

DEPARTMENT OF EDUCATION AND TRAINING FINANCIAL STATEMENTS 2015–16

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INDEPENDENT AUDITOR'S REPORT To the Minister for Education and Training

I have audited the accompanying annual financial statements of the Department of Education and Training for the year ended 30 June 2016, which comprise:

- Statement by the Accountable Authority and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to and Forming Part of the Financial Statements.

Opinion

In my opinion, the financial statements of the Department of Education and Training:

- (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 Department of Education and Training 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 Secretary of the Department of Education and Training 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. The Secretary is also responsible for such internal control as 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.

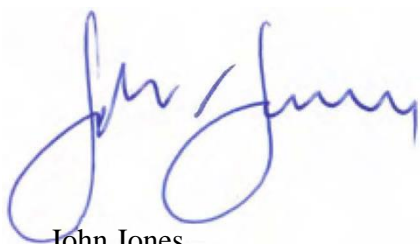
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 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 Secretary, 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
21 September 2016

Department of Education and Training

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCE OFFICER

I, as the accountable authority of the Department of Education and Training, present the 2015–16 financial statements of the department, as required under paragraph 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In my opinion, these financial statements are based on properly maintained financial records, and comply with subsection 41(2) of the PGPA Act.

There are reasonable grounds to believe that the department will be able to pay its debts as and when they become due and payable.

All information required to comply with s42(2) is included in the financial statements with disclosures as required contained in the notes within.

This rule was applied without exemption.

Signed Michele Bruniges

Dr Michele Bruniges AM

Secretary

21 September 2016

Signed Susan Monkley

Susan Monkley

Chief Finance Officer

21 September 2016

DEPARTMENT OF EDUCATION AND TRAINING
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2016

		2016	2015	2016 Original Budget ¹	Variance
	Notes	\$'000	\$'000	\$'000	\$'000
NET COST OF SERVICES					
EXPENSES					
Employee benefits	1.1A	215,830	206,561	197,462	18,368 ²
Supplier expenses	1.1B	127,923	101,179	85,307	42,616 ³
Grants	1.1C	629	257	-	629
Depreciation and amortisation	1.1D	25,168	26,918	31,179	(6,011)
Finance costs	1.1E	-	51	-	-
Write-down and impairment of assets	1.1F	2,774	2,866	-	2,774
Losses from asset sales	1.1G	234	-	-	234
Total expenses		372,558	337,832	313,948	58,610
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	1.2A	29,736	30,385	20,820	8,916 ⁴
Total own-source revenue		29,736	30,385	20,820	8,916
Gains					
Sale of assets	1.2B	-	87	-	-
Reversals of previous asset write-downs and impairment	1.2C	-	64	-	-
Other gains	1.2D	8,640	6,847	6,743	1,897
Total gains		8,640	6,998	6,743	1,897
Total own-source income		38,376	37,383	27,563	10,813
Net cost of (contribution by) services		334,182	300,449	286,385	47,797
Revenue from Government	1.2E	313,127	276,854	255,206	57,921 ⁵
Surplus (Deficit) attributable to the Australian Government		(21,055)	(23,595)	(31,179)	10,124
OTHER COMPREHENSIVE INCOME					
Items not subject to subsequent reclassification to net cost of services					
Changes in asset revaluation surplus:					
Adjustment to land		(30)	-	-	(30)
Adjustment to buildings		(4)	-	-	(4)
Adjustment to leasehold improvements		(1,242)	5	-	(1,242)
Adjustment to infrastructure, plant and equipment		897	-	-	897
Total other comprehensive income		(379)	5	-	(379)
Total comprehensive income (loss) attributable to the Australian Government		(21,434)	(23,590)	(31,179)	9,745

DEPARTMENT OF EDUCATION AND TRAINING

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

		2016	2015	2016 Original Budget ¹	Variance
	Notes	\$'000	\$'000	\$'000	\$'000
ASSETS					
Financial assets					
Cash and cash equivalents	3.1A	6,132	9,817	8,429	(2,297)
Trade and other receivables	3.1B	85,245	51,829	32,310	52,935 ⁵
Other financial assets	3.1C	1,996	3,276	5,513	(3,517)
Total financial assets		93,373	64,922	46,252	47,121
Non-financial assets					
Land and buildings	3.2A	37,137	42,118	46,194	(9,057) ⁶
Infrastructure, plant and equipment	3.2A	12,659	11,327	13,940	(1,281) ⁶
Intangibles	3.2A	75,589	70,403	80,099	(4,510) ⁶
Other non-financial assets	3.2B	10,126	10,728	8,599	1,527
Total non-financial assets		135,511	134,576	148,832	(13,321)
Total assets		228,884	199,498	195,084	33,800
LIABILITIES					
Payables					
Suppliers	3.3A	31,663	23,495	12,975	18,688 ³
Other payables	3.3B	20,329	28,963	21,397	(1,068)
Total payables		51,992	52,458	34,372	17,620
Provisions					
Employee provisions	6.1A	71,173	54,778	79,326	(8,153) ²
Other provisions	3.4A	1,739	3,106	1,345	394
Total provisions		72,912	57,884	80,671	(7,759)
Total liabilities		124,904	110,342	115,043	9,861
Net assets		103,980	89,156	80,041	23,939
EQUITY					
Contributed equity		171,110	134,848	112,209	58,901 ⁷
Reserves		59	438	433	(374)
Retained surplus (accumulated deficit)		(67,189)	(46,130)	(32,601)	(34,588) ⁷
Total equity		103,980	89,156	80,041	23,939

