributions to Owners

The Financial Reporting Rule (FRR) requires that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

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

**Department of Employment**  
**CASH FLOW STATEMENT**  
*for the period ended 30 June 2017*

	<b>2017</b>	2016	Original Budget <sup>1</sup>
	\$'000	\$'000	\$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations	<b>317,938</b>	301,641	286,662
Sale of goods and rendering of services	<b>30,538</b>	24,465	13,604
Net GST received	<b>12,773</b>	13,571	8,834
Other	-	3	-
<b>Total cash received</b>	<b>361,249</b>	339,680	309,100
<b>Cash used</b>			
Employees	<b>208,556</b>	202,642	209,190
Suppliers	<b>122,385</b>	114,271	87,973
Grants	<b>346</b>	300	-
Section 74 receipts transferred to the OPA	<b>30,443</b>	24,286	11,683
<b>Total cash used</b>	<b>361,730</b>	341,499	308,846
<b>Net cash from operating activities</b>	<b>(481)</b>	(1,819)	254
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of infrastructure, plant and equipment	<b>4</b>	23	-
<b>Total cash received</b>	<b>4</b>	23	-
<b>Cash used</b>			
Purchase of infrastructure, plant and equipment	<b>4,031</b>	3,932	3,785
Purchase / development of intangibles	<b>29,259</b>	37,538	25,569
Purchase of leasehold improvements	<b>4,054</b>	982	4,709
<b>Total cash used</b>	<b>37,344</b>	42,452	34,063
<b>Net cash used by investing activities</b>	<b>(37,340)</b>	(42,429)	(34,063)
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity—equity injection and capital budget	<b>37,606</b>	41,803	34,063
<b>Total cash received</b>	<b>37,606</b>	41,803	34,063
<b>Net cash from financing activities</b>	<b>37,606</b>	41,803	34,063
<b>Net increase in cash held</b>	<b>(215)</b>	(2,445)	254
Cash and cash equivalents at the beginning of the reporting period	<b>3,876</b>	6,321	2,062
<b>Cash and cash equivalents at the end of the reporting period<sup>2</sup></b>	<b>3,661</b>	3,876	2,316

1. Employment's original budgeted financial statement that was first presented to parliament in respect of the reporting period was the 2016–17 Portfolio Budget Statements. The budgeted financial statements have not been audited.
2. As shown in the Statement of Financial Position.

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

**Department of Employment**  
**ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME**  
*for the period ended 30 June 2017*

	Notes	2017 \$'000	2016 \$'000	Original Budget <sup>1</sup> \$'000
<b>NET COST OF SERVICES</b>				
<b>EXPENSES</b>				
Suppliers	2.1A	1,262,270	1,004,221	1,329,410
Subsidies	2.1B	229,351	165,165	371,350
Personal benefits	2.1C	254,752	337,814	294,023
Grants	2.1D	96,674	90,833	95,135
Write-down and impairment of assets		120	2,293	-
Payments to corporate Commonwealth entities		6,104	7,727	6,119
<b>Total expenses administered on behalf of Government</b>		<b>1,849,271</b>	<b>1,608,053</b>	<b>2,096,037</b>
<b>INCOME</b>				
<b>Revenue</b>				
<b>Taxation revenue</b>				
Other taxes		143,483	144,931	154,618
<b>Total taxation revenue</b>		<b>143,483</b>	<b>144,931</b>	<b>154,618</b>
<b>Non-taxation revenue</b>				
Interest		4	29	-
Commonwealth asset recoveries		47,984	70,529	23,632
Other revenue		138,967	25,237	6,753
<b>Total non-taxation revenue</b>		<b>186,955</b>	<b>95,795</b>	<b>30,385</b>
<b>Total revenue</b>		<b>330,438</b>	<b>240,726</b>	<b>185,003</b>
<b>Total income</b>		<b>330,438</b>	<b>240,726</b>	<b>185,003</b>
<b>Net cost of services</b>		<b>(1,518,833)</b>	<b>(1,367,327)</b>	<b>(1,911,034)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation surplus		96,859	16,239	-
<b>Total other comprehensive income</b>		<b>96,859</b>	<b>16,239</b>	<b>-</b>
<b>Total comprehensive loss</b>		<b>(1,421,974)</b>	<b>(1,351,088)</b>	<b>(1,911,034)</b>

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**Accounting Policy**

Revenue

All administered revenues are revenues relating to the course of ordinary activities performed by the Department on behalf of the Australian Government. As such, administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of the funds as directed.

Administered revenue is recognised when the service is provided. Collectability of the debt is reviewed at balance date. Impairment allowances are made when collectability of the debt is judged to be less, rather than more, likely.

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

**Department of Employment**  
**ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES**  
*as at 30 June 2017*

	Notes	2017 \$'000	2016 \$'000	Original Budget <sup>1</sup> \$'000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents		10	4	-
Trade, taxation and other receivables	4.1A	38,003	42,378	32,269
Other investments	4.1B	337,756	240,897	224,658
<b>Total financial assets</b>		<b>375,769</b>	<b>283,279</b>	<b>256,927</b>
<b>Non-financial assets</b>				
Prepayments		5,901	5,321	5,590
<b>Total non-financial assets</b>		<b>5,901</b>	<b>5,321</b>	<b>5,590</b>
<b>Total assets administered on behalf of Government</b>		<b>381,670</b>	<b>288,600</b>	<b>262,517</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	4.2A	80,979	60,980	52,076
Subsidies	4.2B	36,890	24,135	24,974
Personal benefits	4.2C	3,521	2,753	6,691
Grants	4.2D	2,189	2,168	
Other payables	4.2E	2,676,564	2,810,289	2,770,844
<b>Total payables</b>		<b>2,800,143</b>	<b>2,900,325</b>	<b>2,854,585</b>
<b>Total liabilities administered on behalf of Government</b>		<b>2,800,143</b>	<b>2,900,325</b>	<b>2,854,585</b>
<b>Net liabilities</b>		<b>(2,418,473)</b>	<b>(2,611,725)</b>	<b>(2,592,068)</b>

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**Accounting Policy**

Prepayments

All administered prepayments are current assets.

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



**Department of Employment**  
**ADMINISTERED RECONCILIATION SCHEDULE**  
*for the period ended 30 June 2017*

	2017 \$'000	2016 \$'000
<b>Opening assets less liabilities as at 1 July</b>	<b>(2,611,725)</b>	(2,691,246)
<b>Net cost of services</b>		
Income	330,438	240,726
<b>Expenses</b>		
Payments to entities other than corporate Commonwealth entities	<b>(1,843,167)</b>	(1,600,326)
Payments to corporate Commonwealth entities	<b>(6,104)</b>	(7,727)
<b>Other comprehensive income</b>		
Revaluations transferred to reserves	96,859	16,239
<b>Transfers (to)/from the Australian Government</b>		
<b>Appropriation transfers from Official Public Account</b>		
Annual appropriations		
Payments to entities other than corporate Commonwealth entities	1,423,053	1,127,767
Payments to corporate Commonwealth entities	6,237	7,727
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	221,628	288,618
Payments to corporate Commonwealth entities	177,502	182,146
<b>Appropriation transfers to Official Public Account</b>		
Transfers to Official Public Account	<b>(213,194)</b>	(175,649)
<b>Closing assets less liabilities as at 30 June</b>	<b>(2,418,473)</b>	(2,611,725)

**Accounting Policy**

Administered Cash Transfers to and from the Official Public Account

Revenue collected by the Department for use by the Government rather than the Department is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the Department on behalf of the Government and reported as such in the Schedule of Administered Cash Flows and in the Administered Reconciliation Schedule.