**DEPARTMENT OF EDUCATION AND TRAINING
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2016**

	2016 \$'000	2015 \$'000	2016 Original Budget \$'000	Variance \$'000
CONTRIBUTED EQUITY				
Opening balance				
Balance carried forward from previous period	134,848	95,137	81,567	53,281
Adjustment for rounding	(1)	-	-	(1)
Adjusted opening balance	134,847	95,137	81,567	53,280
Transactions with owners				
Distributions to owners				
Returns of capital:				
Restructuring (Note 8.1A)	-	24,557	-	-
Contributions by owners				
Equity injection - Appropriation	10,438	3,489	8,465	1,973
Departmental capital budget	22,177	18,686	22,177	-
Restructuring (Note 8.1A)	3,648	(7,021)	-	3,648
Total transactions with owners	36,263	39,711	30,642	5,621
Closing balance as at 30 June	171,110	134,848	112,209	58,901
RETAINED EARNINGS				
Opening balance				
Balance carried forward from previous period	(46,130)	(22,538)	(1,422)	(44,708)
Adjustment for rounding	(4)	3	-	(4)
Adjusted opening balance	(46,134)	(22,535)	(1,422)	(44,712)
Comprehensive income				
Surplus (Deficit) for the period	(21,055)	(23,595)	(31,179)	10,124
Total comprehensive income	(21,055)	(23,595)	(31,179)	10,124
Closing balance as at 30 June	(67,189)	(46,130)	(32,601)	(34,588)
ASSET REVALUATION RESERVES				
Opening balance				
Balance carried forward from previous period	438	433	433	5
Adjusted opening balance	438	433	433	5
Comprehensive income				
Other comprehensive income - changes in reserve	(379)	5	-	(379)
Total comprehensive income	(379)	5	-	(379)
Closing balance as at 30 June	59	438	433	(374)
TOTAL EQUITY				
Opening balance				
Balance carried forward from previous period	89,156	73,032	80,578	8,578
Adjustment for rounding	(5)	3	-	(5)
Adjusted opening balance	89,151	73,035	80,578	8,573
Comprehensive income				
Other comprehensive income - changes in reserve	(379)	5	-	(379)
Surplus (Deficit) for the period	(21,055)	(23,595)	(31,179)	10,124
Total comprehensive income	(21,434)	(23,590)	(31,179)	9,745
Transactions with owners				
Distributions to owners				
Returns of capital:				
Restructuring (Note 8.1A)	-	24,557	-	-
Contributions by owners				
Equity injection - Appropriation	10,438	3,489	8,465	1,973
Departmental capital budget	22,177	18,686	22,177	-
Restructuring (Note 8.1A)	3,648	(7,021)	-	3,648
Total transactions with owners	36,263	39,711	30,642	5,621
Closing balance as at 30 June	103,980	89,156	80,041	23,939

Accounting Policy

Transactions with the Government as Owner

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 Australian Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

DEPARTMENT OF EDUCATION AND TRAINING

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000	2016 Original Budget ¹ \$'000	Variance \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations		336,174	307,355	257,672	78,502 ⁸
Sale of goods and rendering of services		17,340	40,737	17,970	(630)
Net GST received		7,017	5,712	-	7,017 ⁹
Other		12,839	9,922	2,850	9,989 ¹⁰
Total cash received		373,370	363,726	278,492	94,878
Cash used					
Employee benefits		211,878	215,581	197,355	14,523 ²
Supplier expenses		133,176	100,903	78,563	54,613 ³
Grants		629	257	-	629
Section 74 receipts transferred to the OPA		30,665	47,837	-	30,665 ⁸
Total cash used		376,348	364,578	275,918	100,430
Net cash from (used by) operating activities	5.5A	(2,978)	(852)	2,574	(5,552)
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of infrastructure, plant and equipment		23	735	-	23
Total cash received		23	735	-	23
Cash used					
Purchase of infrastructure, plant and equipment		3,427	3,985	7,174	(3,747) ⁶
Purchase / development of intangibles		23,386	16,790	18,659	4,727
Purchase of land and buildings		1,387	2,041	7,383	(5,996) ⁶
Total cash used		28,200	22,816	33,216	(5,016)
Net cash from (used by) investing activities		(28,177)	(22,081)	(33,216)	5,039
FINANCING ACTIVITIES					
Cash received					
Contributed equity - capital injections		8,023	3,836	8,465	(442)
Contributed equity - capital budget		19,447	18,299	22,177	(2,730)
Cash from restructuring		-	2,186	-	-
Total cash received		27,470	24,321	30,642	(3,172)
Net cash from (used by) financing activities		27,470	24,321	30,642	(3,172)
Net increase (decrease) in cash held		(3,685)	1,388	-	(3,685)
Cash and cash equivalents at the beginning of the reporting period		9,817	8,429	8,429	1,388
Cash and cash equivalents at the end of the reporting period	3.1A	6,132	9,817	8,429	(2,297)

DEPARTMENT OF EDUCATION AND TRAINING

BUDGETARY REPORTING

FOR THE PERIOD ENDED 30 JUNE 2016

Budget Variances Commentary

Departmental variances

Variance explanations are provided for departmental variances greater than 5 percent and \$5 million.

¹ The 2015-2016 Education Portfolio Budget Statements (PBS) as presented to Parliament contains the Original Budget. The PBS was completed prior to the finalisation of the 2014-15 Financial Statements. It is noted, during 2015-16 the Administrative Arrangements Order (AAO) of 21 September 2015 transferred the Early Childhood Education and Care functions from the Department of Social Services (DSS).

² Employee Benefits are higher than anticipated due to additional staff being transferred from DSS. The Enterprise Agreement was agreed during the year with a portion of staff receiving additional salary in the last quarter of the 2016 financial year as well as staff taking additional leave. This has had a flow on affect to Employee Provisions with a lower than anticipated total due to increased leave taken and additional cash paid out.

³ Supplier Expenses are higher than anticipated due to increased expenditure on contractors, consultants and IT Services. These were predominantly a result of a greater number of projects requiring external consultancy and the provision of reports and advice. Throughout the year there were a number of changes to the percentage ownership of the Shared Services Centre (SSC). This increased expenditure has had a flow on effect to supplier cash paid and supplier payables.

⁴ Sale of goods and rendering of services is \$8.916 million higher than anticipated at the 2015-16 Budget. This is due to revenue received for the Unique Student Identifier Special Account.

⁵ Revenue from Government is higher than at PBS due to \$44 million received from DSS as well as additional funding received in Appropriation Act 3 and Appropriation Act 4 at PAES. This is similarly reflected in the higher than anticipated Trade and Other Receivables.

⁶ The lower than expected level of non-financial assets is attributable to fewer capital purchases made throughout the year. There was a revaluation of all assets excluding intangibles prior to 30 June which resulted in an overall revaluation decrement for the department. The change in percentage ownership of the SSC assets also impacts these figures. There was a significant impairment of over \$2 million for an intangible asset. The total movement is also reflected in lower cash being used than budgeted for.

⁷ The movements in Equity are primarily a result of the opening balance discrepancies. These are caused by the PBS being released and prepared prior to the finalisation of the 2014-15 financial statements which included the finalisation of a number of machinery of government changes. There was a further machinery of government change in 2015-16.

⁸ The Appropriation received and Cash used for Section 74 separate the Section 74 transfers to the Official Public Account which are presented on a net basis in the PBS. Appropriation received is also significantly different than budgeted due to the receipt of funds from DSS.

⁹ Net GST received is not disclosed separately in the Budget estimate.

¹⁰ Other Cash received is predominantly due to the increase in ownership of the SSC revenues. The majority is due to an increase in sublease revenues. There has been an additional letting of space by the Department to the DTO and the AEC throughout 2015-16.

DEPARTMENT OF EDUCATION AND TRAINING
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000	2016 Original Budget ¹ \$'000	Variance \$'000
NET COST OF SERVICES					
EXPENSES					
Supplier expenses	2.1A	598,827	338,577	677,139	(78,312) ²
Subsidies	2.1B	327,810	144,309	417,707	(89,897) ³
Personal benefits	2.1C	5,092,274	3,535,096	122,944	4,969,330 ⁴
Grants	2.1D	25,725,320	24,410,096	25,504,343	220,977 ⁵
Finance costs	2.1E	636,237	801,980	965,356	(329,119) ⁶
Write-down and impairment of assets	2.1F	18,595	26,237	-	18,595
Payment to Corporate Commonwealth Entities	2.1G	15,009	13,370	14,935	74
Fair value losses	2.1H	1,058,199	1,261,294	1,531,632	(473,433) ⁷
Other Expenses	2.1I	147	57	-	147
Total expenses		33,472,418	30,531,016	29,234,056	4,238,362
INCOME					
Revenue					
Taxation revenue					
Other taxes	2.2A	10,144	8,576	6,999	3,145
Total taxation revenue		10,144	8,576	6,999	3,145
Non-taxation revenue					
Interest	2.2B	529,337	583,134	670,382	(141,045) ⁶
Other revenue	2.2C	813,177	849,841	772,640	40,537
Total non-taxation revenue		1,342,514	1,432,975	1,443,022	(100,508)
Total revenue		1,352,658	1,441,551	1,450,021	(97,363)
Gains					
Fair value gains	2.2D	-	-	131,400	(131,400) ⁷
Reversals of previous asset write-downs and impairment	2.2E	-	1,200,266	-	-
Total gains		-	1,200,266	131,400	(131,400)
Total income		1,352,658	2,641,817	1,581,421	(228,763)
Net cost of (contribution by) services		32,119,760	27,889,199	27,652,635	4,467,125
Surplus (Deficit)		(32,119,760)	(27,889,199)	(27,652,635)	(4,467,125)
OTHER COMPREHENSIVE INCOME					
Items not subject to subsequent reclassification to net cost of services					
Changes in asset revaluation surplus		(31,593)	904	-	(31,593)
Total other comprehensive income (loss)		(31,593)	904	-	(31,593)
Total comprehensive income (loss)		(32,151,353)	(27,888,295)	(27,652,635)	(4,498,718)