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

**Department of Employment**  
**ADMINISTERED CASH FLOW STATEMENT**  
*for the period ended 30 June 2017*

	Notes	2017 \$'000	2016 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Interest		4	29
Net GST received		119,253	105,330
Levies		144,992	146,970
Commonwealth asset recoveries		47,984	70,529
Other		2,448	25,330
<b>Total cash received</b>		<b>314,681</b>	<b>348,188</b>
<b>Cash used</b>			
Suppliers		1,374,765	1,153,568
Subsidies		216,596	193,603
Personal benefits		246,091	357,863
Grants		96,653	73,662
Payments to corporate Commonwealth entities		6,104	7,727
<b>Total cash used</b>		<b>1,940,209</b>	<b>1,786,423</b>
<b>Net cash flows used by operating activities</b>		<b>(1,625,528)</b>	<b>(1,438,235)</b>
Cash and cash equivalents at the beginning of the reporting period		4	104
<b>Cash from the Official Public Account for</b>			
– Appropriations		1,828,420	1,606,257
– GST appropriations		134,009	106,756
<b>Total cash from official public account</b>		<b>1,962,429</b>	<b>1,713,013</b>
<b>Cash to the Official Public Account for</b>			
– Appropriations		(213,194)	(175,649)
– Return of GST appropriations		(123,701)	(99,229)
<b>Total cash to official public account</b>		<b>(336,895)</b>	<b>(274,878)</b>
<b>Cash and cash equivalents at the end of the reporting period<sup>1</sup></b>		<b>10</b>	<b>4</b>

1. As shown in the Statement of Financial Position.

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

## Department of Employment

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison between the 2016–17 Portfolio Budget Statements (PBS) budget and the final financial outcome in the 2016–17 financial statements. The Budget is not audited and does not reflect budget estimates provided as part of the 2017–18 Portfolio Budget Statements (PBS). However, major changes in budget have been explained as part of the variance analysis where relevant.

Variances are considered to be ‘major’ based on the following criteria:

- the variance between budget and actual is greater than 10 per cent; and
- an item below this threshold but is considered important for the reader’s understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of an entity.

#### Departmental Major Budget Variances for 2017

Explanations of major variances	Affected line items (and schedule)
Suppliers expense (\$28.3m), Suppliers payable (\$11.3m) and Suppliers payments (\$34.4m) are higher than original budget primarily due to ICT functions assumed from the former Shared Services Centre.	Suppliers (Statement of Comprehensive Income), Suppliers payables (Statement of Financial Position), Suppliers (Cash Flow Statement)
Grants expenses are \$0.3m higher than original budget due to one off grants provided to support departmental outcomes.	Grants (Statement of Comprehensive Income), Grants (Cash Flow Statement)
Depreciation and amortisation expense is \$5.2m higher than original budget due to the transfer of assets from the former Shared Services Centre.	Depreciation and amortisation (Statement of Comprehensive Income)
The Write-down of assets expense is \$4.9m higher than the original budget due to the annual review of asset impairment and useful life.	Write-down of assets (Statement of Comprehensive Income)
Losses from sale of assets expenses are \$0.2m higher than original budget due to assets disposed at the end of their useful life.	Losses from Sale of Assets (Statement of Comprehensive Income)
Own-source revenue (\$28.3m) and receipt from Sale of goods and rendering of services (\$16.9m) are higher than original budget due to functions assumed from the former Shared Services Centre.	Own-source of revenue (Statement of Comprehensive income), Sale of goods and rendering of services (Cash Flow Statement).
Other gains are \$4.4m higher than original budget due to the disposal of lease liabilities and write back of impairment.	Other gains (Statement of Comprehensive income)
Cash is \$1.3m higher than budget due to receipts received at the end of the financial year.	Cash and cash equivalents (Statement of Financial Position)
Trade and other receivables are \$38.5m higher than original budget due to functions assumed from the former Shared Services Centre.	Trade and other receivables (Statement of Financial Position)
Accrued revenue is \$3.2m less than original budget due to invoices for services provided to other agencies being raised ahead of 30 June.	Accrued revenue (Statement of Financial Position)
Leasehold Improvement values have increased by \$3.1m compared to original budget due to new fit out.	Leasehold Improvements (Statement of Financial Position)
Infrastructure, Plant and Equipment was \$12.5m higher than original budget due to assets assumed from the former Shared Services Centre.	Infrastructure, Plant and Equipment (Statement of Financial Position)
Intangible assets (\$6.5m) and payments for Intangibles (\$3.7m) are higher than original budget due to investment in internally developed software.	Intangibles (Statement of Financial Position), Intangibles (Cash Flow Statement)
Prepayments are \$5.2m higher than original budget due to functions assumed from the former Shared Services Centre, increasing IT expenditure.	Other non-financial assets (Statement of Financial Position)
Other payables are \$7.8m higher than original budget due to functions assumed from the former Shared Services Centre increasing IT expenditure.	Other payables (Statement of Financial Position)
Employee provisions are \$9.3m higher than original budget due to the transfer of employees from the former Shared Services Centre	Employee provisions (Statement of Financial Position)
Other provisions are \$0.8m lower than original budget due to the disposal of a lease.	Other provisions (Statement of Financial Position)
Contributed equity is \$30.0m higher than original budget due to functions assumed from the former Shared Services Centre.	Contributed equity (Statement of Financial Position), Contributed equity/capital (Statement of Changes in Equity) Contributed equity—equity injection (Cash Flow Statement)
Asset revaluation surplus is \$6.9m higher than original budget due to other comprehensive income from 2016, this was updated in the revised budget.	Asset revaluation surplus (Statement of Financial Position), Asset revaluation surplus (Statement of Changes in Equity)

## Department of Employment

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Explanations of major variances	Affected line items (and schedule)
Appropriations received are \$31.3m higher than original budget due to the impact of additional cash receipts as a result of the functions assumed from the former Shared Services Centre.	Appropriations (cash flow statement)
GST received from the ATO is \$3.9m higher than the original budget due to higher than planned Supplier expenses as a result of ICT functions assumed from the former Shared Services Centre.	Net GST received (Cash Flow Statement)
Section 74 transfers are \$18.8m higher than original budget due to functions assumed from the former Shared Services Centre.	Section 74 transfers to the OPA (Cash Flow Statement)
Purchase of leasehold improvements are \$0.7m lower than original budget due to the timing differences in payments for leasehold improvements.	Purchase Statement)of leasehold Improvements (Cash Flow)