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

DEPARTMENT OF EDUCATION AND TRAINING
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES
AS AT 30 JUNE 2016

		2016	2015	2016 Original Budget ¹	Variance
	Notes	\$'000	\$'000	\$'000	\$'000
ASSETS					
Financial assets					
Cash and cash equivalents	4.1A	72,092	26,528	832	71,260 ⁸
Receivables	4.1B	37,870,400	30,927,974	37,509,956	360,444 ⁷
Other investments	4.1C	2,118,337	2,149,930	2,153,175	(34,838)
Total financial assets		40,060,829	33,104,432	39,663,963	396,866
Non-financial assets					
Other non-financial assets	4.2A	240	-	523	(283)
Total non-financial assets		240	-	523	(283)
Total assets administered on behalf of Government		40,061,069	33,104,432	39,664,486	396,583
LIABILITIES					
Payables					
Suppliers	4.3A	57,624	54,235	53,085	4,539
Personal benefits	4.3B	149,271	-	4,879	144,392 ⁴
Grants	4.3C	3,318	36,246	52,259	(48,941)
Other payables	4.3D	37,081	17,701	19,489	17,592
Total payables		247,294	108,182	129,712	117,582
Provisions					
Provision of personal benefits	4.4A	872,819	-	-	872,819 ⁴
Provision for grants	4.4A	6,959,011	6,068,013	5,794,051	1,164,960 ⁵
Total provisions		7,831,830	6,068,013	5,794,051	2,037,779
Total liabilities administered on behalf of Government		8,079,124	6,176,195	5,923,763	2,155,361
Net assets (liabilities)		31,981,945	26,928,237	33,740,723	(1,758,778)

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

DEPARTMENT OF EDUCATION AND TRAINING BUDGETARY REPORTING AS AT 30 JUNE 2016

Budget Variances Commentary

Administered variances

Variance explanations are provided for administered variances greater than 5 percent and \$50 million.

¹ The 2015-2016 Education Portfolio Budget Statements (PBS) as presented to Parliament contains the Original Budget. The PBS was completed prior to the finalisation of the 2014-15 Financial Statements. It is noted, during 2015-16 the Administrative Arrangements Order (AAO) of 21 September 2015 transferred the Early Childhood Education and Care functions from the Department of Social Services (DSS).

² Supplier Expenses are less than anticipated at PBS largely due to underspends in a range of Building skills and capability programs.

³ Subsidy Expenses are less than expected due to underspends across the Building skills and capability programs.

⁴ The variance primarily relates to the transfer of the Early Childhood Education and Care functions from the Department of Social Services.

⁵ The variance is primarily due to the actuarial review on the Higher Education Superannuation Program (HESP) recognising additional grant expenditure relating to the Interest and Service costs. The balance of the program valuation and actuarial adjustments is recognised in Provision for grants liability.

⁶ The variance relates to the concessional loan discount on the Higher Education Loan Program (HELP) and the Trade Support Loan (TSL) program, subject to actuarial valuations.

⁷ The variance relates to the actuarial valuations for HELP and TSL. Additionally in the actual figures there is a netting off of the fair value loss and the fair value gain reported separately in the PBS.

⁸ The variances relate to the Special Account balances held by the department. Over 50 percent of the balance is due to the Early Years Quality Fund (EYQF) account transferred from DSS. The Special Account balances are not recorded in the PBS.