#### Administered Major Budget Variances for 2017

Explanations of major variances	Affected line items (and schedule)
Suppliers expense is \$67.1m lower than original budget due to lower than planned job seeker commencements in jobactive.	Suppliers (Administered Schedule of Comprehensive Income)
Subsidies expense is \$142.0m lower than original budget due to a lag in expenditure as a result of changes to the wage subsidies program that commenced 1 January 2017.	Subsidies (Administered Schedule of Comprehensive Income)
Personal benefits expense (\$39.3m) and Personal benefits payable (\$3.2m) are lower than original budget due in part to the expansion of the New Enterprise Incentive Scheme Program at 1 December 2016.	Personal benefits (Administered Schedule of Comprehensive Income), Personal Benefits (Administered Schedule of Assets and Liabilities)
Personal benefits expense (\$39.3m) and Personal benefits payable (\$3.2m) are lower than original budget due in part to a lower average cost per claim in the Fair Entitlements Guarantee Program (FEG).	Personal benefits (Administered Schedule of Comprehensive Income), Personal Benefits (Administered Schedule of Assets and Liabilities)
Monthly levy collections for the <i>Coal Mining Industry (LSL) Act 1992</i> (Coal LSL) are \$11.1m lower than original budget due to reduced numbers of employees in the sector.	Subsidies and Other Taxes (Administered Schedule of Comprehensive Income)
Commonwealth Asset Recoveries (\$24.4m) and Trade, taxation and other receivables (\$5.7m) are higher than original budget due to higher than planned recoveries relating to the FEG program including activities under the FEG Recovery program.	Commonwealth Asset Recoveries (Administered Schedule of Comprehensive Income), Trade, taxation and other receivables (Administered Schedule of Assets and Liabilities)
Other revenue is \$132.2m higher than original budget due to a reduction of the Comcare liability following an actuarial review.	Other revenue (Administered Schedule of Comprehensive Income)
Other comprehensive income (\$96.9m) and Other Investments (\$113.1m) are higher than original budget as a result of movements in the net asset balance of Coal LSL.	Other comprehensive income – Changes in asset revaluation surplus (Administered Schedule of Comprehensive Income), Other Investments (Administered Schedule of Assets and Liabilities)
Suppliers payable is \$28.9m higher than original budget due to an increase in jobactive accruals.	Suppliers payable (Administered Schedule of Assets and Liabilities)
Subsidies payable is \$11.9m higher than original budget due to an increase in wage subsidies accruals.	Subsidies payable (Administered Schedule of Assets and Liabilities)
Grants payable is \$2.2m higher than original budget due to grant milestones met but not paid at year end.	Grants payable (Administered Schedule of Assets and Liabilities)
Other payables are \$94.3m lower than original budget due to the reduction of the Comcare liability following an actuarial review.	Other payables (Administered Schedule of Assets and Liabilities)

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

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# Department of Employment

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Overview

#### 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 and notes have been prepared in accordance with:

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

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

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

Unless an alternative treatment is specifically required by an accounting standard or the FRRs, assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow to the department or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments or the Contingencies note.

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

#### Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the department has made and relied on the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- the fair value of leasehold improvements and infrastructure, plant and equipment has been taken to be the market value of similar items as determined by an independent valuer;
- the liability for long service leave has been estimated using an actuarial assessment based on the FRR requirements. This takes into account expected salary growth, attrition and future discounting using the government bond rates;
- the jobactive and Transition to Work accruals for Supplier and Subsidies expense, developed by the Department have been reviewed by an independent actuary;
- the Department relies on the work of actuaries engaged by Comcare relating to balances for Other Payables; and
- the Department relies on the net asset position of the Coal Mining Industry Corporation for Other Investments.

The Department made no other assumptions or estimates identified as having a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

#### Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

#### New Australian Accounting Standards

No new and amended standards that were applicable to the current reporting period have had a material effect on the entity's financial statement.

#### Taxation

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

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

#### Events After the Reporting Period

There have been no events after balance date that have the potential to significantly affect the ongoing structure and financial activities of the Department.

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**1. Departmental Financial Performance**

This section analyses the financial performance of the Department of Employment for the year ended 2017.

**1.1. Expenses**

	2017	2016
	\$'000	\$'000
<b>Note 1.1A: Employee Benefits</b>		
Wages and salaries	162,075	147,518
Superannuation		
Defined contribution plans	15,892	14,144
Defined benefit plans	17,109	17,577
Leave and other entitlements	11,989	19,132
Separations and redundancies	2,683	3,167
Other employee expenses	1,357	1,737
<b>Total employee benefits</b>	<b>211,105</b>	<b>203,275</b>

**Accounting Policy**

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

	2017	2016
	\$'000	\$'000
<b>Note 1.1B: Suppliers</b>		
<b>Goods and services supplied or rendered</b>		
Consultants	12,877	15,464
Contractors	13,600	12,393
Travel	4,289	3,881
IT services	26,180	19,273
Property	6,242	3,176
Shared services	5,552	-
Resources provided free of charge	410	460
Legal	2,901	2,501
Training	4,158	3,375
Other	13,605	10,817
<b>Total goods and services supplied or rendered</b>	<b>89,814</b>	<b>71,340</b>
Provision of goods	3,201	1,667
Rendering of services	86,613	69,673
<b>Total goods and services supplied or rendered</b>	<b>89,814</b>	<b>71,340</b>
<b>Other suppliers</b>		
Operating lease rentals in connection with		
Minimum lease rentals	25,787	29,235
Contingent rentals	20	12
Workers compensation expenses	1,020	1,260
<b>Total other suppliers</b>	<b>26,827</b>	<b>30,507</b>
<b>Total suppliers</b>	<b>116,641</b>	<b>101,847</b>

**Leasing commitments**

Leases for office accommodation. Lease payments are subject to periodic market value or indexed increases.

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:**

Within 1 year	22,765	26,596
Between 1 to 5 years	90,027	84,475
More than 5 years	<u>51,843</u>	<u>69,836</u>
<b>Total operating lease commitments</b>	<b><u>164,635</u></b>	<b><u>180,907</u></b>

**Accounting Policy**

Leases

An operating lease is a lease that is not a finance lease and where the lessor effectively retains substantially all such risks and benefits.

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

Lease payments are subject to increases in accordance with upwards movements in the consumer price index, market rates, fixed increase rates or a combination of the aforementioned rates.

<b>2017</b>	2016
<b>\$'000</b>	\$'000

**Note 1.1C: Grants**

**Private sector**

Non-profit organisations	-	215
Other	<u>346</u>	<u>85</u>
<b>Total grants</b>	<b><u>346</u></b>	<b><u>300</u></b>

**Note 1.1D: Finance Costs**

Discount for surplus lease space	-	95
<b>Total finance costs</b>	<u>-</u>	<u>95</u>

**Note 1.1E: Write-Down and Impairment of Assets**

**Asset write-downs and impairments from**

Write-off of receivables—goods and services	1	1
Impairment of receivables—goods and services	-	3
Impairment of leasehold improvements	-	51
Write-off of leasehold improvements	954	170
Write-off of infrastructure, plant and equipment	32	2
Impairment of infrastructure, plant and equipment	2,117	-
Impairment of intangibles	<u>1,822</u>	<u>144</u>
<b>Total write-down and impairment of assets</b>	<b><u>4,926</u></b>	<b><u>371</u></b>



**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**1.2. Income**

	2017	2016
	\$'000	\$'000
<b>OWN-SOURCE REVENUE</b>		
<b><u>Note 1.2A: Sale of Goods and Rendering of Services</u></b>		
Sales of goods	-	42
Rendering of services	<u>41,932</u>	<u>23,771</u>
<b>Total sale of goods and rendering of services</b>	<b><u>41,932</u></b>	<b><u>23,813</u></b>

**Accounting Policy**

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the Department retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the Department.