**DEPARTMENT OF EDUCATION AND TRAINING
ADMINISTERED RECONCILIATION SCHEDULE
FOR THE PERIOD ENDED 30 JUNE 2016**

	2016 \$'000	2015 \$'000
Opening assets less liabilities as at 1 July	26,928,237	20,341,243
Adjustment for errors	-	-
Opening balance adjustment - retained earnings	-	-
Adjusted opening assets less liabilities	26,928,237	20,341,243
Net cost of (contribution by) services		
Income	1,352,658	2,641,817
Expenses		
Payments to entities other than Corporate Commonwealth entities	(33,457,409)	(30,517,646)
Payments to Corporate Commonwealth Entities	(15,009)	(13,370)
Other comprehensive income		
Revaluations transferred to (from) reserves	(31,593)	904
Transfers (to) from the Australian Government:		
Appropriation transfers from Official Public Account		
Annual appropriations		
Payments to entities other than Corporate Commonwealth entities	1,451,762	1,179,383
Payments to Corporate Commonwealth Entities	15,009	13,370
Special appropriations (limited)		
Payments to entities other than Corporate Commonwealth entities	-	-
Special appropriations (unlimited)		
Payments to entities other than Corporate Commonwealth entities	38,466,432	34,755,501
Special accounts	-	-
Appropriation transfers to Official Public Account		
Transfers to OPA	(2,279,438)	(1,989,547)
Transfers to OPA (withholdings)	(14,374)	(12,139)
Restructuring	(434,327)	528,753
Other movements	(3)	(32)
Closing assets less liabilities as at 30 June	31,981,945	26,928,237

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 administered cash flow statement.

**DEPARTMENT OF EDUCATION AND TRAINING
ADMINISTERED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2016**

	Notes	2016 \$'000	2015 \$'000
OPERATING ACTIVITIES			
Cash received			
Interest		7	337
Net GST received		1,103,762	1,048,886
Levies		10,144	8,576
Other		137,654	317,296
Total cash received		1,251,567	1,375,095
Cash used			
Suppliers		1,726,548	1,359,700
Subsidies		327,810	144,309
Personal benefits		5,044,934	3,601,627
Grants		25,735,881	24,254,785
Payments to Corporate Commonwealth Entities		15,009	13,370
Total cash used		32,850,182	29,373,791
Net cash from (used by) operating activities	5.5B	(31,598,615)	(27,998,696)
INVESTING ACTIVITIES			
Cash received			
Repayments of advances and loans		2,165,832	1,924,200
Total cash received		2,165,832	1,924,200
Cash used			
Loans made		8,295,624	7,920,396
Total cash used		8,295,624	7,920,396
Net cash from (used by) investing activities		(6,129,792)	(5,996,196)
Net increase (decrease) in cash held		(37,728,407)	(33,994,892)
Cash from the Official Public Account			
Appropriations		39,933,192	35,948,329
GST appropriations		89,706	84,848
Special accounts		73,494	239,710
Total cash from the official public account		40,096,392	36,272,887
Cash to the Official Public Account			
Appropriations		(2,279,420)	(2,026,805)
Return of GST appropriations		(71,577)	(76,669)
Special accounts		(16,988)	(174,521)
Total cash to the official public account		(2,367,985)	(2,277,995)
Cash and cash equivalents at the end of the reporting period	5.5B	-	-

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

DEPARTMENT OF EDUCATION AND TRAINING

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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Overview

Objectives of the Department of Education and Training

The Department of Education and Training (the department) is an Australian Government controlled not-for-profit entity.

The department provides advice to the Government and administers programs to achieve the Government's objectives for education and training. The department works in partnership with the states and territories, non-government authorities, providers and industry.

For the financial year ended 30 June 2016, the department was structured to meet the following outcomes:

Outcome 1: Improved early learning, schooling, student educational outcomes and transitions to and from school through access to quality child care support, parent engagement, quality teaching and learning environments.

Outcome 2: Promote growth in economic productivity and social wellbeing through access to quality higher education, international education, and international quality research, skills and training.

The department's responsibilities changed as a result of the Administrative Arrangement Orders (AAO) that took effect on 21 September 2015. Responsibility for child care and early childhood development transferred from the Department of Social Services. The transfer of function encompasses programs 1.7 to 1.10.

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

The department's activities contributing toward these outcomes are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the department in its own right. Administered activities involve the management or oversight by the department, on behalf of the Government, of items controlled or incurred by the Government.

The Basis of Preparation

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

The financial statements have been prepared in accordance with:

- *PGPA Act (Financial Reporting Rule) 2016 (FRR)* for reporting periods commencing 1 July 2015; and
- 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 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.

Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the department has not identified accounting assumptions or estimates that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next reporting period.

During the 2015-16 financial year the department made the following judgements that had a significant impact on the amounts recorded in the financial statements.

Child Care Fee Assistance

The Child Care Fee Assistance (CCFA) program is aimed at assisting families with the cost of child care. Recipients receive an estimated entitlement fortnightly, either as a fee reduction via the child care provider or in some instances directly. Recipients may also receive certain benefits quarterly or annually. The benefits are paid on the basis of an estimate of taxable income and the subsequent lodgement of their tax return establishes actual income and an adjustment to the recipient's entitlement.