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

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

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

**Subleasing rental income commitments**

Sub lease revenue for office accommodation. Vacant office space is sub leased where possible. The total of future minimum lease payments expected to be received over the next five years is \$8.65 million including GST.

	2017	2016
	\$'000	\$'000
<b>Commitments for sublease rental income receivables are as follows:</b>		
Within 1 year	(1,779)	(1,520)
Between 1 to 5 years	(4,963)	(2,406)
More than 5 years	(1,910)	-
<b>Total sublease rental income commitments</b>	<b><u>(8,652)</u></b>	<b><u>(3,926)</u></b>

**Note 1.2B: Other Gains**

Gain on write back of restoration provision	275	1,172
First time recognition of assets—infrastructure, plant and equipment	-	50
Write back of provision for surplus lease space	787	1,098
Write back of leaseholds impairment	894	262
Write back of intangibles impairment	337	18
Write back of infrastructure, plant and equipment impairment	652	-
Other	<u>1,424</u>	<u>1,152</u>
<b>Total other gains</b>	<b><u>4,369</u></b>	<b><u>3,752</u></b>

## Department of Employment

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### **Accounting Policy**

##### Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the department 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.

Funding received or receivable from non-corporate Commonwealth entities (appropriated to the non-corporate Commonwealth entity as a corporate Commonwealth entity payment item for payment to this entity) is recognised as Revenue from Government by the corporate Commonwealth entity unless the funding is in the nature of an equity injection or a loan.

##### Resources Received Free of Charge

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.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another non-corporate or corporate Commonwealth entity as a consequence of a restructuring of administrative arrangements.

##### Gains

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements (Refer to Accounting Policy for the Statement of Changes in Equity).

##### Sale of Assets

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**2. Income and Expenses Administered on Behalf of Government**

This section analyses the activities that the Department of Employment does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

**2.1. Administered - Expenses**

	2017	2016
<b>Note 2.1A: Suppliers</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Services rendered</b>		
Labour market assistance to job seekers and industry	1,238,674	983,296
Industrial relations	23,596	20,925
<b>Total suppliers</b>	<b>1,262,270</b>	<b>1,004,221</b>
<b>Note 2.1B: Subsidies</b>		
<b>Subsidies in connection with</b>		
Labour market assistance to job seekers and industry	85,868	20,234
Industrial relations	143,483	144,931
<b>Total subsidies</b>	<b>229,351</b>	<b>165,165</b>
<b>Note 2.1C: Personal Benefits</b>		
<b>Direct</b>		
Labour market assistance to job seekers and industry	68,709	56,183
Industrial relations	185,160	-
<b>Indirect</b>		
Industrial relations	883	281,631
<b>Total personal benefits</b>	<b>254,752</b>	<b>337,814</b>

**Accounting Policy**

The Department administers personal benefit programs on behalf of the government that provide entitlements to individuals. Payments are determined in accordance with provisions of the *Fair Entitlements Guarantee Act 2012* and the funding agreements for the New Enterprise Incentive Scheme and Youth Jobs PaTH under jobactive.

**Note 2.1D: Grants**

<b>Public sector</b>		
Australian Government entities	64,227	78,812
<b>Private sector</b>		
Non-profit organisations	4,480	7,641
Other	27,967	4,380
<b>Total grants</b>	<b>96,674</b>	<b>90,833</b>

**Accounting Policy**

The Department administers a number of grant and subsidy schemes on behalf of the Government.

Grant and subsidy liabilities are recognised to the extent that:

- the services required to be performed by the grantee have been performed; or
- the grant eligibility criteria have been satisfied, but payments due have not been made. A commitment is recorded when the Government enters into an agreement to make these grants but services have not been performed or criteria satisfied.

Payment to corporate Commonwealth entities from amounts appropriated for that purpose are classified as administered expenses, equity injections or loans of the relevant portfolio department. The appropriation to the department is disclosed under the Funding section—Appropriations.

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth [2014] HCA 23*, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**3. Departmental Financial Position**

This section analyses the Department of Employment's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

**3.1. Financial Assets**

	2017	2016
	\$'000	\$'000
<b>Note 3.1A: Trade and Other Receivables</b>		
Goods and services	16,330	3,873
Appropriation receivables—for existing programs	125,667	113,140
GST receivable from the Australian Taxation Office	2,511	2,297
Lease incentives	10,282	7,510
Other	179	54
<b>Total trade and other receivables (gross)</b>	<b>154,969</b>	<b>126,874</b>
Less impairment allowance for goods and services	(2)	(3)
<b>Total trade and other receivables (net)</b>	<b>154,967</b>	<b>126,871</b>

Credit terms are net 30 days.

**Reconciliation of the Impairment Allowance**

**Movements in relation to 2017**

	Goods and services \$'000	Total \$'000
<b>Opening balance</b>	<b>(3)</b>	<b>(3)</b>
Amounts written off	1	1
<b>Closing balance</b>	<b>(2)</b>	<b>(2)</b>

**Movements in relation to 2016**

	Goods and services \$'000	Total \$'000
Opening balance	(10)	(10)
Amounts written off	1	1
Amounts recovered and reversed	10	10
Decrease recognised in net cost of services	(4)	(4)
Closing balance	(3)	(3)

**Accounting Policy**

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

## Department of Employment

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Financial Assets

The Department classifies its financial assets in the following category:

- Receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

#### Receivables

Trade receivables, other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. The Department's and receivables are measured at their nominal amount less impairment.

#### Impairment of Financial Assets

Financial assets are assessed for impairment at the end of the reporting period.

Financial assets held at cost—if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Department of Employment  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**3.2. Non-Financial Assets**

**Note 3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles (2016–17)**

	Leasehold improvements \$'000	Other plant & equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
<b>As at 30 June 2016</b>					
Gross book value	23,594	14,579	116,118	839	155,130
Opening adjustment—gross book value	-	-	-	-	-
Accumulated depreciation and impairment	(320)	(865)	(28,026)	(420)	(29,631)
Opening adjustment—accumulated depreciation and impairment	-	-	-	-	-
<b>Net book value 30 June 2016</b>	<b>23,274</b>	<b>13,714</b>	<b>88,092</b>	<b>419</b>	<b>125,499</b>
Additions					
Purchase or internally developed	5,848	12,912	30,286	367	49,413
Restructuring (Note 8.1A)	442	10,094	954	327	11,817
Impairments recognised in net cost of services	-	(2,117)	(1,822)	-	(3,939)
Reversal of impairments recognised in net cost of services	158	653	312	25	1,148
Depreciation/amortisation expense	(4,068)	(5,886)	(22,742)	(189)	(32,885)
Other movements	22	71	(85)	(16)	(8)
Other	(1)	(2)	-	-	(3)
Write-offs	(953)	(33)	-	-	(986)
<b>Total as at 30 June 2017</b>	<b>24,722</b>	<b>29,406</b>	<b>94,995</b>	<b>933</b>	<b>150,056</b>
<b>Total as at 30 June 2017 represented by:</b>					
Gross book value					
Fair value	26,516	38,633	139,761	1,913	206,823
Work in progress	2,187	249	3,482	-	5,918
Accumulated amortisation	-	-	(48,248)	(980)	(49,228)
Accumulated depreciation	(3,975)	(9,476)	-	-	(13,451)
Accumulated impairment	(6)	-	-	-	(6)
<b>Total as at 30 June 2017</b>	<b>24,722</b>	<b>29,406</b>	<b>94,995</b>	<b>933</b>	<b>150,056</b>

## Department of Employment

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

During 2017, \$1.822 million of internally developed software was impaired (2016: \$0.144m). There were no write offs of internally developed software (2016: nil). There were no write offs of purchased software during 2017 (2016: nil).

There are two leased properties that the Department manages which are due to be vacated within the next 12 months that have leasehold improvement assets. The total net book value of the leasehold improvements, including restoration for these properties, was \$0.69 million as at 30 June 2017.

No impairment loss was required for surplus lease space (2016: nil).

The Department is completing a major IT infrastructure refresh over the next two years. The majority of the assets to be replaced are or will be at the end of their useful life when replaced.

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy below.

Revaluation increments for leasehold improvements and other plant & equipment credited to the asset revaluation reserve were included in the equity section of the Statement of Financial Position, no increments were expensed.

#### **Accounting Policy**

##### Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

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

##### Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$2,000, (or \$50,000 for leasehold improvements) which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

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

##### Revaluations

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

<b>Asset Class</b>	<b>Fair value measurement</b>
Leasehold improvements	Depreciated replacement cost
Infrastructure, plant and equipment	Market selling price

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

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

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

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the department 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:

Asset Class	2017
Leasehold improvements	Lease Term
Infrastructure, plant and equipment	3–25 years

Impairment

All assets were assessed for impairment at 30 June 2017. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

Derecognition

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

Intangibles

The Department's intangibles comprise purchased and internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. Purchases costing less than \$200,000 are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Department's software are 2–15 years.

All software assets were assessed for indications of impairment as at 30 June 2017.

**Contractual commitments for the acquisition of property, plant, equipment and intangible assets**

	<b>2017</b>	2017
	<b>\$'000</b>	\$'000
<b>Commitments are payable as follows:</b>		
Within 1 year	<u>16,447</u>	<u>28,513</u>
<b>Total commitments payable</b>	<u><b>16,447</b></u>	<u><b>28,513</b></u>



## Department of Employment

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### **Note 3.2C: Jointly Controlled Operations**

The Shared Services Centre (SSC) was established by the Department of Employment (Employment) and the Department of Education and Training (Education) as a jointly controlled operation under AASB 11—*Joint Arrangements*. The SSC provided a range of corporate services to both Departments and other client agencies from 1 July 2014 to 30 November 2016.

On 1 December 2016, following a Machinery of Government change, the functions previously supported by the SSC transitioned to new arrangements with core transactional services transferring to the Department of Finance; library and audio visual services transferring to Education; and information and communications technology, assets management, and other corporate services transferring to Employment.

The financial statements of both Employment and Education recognised their interest in the SSC with approximately 50 per cent recognised in both departments accounts up until 30 November 2016.

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**3.3. Payables**

	2017	2016
	\$'000	\$'000
<b>Note 3.3A: Suppliers</b>		
Trade creditors	25,936	15,736
Operating lease rentals	3,306	2,143
<b>Total suppliers</b>	<b>29,242</b>	<b>17,879</b>

Settlement is usually made within 30 days.

**Note 3.3B: Other Payables**

Salaries and wages	1,497	710
Superannuation	261	129
Separations and redundancies	1,848	1,844
Other employee benefits	1,273	438
Lease incentive	22,454	21,320
Unearned income	2,075	1,261
Accrued expenses	14,452	7,257
<b>Total other payables</b>	<b>43,860</b>	<b>32,959</b>

**Accounting Policy**

Lease Incentives

Lease incentives taking the form of 'free' leasehold improvements and rent free holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability.

Financial Liabilities

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

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other Financial Liabilities

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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).

Department of Employment  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**3.4. Other Provisions**

Note 3.4A: Other provisions

	Provision for restoration \$'000	Provision for surplus lease \$'000	Provision for onerous lease \$'000	Total \$'000
<b>As at 30 June 2016</b>	500	1,457	440	2,397
Amounts reversed	(500)	(670)	(466)	(1,636)
Amounts used	-	(735)	(118)	(853)
Discount or change in discount rate	-	-	144	144
<b>Total as at 30 June 2017</b>	-	52	-	52

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**4. Assets and Liabilities Administered on Behalf of Government**

This section analyses assets used to generate financial performance and the operating liabilities incurred as a result the Department of Employment does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

**4.1. Administered - Financial Assets**

	2017	2016
	\$'000	\$'000
<b>Note 4.1A: Receivables</b>		
Taxation receivables	10,454	11,963
Personal benefits receivables	8,218	16,111
Goods and services receivables	3,819	4,335
GST receivable from the ATO	17,716	12,111
<b>Total receivables (gross)</b>	<b>40,207</b>	<b>44,520</b>
<b>Less impairment allowance</b>		
Goods and services	(2,204)	(2,142)
<b>Total impairment allowance</b>	<b>(2,204)</b>	<b>(2,142)</b>
<b>Total receivables (net)</b>	<b>38,003</b>	<b>42,378</b>

Credit terms are within 30 days.

**Reconciliation of the Impairment Allowance  
Movements in relation to 2017**

	Goods and services \$'000	Total \$'000
<b>Opening balance as at 1 July 2016</b>	<b>(2,142)</b>	<b>(2,142)</b>
Amounts written off	58	58
Increase recognised in net cost of services	(120)	(120)
<b>Closing balance as at 30 June 2017</b>	<b>(2,204)</b>	<b>(2,204)</b>

**Movements in relation to 2016**

	Goods and services \$'000	Total \$'000
Opening balance as at 1 July 2015	(137)	(137)
Amounts written off	129	129
Increase recognised in net cost of services	(2,134)	(2,134)
Closing balance as at 30 June 2016	(2,142)	(2,142)

**Accounting Policy**

Receivables

Where receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Gains and losses due to impairment, derecognition and amortisation are recognised through profit or loss.

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2017	2016
	\$'000	\$'000
<b><u>Note 4.1B: Other Investments</u></b>		
<b>Other Investments</b>		
Coal Mining Industry Corporation <sup>1</sup>	<u>337,756</u>	<u>240,897</u>
<b>Total other investments</b>	<u><u>337,756</u></u>	<u><u>240,897</u></u>

The department retains 100 per cent ownership of the listed investment. The principle activity of the Department's administered investment is as follows:

<sup>1</sup>*Coal Mining Industry Corporation (Coal LSL)*—the administration of the Coal Mining Industry Long Service Leave Fund (The Fund). The Fund has operated since 1949 to provide reimbursement payments to employers paying long service leave to persons employed in the black coal industry in New South Wales, Queensland, Western Australia and Tasmania on the basis of industry employment service.

**Accounting Policy**

Administered Investments

Administered investments in subsidiaries, joint ventures and associates are not consolidated because their consolidation is relevant only at the Whole of Government level.