At any point in time there are recipients entitled to receive CCFA who have not yet received their full entitlement from the Australian Government. The department estimates a provision for these entitlements. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision as required by *AASB 137 – Provisions, Contingent Liabilities and Contingent Assets*. The provision calculates the current year and earlier years' liability for claims that have yet to be realised. The methodology considers the likely lodgement profiles associated with reconciliation top-ups, lump sum claims, and quarterly and fortnightly payments, including the impact of new measures. There are also a number of eligible recipients who have received in excess of their entitlement and owe money

to the department. The department estimates a receivable for these benefits. The methodology to determine the department's receivable considers historic recipient behaviours adjusted for the impact of new measures. The impairment allowance account for the CCFA receivable has been calculated by the Australian Government Actuary in accordance with the overall requirement of *AASB 136 – Impairment of Assets*, which relies on a profile of past customer behaviour.

Higher Education Loan Program

The value of the Higher Education Loan Program (HELP) receivable is calculated each year by actuarial assessment. The two main measures impacting on the calculation of the HELP asset are the face value of the debt not expected to be repaid and the fair value of the remaining receivable, calculated as the present value of projected future cash flows.

Higher Education Superannuation

The fair value of the provision for Higher Education Superannuation in 2015-16 \$6.950 billion (2015 \$6.068 billion) is calculated annually by actuarial assessment. The provision is valued in accordance with the requirements of *AASB119, Employee Benefits*. The discount rate used is based on the yields available on government bonds. The prevailing rate as at 30 June 2016 is 2.7% (2015 3.7%).

Reporting of administered activities

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

Unless 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

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application as stated in the standard. There have been no new standards, amended standards or interpretations that were issued by the Australian Accounting Standards Board prior to the sign-off date that are applicable to the current reporting period and have a material impact on the department.

Future Australian Accounting Standard Requirements

The following new standards, revised standards, interpretations and amending standards were issued by the Australian Accounting Standards Board prior to the sign-off date. They are expected to have a financial impact on the department for future reporting periods:

AASB 124	Related Party Disclosure – applies from 1 July 2016. Entities will be required to identify related parties and related party transactions. A separate disclosure is required where activity is collectively material or significant in nature.
AASB 9	Financial Instruments – applies from 1 January 2017. Potential impact on measurement of post initial recognition and recognition of gains and losses from financial instruments is yet to be assessed.
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 - applies from 1 January 2018.
AASB 15	Revenue from Contracts with Customers – applies from 1 January 2018 and specifies the accounting treatment for all revenue arising from contracts with customers. The department is yet to undertake a detailed assessment of the impact of AASB15 however this is not expected to have a material impact.
AASB 16	Leases – applies from 1 January 2019. Potential impact is yet to be assessed.

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 assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office
- for receivables and payables.

Events After the Reporting Period

On 8 September 2016, the Secretary of the Department of Education and Training (Education) was advised of the Government's decision to transfer Shared Services Centre functions to the Department of Finance. This restructure of administrative arrangements does not have any material impact on the Department's 2015-16 Financial Statements.

Changes in Accounting Policy

In 2015-16 a reliable estimate of the loan fee revenue generated by HELP was calculated and reported separately in the financial statements. The total amount had previously been reported as a part of the actuarial adjustments to HELP, however with the calculation provided the treatment was to separate the revenue and expenses from the actuarial review. This resulted in a comparative adjustment to Administered Expenses. The adjustment was a total of \$558.656 million impacting Fair value losses (Note 2.1H) and Other revenue (Note 2.2C). In 2015-16 the figure was included as a component of the actuarial review with the total revenue being \$675.522 million.

Comparatives

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

Breach of Section 83 of the Constitution

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance (Finance) provided guidance to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments and special appropriations, including special accounts. During 2012-13 additional legal advice was received from Finance that indicated there could be breaches of section 83 under certain circumstances with overpayments for long service leave, goods and services tax (GST) and payments under determinations of the Remuneration Tribunal.

The department has nil breaches to report for 2015-16 (2014-15: nil) and continues to monitor its level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible. Where possible and required, legislative amendments and system changes will continue to be progressed.

Shared Services arrangements

The Department of Education and Training (Education) and the Department of Employment (Employment) established a Shared Services Centre (SSC) on 1 July 2014. The SSC provides operational, transactional, advisory, and support functions for information technology and a range of corporate services.

The SSC is classed as a joint operating arrangement under *AASB 11 – Joint Arrangements*, whereby Education and Employment have joint control of the arrangement with rights to the revenue, expenses, assets and obligations for the liabilities relating to the SSC. The rights and obligations, as well as the contributions by the partner agencies are underpinned by a Heads of Agreement between the two partner departments. The financial statements of both departments recognise their interest in the SSC on the face of the financial statements.

The partner's ownership at 30 June 2016 is 50:50 (Education:Employment) with the exception of property related items which are allocated based on occupancy at an agreed date. The resultant ownership percentage for Education in 2015-16 is 49 per cent.

1. Financial Performance

This section analyses the financial performance of the Department for the year ended 2016.

1.1. Expenses

	2016	2015
	\$'000	\$'000
1.1A: Employee benefits		
Wages and salaries	160,954	150,817
Superannuation:		
Defined contribution plans	11,736	10,538
Defined benefit plans	19,308	18,586
Leave and other entitlements	18,417	13,166
Separations and redundancies	2,171	11,518
Other employee expenses	3,244	1,936
Total employee benefits	215,830	206,561

Accounting Policy

Accounting policies for employee related expenses is contained in Section 6 People and Relationships.

1.1B: Supplier expenses

Goods and services supplied or rendered

Consultants	13,925	9,829
Contractors	21,009	9,660
Travel	4,298	3,011
IT services	23,090	15,378
Property	4,296	6,782
Resources received free of charge	6,446	5,464
Other	18,534	15,361
Total goods and services supplied or rendered	91,598	65,485

Goods and services are made up of:

Provision of goods	1,398	1,729
Rendering of services	90,200	63,756
Total goods and services supplied or rendered	91,598	65,485

Other supplier expenses

Operating lease rentals in connection with		
Minimum lease repayments	33,606	32,950
Contingent rentals	552	443
Workers compensation expenses	2,167	2,301
Total other supplier expenses	36,325	35,694
Total supplier expenses	127,923	101,179

Leasing Commitments

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

Within 1 year	35,037	36,399
Between 1 to 5 years	129,457	128,731
More than 5 years	126,672	157,997
Total operating lease commitments	291,166	323,127

Operating Leases included are effectively non-cancellable and comprise:

Nature of lease	General description of leasing arrangement
Leases for office accommodation	Lease payments are subject to periodic market value or indexed increases.
Agreement for provision of motor vehicles to senior executive officers	No contingent rentals exist. There are no renewal or purchase options available to the department.

Accounting Policy

Leases

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

Resources received free of charge

Resources received free of charge for 2015-16 (2014-15) include:

ANAO financial statement audit fee \$1.400 million (1.350 million)

ANAO performance audit fee \$0.585 million (Nil)

ATO collection of revenues on behalf of the department \$4.461 million (4.114 million)

	2016	2015
	\$'000	\$'000
<u>1.1C: Grants</u>		
Other	<u>629</u>	<u>257</u>
Total grants	<u><u>629</u></u>	<u><u>257</u></u>
<u>1.1D: Depreciation and amortisation</u>		
Depreciation		
Infrastructure, plant and equipment	3,862	3,928
Buildings	8	23
Leasehold improvements	4,608	6,984
Total depreciation	<u><u>8,478</u></u>	<u><u>10,935</u></u>
Amortisation		
Intangibles:		
Computer software	<u>16,690</u>	<u>15,983</u>
Total amortisation	<u><u>16,690</u></u>	<u><u>15,983</u></u>
Total depreciation and amortisation	<u><u>25,168</u></u>	<u><u>26,918</u></u>
<u>1.1E: Finance costs</u>		
Unwinding of discount on provision for restoration obligations	-	10
Discount on surplus lease space	-	41
Total finance costs	<u><u>-</u></u>	<u><u>51</u></u>

	2016	2015
<u>1.1F: Write-down and impairment of assets</u>	\$'000	\$'000
Write-off of receivables - goods and services	-	47
Impairment of receivables - goods and services	98	-
Impairment of intangibles	2,502	2,532
Impairment of leasehold improvements	80	264
Write-off of non-financial assets – infrastructure, plant and equipment	2	22
Write-off of non-financial assets – land and buildings	92	1
<i>Total write-down and impairment of assets</i>	<u>2,774</u>	<u>2,866</u>

1.1G: Losses from asset sales

Infrastructure, plant and equipment

Proceeds from sale	(23)	(23)
Carrying value of assets sold	257	23
<i>Net loss from infrastructure, plant and equipment</i>	<u>234</u>	<u>-</u>
<i>Total losses from asset sales</i>	<u>234</u>	<u>-</u>

1.2. Own-Source Revenue and Gains

	2016	2015
OWN-SOURCE REVENUE	\$'000	\$'000

1.2A: Sale of goods and rendering of services

Provision of goods	456	444
Rendering of services	29,280	29,941
Total sale of goods and rendering of services	29,736	30,385

Accounting Policy

Revenue from the sale of goods or services

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 \$14.318 million (2015: \$11.110 million) including GST.

Commitments for sublease rental income receivables are as follows:

Within 1 year	(6,174)	(5,708)
Between 1 to 5 years	(8,144)	(5,124)
More than 5 years	-	(278)
Total operating lease commitments	(14,318)	(11,110)

GAINS

1.2B: Sale of assets

Land and buildings

Proceeds from sale	-	712
Carrying value of assets sold	-	(625)
Net gain from sale of land and buildings	-	87
Net gain from sale of assets	-	87

Accounting Policy

Sale of assets

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

1.2C: Reversals of previous asset write-downs and impairment

Reversal of impairment losses	-	64
Total reversals of previous asset write-downs and impairments	-	64

	2016	2015
<u>1.2D: Other gains</u>	\$'000	\$'000
Resources received free of charge	6,446	5,464
Gain on write back of restoration provision	75	229
First time recognition of assets – property, plant and equipment	50	881
Other	<u>2,069</u>	<u>273</u>
<i>Total other gains</i>	<u>8,640</u>	<u>6,847</u>

Accounting Policy

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 Government entity as a consequence of a restructuring of administrative arrangements (Refer to Note 8).