Administered investments other than those held for sale are classified as available-for-sale and are measured at their fair value as at 30 June 2017. Fair value has been taken to be the Australian Government's proportional interest in the net assets of the entities as at the end of the reporting period.

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

<b>4.2. Administered - Payables</b>		
	<b>2017</b>	2016
	<b>\$'000</b>	\$'000
<b>Note 4.2A: Suppliers</b>		
Trade creditors and accruals	<u>80,979</u>	60,980
<b>Total suppliers</b>	<b><u>80,979</u></b>	<u>60,980</u>
Settlement was made within 30 days.		
<b>Note 4.2B: Subsidies</b>		
Subsidies	<u>36,890</u>	24,135
<b>Total subsidies</b>	<b><u>36,890</u></b>	<u>24,135</u>
<b>Note 4.2C: Personal Benefits</b>		
Labour market assistance to job seekers and industry—Direct	411	2,744
Labour market assistance to job seekers and industry—Indirect	18	9
Industrial relations—Direct	<u>3,092</u>	-
<b>Total personal benefits</b>	<b><u>3,521</u></b>	<u>2,753</u>
<b>Note 4.2D: Grants</b>		
<b>Private sector</b>		
Non-profit organisations	602	306
Other	<u>1,587</u>	1,862
<b>Total grants</b>	<b><u>2,189</u></b>	<u>2,168</u>
<b>Note 4.2E: Other Payables</b>		
Comcare payable <sup>1</sup>	2,666,165	2,802,684
Withholding Payable	3	-
GST payable	<u>10,396</u>	7,605
<b>Total other payables</b>	<b><u>2,676,564</u></b>	<u>2,810,289</u>

1. The amount payable to Comcare represents amounts payable by the Commonwealth for:
- workers compensation claims resulting from injuries that occurred prior to 1 July 1989, referred to as ‘pre-premium’ claims;
  - workers compensation claims resulting from injuries that have occurred since 1 July 1989, referred to as ‘premium’ claims; and
  - the management of asbestos related personal injury common law disease claims against the Commonwealth.

Full details of the amounts payable may be found in the Comcare annual report.

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**5. Funding**

This section identifies the Department of Employment's funding structure.

**5.1. Appropriations**

**Note 5.1A: Annual Appropriations ('Recoverable GST exclusive')**

	2017 Appropriations			Appropriation applied in 2017 (current and prior years) \$'000	Variance <sup>1</sup> \$'000
	Annual appropriation \$'000	Adjustments to appropriation \$'000	Total appropriation \$'000		
<b>DEPARTMENTAL</b>					
Ordinary annual services <sup>3</sup>	286,373	30,443	316,816	317,939	(1,123)
Capital Budget <sup>2</sup>	27,310	12,342	39,652	30,522	9,130
Other services					
Equity	7,316	-	7,316	7,084	232
<b>Total departmental</b>	<b>320,999</b>	<b>42,785</b>	<b>363,784</b>	<b>355,545</b>	<b>8,239</b>
<b>ADMINISTERED</b>					
Ordinary annual services <sup>3</sup>					
Administered items	1,670,953	-	1,670,953	1,418,794	252,159
Payments to corporate Commonwealth entities	6,119	-	6,119	6,104	15
<b>Total administered</b>	<b>1,677,072</b>	<b>-</b>	<b>1,677,072</b>	<b>1,424,898</b>	<b>252,174</b>

1. The Ordinary annual services variance relates to increased expenditure as a result of a transfer of functions. The Capital variance is due to timing between goods being received and payment being made. The administered items variance relates to lower than planned administered expenditure.

2. Departmental and Administered 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.

3. A section 51 determination reducing Administered Ordinary annual services by \$0.95m was processed in 2016–17 and Departmental Ordinary annual services of \$0.02m was quarantined.

**Accounting Policy**

Payments to Corporate Commonwealth Entities

Payments to Comcare from amounts appropriated for that purpose are classified as administered expenses of the Department.

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2016 Appropriations			Appropriation applied in 2016 (current and prior years) \$'000	Variance <sup>1</sup> \$'000
	Annual appropriation \$'000	Adjustments to appropriation \$'000	Total appropriation \$'000		
DEPARTMENTAL					
Ordinary annual services <sup>3</sup>	285,566	24,286	309,852	303,178	6,674
Capital Budget <sup>2</sup>	27,378	-	27,378	29,231	(1,853)
Other services					
Equity	15,408	-	15,408	12,572	2,836
Total departmental	328,352	24,286	352,638	344,981	7,657
ADMINISTERED					
Ordinary annual services					
Administered items	1,544,684	-	1,544,684	1,127,770	416,914
Payments to corporate entities	7,727	-	7,727	7,727	-
Total administered	1,552,411	-	1,552,411	1,135,497	416,914

1. The departmental ordinary annual services variance is due to closing liabilities not yet paid and an operating surplus. The administered items variance relates to lower than planned administered expenditure. The Capital variances are due to timing differences between financial years.

2. Departmental and Administered 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.

3. A section 51 determination reducing Departmental Ordinary annual services by \$5.3m was processed in 2015–16.



**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 5.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')**

	2017	2016
	\$'000	\$'000
<b>Departmental</b>		
<i>Appropriation Act (No. 1) 2015–16</i>	4,309	107,487
<i>Appropriation Act (No. 1) Capital Budget 2015–16</i>	-	2,817
<i>Appropriation Act (No. 4) 2015–16</i>	-	2,836
<i>Appropriation Act (No. 1) 2016–17</i>	103,498	-
<i>Appropriation Act (No. 1) Capital Budget 2016–17</i>	4,384	-
<i>Supply Act (No. 1) Capital Budget 2016–17</i>	7,563	-
<i>Appropriation Act (No. 2) 2016–17</i>	2,005	-
<i>Appropriation Act (No. 3) 2016–17</i>	2,845	-
<i>Appropriation Act (No. 4) 2016–17</i>	1,063	-
Cash at bank	3,661	3,876
<b>Total</b>	<b>129,328</b>	<b>117,016</b>
<b>Administered</b>		
<i>Appropriation Act (No. 1) 2014–15</i>	40,377	40,377
<i>Appropriation Act (No. 1) 2015–16</i>	-	503,112
<i>Appropriation Act (No. 3) 2015–16</i>	-	317
<i>Supply Act (No. 1) 2016–17</i>	1,170	-
<i>Appropriation Act (No. 1) 2016–17</i>	314,010	-
<i>Appropriation Act (No. 3) 2016–17</i>	5,420	-
Cash at bank	10	4
<b>Total</b>	<b>360,987</b>	<b>543,810</b>

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 5.1C: Special Appropriations ('Recoverable GST exclusive')**

Authority	Type	Purpose	Appropriation applied	
			2017 \$'000	2016 \$'000
<i>Fair Entitlements Guarantee Act 2012—Section 50 (Administered)</i>	Unlimited Amount	An Act to provide for financial assistance for workers who have not been fully paid for work done for insolvents or bankrupts, and for related purposes.	150,016	259,980
<i>Coal Mining Industry (Long Service Leave Funding) Act 1992 (Administered)</i>	Unlimited Amount	An Act to manage the long service leave entitlement of the Coal Mining Industry.	144,992	146,970
<i>Safety, Rehabilitation and Compensation Act 1988 (SRC Act) (Administered)</i>	Unlimited Amount	An Act to provide for the payment of workers compensation claims and associated expenses in accordance with the provisions of the SRC Act.	32,510	35,174
<i>Asbestos-related Claims (Management of Commonwealth Liabilities) Act 2005 (Administered)</i>	Unlimited Amount	An Act to assign responsibility for the management of certain liabilities relating to asbestos-related claims, and for related purposes.	31,717	28,635
<i>Public Governance, Performance and Accountability Act 2013—Section 77</i>	Refund	To provide an appropriation where an Act or other law requires or permits the repayment of an amount received by the Commonwealth and apart from this section there is no specific appropriation for the repayment.	0	4
<b>Total special appropriations applied</b>			<b>359,235</b>	<b>470,763</b>

1. There was one section 77 payment made with a value of \$408.40.

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**5.2. Net Cash Appropriation Arrangements**

	2017	2016
	\$'000	\$'000
<b>Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations<sup>1</sup></b>	<b>(121)</b>	8,855
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<u><b>(32,885)</b></u>	<u>(21,861)</u>
<b><i>Total comprehensive loss - as per the Statement of Comprehensive Income</i></b>	<u><u><b>(33,006)</b></u></u>	<u><u>(13,006)</u></u>

1. From 2010–11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**6. 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.

**6.1. Employee Provisions**

	2017	2016
	\$'000	\$'000
<b>Note 6.1A: Employee Provisions</b>		
Leave	<u>71,332</u>	<u>67,329</u>
<b>Total employee provisions</b>	<u><b>71,332</b></u>	<u><b>67,329</b></u>

**Accounting Policy**

Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

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

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

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2017. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

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

Superannuation

The majority of the Department's staff are members of the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other schemes administered by the Commonwealth Superannuation Corporation (CSC).

The PSS and AGEST 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 Department makes employer contributions to the employee's superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Department accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June 2017 represents outstanding contributions for the final fortnight of the year.

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**6.2. Key Management Personnel Remuneration**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The entity has determined the key management personnel across the financial year to be the Secretary, Deputy Secretaries and some Group Managers that reported directly to the Secretary. Key management personnel remuneration is reported in the table below:

	<b>2017</b>	2016
	<b>\$'000</b>	\$'000
<b>Note 6.2A: Key Management Personnel Remuneration</b>		
Short-term employee benefits	<b>1,548</b>	1,542
Post-employment benefits	<b>368</b>	335
Other long-term employee benefits <sup>1</sup>	<b>396</b>	444
<b>Total key management personnel remuneration expenses<sup>2</sup></b>	<b>2,312</b>	2,321

1. Other includes motor vehicle allowances, other allowances and reportable fringe benefits.

2. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

The total number of senior management personnel that are included in the above table is 5 (2016: 5).

This note was prepared on an accrual basis and excludes acting arrangements, unless these are deemed to be significant long-term acting of greater than three months.

**6.3. Related Party Disclosures**

**Related party relationships:**

The Department is an Australian Government controlled entity. Related parties to the department are Key Management Personnel including the Portfolio Minister and the Department's Executive.

**Transactions with related parties:**

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

Key Management Personnel have completed a declaration concerning related party transactions. Through these declarations the Department has determined there are no related party transactions requiring disclosure.

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**7. Managing Uncertainties**

This section analyses how the Department of Employment manages financial risks within its operating environment.

**7.1. Contingent Assets and Liabilities**

	Claims for Damages and Costs		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Contingent liabilities</b>				
Balance from previous period	-	308	-	308
Liabilities realised	-	(112)	-	(112)
Obligations expired	-	(196)	-	(196)
<b>Total contingent liabilities</b>	-	-	-	-
<b>Net contingent liabilities</b>	-	-	-	-

Quantifiable Contingencies

The department has two quantifiable contingencies, which are considered remote. All prior year contingencies have been realised or expired.

**Accounting Policy**

Contingent Assets and Contingent Liabilities

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the relevant 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.

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Administered**

	Claims for damages or costs		Total	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Contingent assets</b>				
Balance from previous period	<b>43,738</b>	24,903	<b>43,738</b>	24,903
Re-measurement	<b>43,140</b>	89,379	<b>43,140</b>	89,379
Assets realised	<b>(47,846)</b>	(70,544)	<b>(47,846)</b>	(70,544)
<b>Total contingent assets</b>	<b>39,032</b>	43,738	<b>39,032</b>	43,738
<b>Contingent liabilities</b>				
Balance from previous period	<b>51,558</b>	44,433	<b>51,558</b>	44,433
Re-measurement	<b>(19,446)</b>	7,125	<b>(19,446)</b>	7,125
<b>Total contingent liabilities</b>	<b>32,112</b>	51,558	<b>32,112</b>	51,558
<b>Net contingent assets / (liabilities)</b>	<b>6,920</b>	(7,820)	<b>6,920</b>	(7,820)

Quantifiable Contingencies

The above table reports contingent assets and liabilities in respect of estimated payments and recoveries in relation to dividends for General Employee Entitlements and Redundancy Scheme (GEERS) and the Fair Entitlements Guarantee (FEG). The estimated contingent liability is \$32.1 million. The estimated contingent asset is \$39.0 million.

Unquantifiable Contingencies

As at 30 June 2017, the Department had a number of claims for employee entitlements under the *Fair Entitlements Guarantee Act 2012* which were currently subject to review by the Administrative Appeals Tribunal.

Relating to FEG, it is known that there are employers with outstanding employee entitlements that have been placed into liquidation. The amounts are unable to be quantified as no claim forms have been received.

**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**7.2. Financial Instruments**

	2017 \$'000	2016 \$'000
<b>Note 7.2A: Categories of Financial Instruments</b>		
<b>Financial Assets</b>		
<b>Receivables</b>		
Cash and cash equivalents	3,661	3,876
Goods and services receivables	16,328	3,870
<b>Total receivables</b>	<b>19,989</b>	<b>7,746</b>
<b>Total financial assets</b>	<b>19,989</b>	<b>7,746</b>
<b>Financial Liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>		
Trade creditors	29,242	17,879
<b>Total financial liabilities measured at amortised cost</b>	<b>29,242</b>	<b>17,879</b>
<b>Total financial liabilities</b>	<b>29,242</b>	<b>17,879</b>

**Accounting Policy**

**Financial Assets**

The department classifies its financial assets in the following category:

- receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

**Receivables**

Trade receivables, other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. The Department's receivables are measured at their nominal amount less impairment.

**Impairment of Financial Assets**

Financial assets are assessed for impairment at the end of the reporting period.

Financial assets held at cost—if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

**Financial Liabilities**

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

**Financial Liabilities at Fair Value through Profit or Loss**

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

**Other Financial Liabilities**

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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).



**Department of Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	<b>2017</b>	2016
	<b>\$'000</b>	\$'000
<b><u>Note 7.2B: Net Gains or Losses on Financial Assets</u></b>		
<b>Receivables</b>		
Write off—goods and services	(1)	(1)
Impairment of receivables—goods and services	-	(3)
<b>Net losses receivables</b>	<u>(1)</u>	<u>(4)</u>
<b><i>Net losses on financial assets</i></b>	<u>(1)</u>	<u>(4)</u>

The carrying amount of financial assets and liabilities is a reasonable approximation of fair value.

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<b>7.3. Administered - Financial Instruments</b>		
	2017	2016
	\$'000	\$'000
<b><u>Note 7.3A: Categories of Financial Instruments</u></b>		
<b>Financial Assets</b>		
<b>Available-for-sale financial assets</b>		
Investments	<u>337,756</u>	240,897
<b>Total available-for-sale financial assets</b>	<u>337,756</u>	240,897
<b>Receivables</b>		
Cash and cash equivalents	10	4
Goods and services receivables	<u>1,615</u>	2,193
<b>Total receivables</b>	<u>1,625</u>	2,197
<b>Total financial assets</b>	<u>339,381</u>	243,094
<b>Financial Liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>		
Trade creditors and accruals	<u>80,979</u>	60,980
<b>Total financial liabilities measured at amortised cost</b>	<u>80,979</u>	60,980
<b>Total financial liabilities</b>	<u>80,979</u>	60,980
<b><u>Note 7.3B: Net Gains or Losses on Financial Assets</u></b>		
<b>Available-for-sale financial assets</b>		
Gains recognised in equity	<u>96,859</u>	16,239
<b>Net gains from available-for-sale financial assets</b>	<u>96,859</u>	16,239
<b>Receivables</b>		
Interest revenue	4	29
Write-down and impairment	<u>(120)</u>	(2,293)
<b>Net losses from receivables</b>	<u>(116)</u>	(2,264)
<b>Net gains on financial assets</b>	<u>96,743</u>	13,975

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**7.4. Fair Value Measurement**

Note 7.4A: Fair Value Measurement

	Fair value measurements at the end of the reporting period	
	2017 \$'000	2016 \$'000
<b>Non-financial assets</b>		
Leasehold Improvements	22,535	23,265
Infrastructure, plant and equipment	29,157	13,714
<b>Total non-financial assets</b>	<b>51,692</b>	<b>36,979</b>
<b>Total fair value measurements of assets in the Statement of Financial Position</b>	<b>51,692</b>	<b>36,979</b>
<b>Assets not measured at fair value in the statement of financial position</b>		
Leasehold Improvements—AUC	2,187	8
Infrastructure, Plant & Equipment—AUC	249	-
<b>Total assets not measured at fair value in the statement of financial position</b>	<b>2,436</b>	<b>8</b>

**Accounting Policy**

The departments policy under AASB 13—Fair Value Measurement is to test the value assets at least once every 12 months and to obtain a comprehensive valuation at least once every three years. <sup>1</sup>

For 2016–17, Australian Valuation Solutions (AVS) has completed a fair value review all leasehold improvements and Infrastructure Plant and Equipment as at 30 June 2017.<sup>2</sup> The review concluded that the there was no material movements in fair value of the Department assets.

<sup>1</sup> The Department's assets are held for operational purposes and not held for the purpose of deriving a profit. The current use of all non-financial assets is considered their highest and best use.

<sup>2</sup> No non-financial assets were measured at fair value on a non-recurring basis at 30 June 2017 (2016:Nil)

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**7.5. Administered - Fair Value Measurement**

Note 7.5A: Fair Value Measurement

	Fair value measurements at the end of the reporting period using	
	2017	2016
	\$'000	\$'000
<b>Financial assets</b>		
Administered investments	337,756	240,897
<b>Total financial assets</b>	<b>337,756</b>	<b>240,897</b>
<b><i>Total fair value measurements of assets in the Administered Schedule of Assets and Liabilities</i></b>	<b>337,756</b>	<b>240,897</b>

There are a number of administered assets and liabilities not measured at fair value in the Administered Schedule of Assets and Liabilities. The carrying amounts of these assets and liabilities are considered to be a reasonable approximation of their fair value.

The Department's administered investments are classified as available-for-sale financial assets and are measured at their fair value as at 30 June 2017. Fair value is assessed as the Australian Government's proportional interest in the net assets of the entity at balance date. The methods and valuation techniques used for the purpose of measuring fair value of assets and liabilities in 2017 are unchanged from the prior year.

Changing inputs to the level 3 hierarchy valuations to reasonably possible alternate assumptions would not significantly change amounts recognised in net cost of service or other comprehensive income.

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**8. Other Information**

This section provides other disclosures relevant to the Department of Employment financial information environment for the year.

**Note 8.1A: Departmental Restructuring**

	2017		
	Corporate Functions Department of Finance <sup>1</sup>	Corporate Functions Department of Education and Training <sup>2</sup>	Corporate Functions Total
	\$'000	\$'000	\$'000
<b>FUNCTIONS ASSUMED</b>			
<b>Assets recognised</b>			
Trade and other receivables			
Appropriation receivable	-	19,256	19,256
Trade and other receivables	-	970	970
Other financial assets	-	3,202	3,202
Leasehold improvements	-	753	753
Infrastructure, plant and equipment	-	10,565	10,565
Intangibles	-	4,074	4,074
Other non-financial assets	-	6,714	6,714
<b>Total assets recognised</b>	-	<b>45,534</b>	<b>45,534</b>
<b>Liabilities recognised</b>			
Suppliers	-	(815)	(815)
Other payables	-	(1,746)	(1,746)
Employee provisions	-	(5,372)	(5,372)
Other provisions	-	(118)	(118)
<b>Total liabilities recognised</b>	-	<b>(8,051)</b>	<b>(8,051)</b>
<b>Net assets recognised</b>		<b>37,483</b>	<b>37,483</b>
<b>Income assumed</b>			
Recognised by the receiving entity	-	27,375	27,375
Recognised by the Losing entity	-	6,525	6,525
<b>Total income assumed</b>	-	<b>33,900</b>	<b>33,900</b>
<b>Expenses assumed</b>			
Recognised by the receiving entity	-	58,188	58,188
Recognised by the Losing entity	-	46,576	46,576
<b>Total expenses assumed</b>	-	<b>104,764</b>	<b>104,764</b>
<b>FUNCTIONS RELINQUISHED</b>			
<b>Assets relinquished</b>			
Trade and other receivables			
Appropriation receivable	2,047	558	2,605
Trade and other receivables	1	193	194
Leasehold improvements	64	246	310
Infrastructure, plant and equipment	26	445	471
Intangibles	2,374	418	2,792
Other non-financial assets	649	125	774
<b>Total assets relinquished</b>	<b>5,161</b>	<b>1,985</b>	<b>7,146</b>
<b>Liabilities relinquished</b>			
Suppliers	-	(1)	(1)
Other payables	(668)	(6)	(674)
Employee provisions	(1,554)	(466)	(2,020)
Other provisions	-	(525)	(525)
<b>Total liabilities relinquished</b>	<b>(2,222)</b>	<b>(998)</b>	<b>(3,220)</b>
<b>Net assets relinquished</b>	<b>2,939</b>	<b>987</b>	<b>3,926</b>
<b>Net assets assumed</b>	<b>(2,939)</b>	<b>36,496</b>	<b>33,557</b>

1. The Shared Service functions were relinquished to the Department of Finance due to machinery of government changes.

2. The Shared Service functions were assumed/relinquished from/to the Department of Education and Training due to machinery of government of changes.