REVENUE FROM GOVERNMENT

1.2E: Revenue from Government

Appropriations		
Departmental appropriations	<u>313,127</u>	<u>276,854</u>
<i>Total revenue from Government</i>	<u>313,127</u>	<u>276,854</u>

Accounting Policy

Revenue from Government

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

Appropriations receivable are recognised at their nominal amounts.

2. Income and Expenses Administered on Behalf of Government

This section analyses the activities that the Department 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

	2016	2015
	\$'000	\$'000
2.1A: Suppliers		
Goods and services supplied or rendered		
Assistance to families with children ¹	8,542	32,685
General Research	104	4,452
Higher Education	18,499	21,481
School education - specific funding	36,280	83,227
Vocational and industry training ²	535,402	196,732
Total goods and services supplied or rendered	598,827	338,577
Total supplier expenses	598,827	338,577
Leasing Commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	46	-
Between 1 to 5 years	184	-
More than 5 years	523	-
Total operating lease commitments	753	-
2.1B: Subsidies		
Subsidies in connection with external parties		
Vocational and industry training ²	327,118	144,308
Assistance to families with children ¹	692	-
Higher Education	-	1
Total subsidies	327,810	144,309
2.1C: Personal benefits		
Direct		
Student assistance	39,213	72,298
School Education - Specific Funding	-	1,000
Assistance to families with children ¹	1,028,980	836,916
Vocational and industry training ²	25,054	18,881
Indirect		
Assistance to families with children ¹	3,999,027	2,606,001
Total personal benefits	5,092,274	3,535,096

¹ Responsibility for the administration of assistance to families with children transferred from the Department of Social Services on 21 September 2015.

² Responsibility for the administration of vocational and industry training transferred from the Department of Industry and Science on 23 December 2014. The 2014-15 financial year reflects the part year impact of the transfer.

	2016	2015
2.1D: Grants	\$'000	\$'000
Public sector		
Australian Government entities (related parties)	37,944	21,863
State and Territory Governments	15,703,816	14,764,549
Private sector		
Non-profit organisations	81,826	167,674
Multi-jurisdictional sector	9,570,689	9,082,051
Other	331,045	373,959
Total grants	25,725,320	24,410,096

Accounting Policy

Grants and subsidies

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 (i) the services required to be performed by the grantee have been performed or (ii) 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.

Under the Federal Financial Framework, the Department of the Treasury is accountable for the payment of grants under the National Partnership Agreements to the States and Territories. The department reports payments made to and through state and state and territory governments as grants to state and territory governments (Note 2.1D).

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.

2.1E: Finance costs

Concessional loan discount	636,237	801,980
Total finance costs	636,237	801,980

2.1F: Write-down and impairment of assets

Impairment of personal benefits receivable	17,806	19,206
Impairment of Higher Education Superannuation Program	6	-
Write-down of other receivables	762	477
Impairment of goods and services and other receivables	21	6,554
Total write-down and impairment of assets	18,595	26,237

2.1G: Payments to corporate Commonwealth entities

Australian Institute of Aboriginal and Torres Strait Islander Studies	15,009	13,370
Total payments to corporate Commonwealth entities	15,009	13,370

Accounting Policy**Payments to Corporate Commonwealth Entities**

Payments to the Australian Institute of Aboriginal and Torres Strait Islander Studies from amounts appropriated for that purpose are classified as administered expenses of the relevant portfolio department. The appropriation to the department is disclosed in tables of the appropriation note (Note 5).

	2016	2015
	\$'000	\$'000
<u>2.1H: Fair value losses</u>		
Losses from remeasuring financial instruments held at fair value through profit or loss	<u>1,058,199</u>	<u>1,261,294</u>
<i>Total fair value losses</i>	<u>1,058,199</u>	<u>1,261,294</u>
<u>2.1I: Other expenses</u>		
Act of Grace payments	<u>147</u>	<u>57</u>
Total other expenses	<u>147</u>	<u>57</u>

2.2. Administered Income

	2016	2015
	\$'000	\$'000
Taxation revenue		
<u>2.2A: Other taxes</u>		
Levies (other than agricultural)	10,144	8,576
Total other taxes	10,144	8,576
Non-taxation revenue		
<u>2.2B: Interest</u>		
Other sources	7	337
Loans	529,330	582,797
Total interest	529,337	583,134
<u>2.2C: Other revenue</u>		
Education investment fund special account	55,754	217,413
Other	757,423	632,428
Total other revenue	813,177	849,841
Gains		
<u>2.2D: Fair value gains</u>		
HECS/HELP	-	-
Higher Education Superannuation Program	-	-
Total fair value gains	-	-
<u>2.2E: Reversals of previous asset write-downs and impairment</u>		
Reversal of impairment losses for the Higher Education Superannuation Program	-	1,200,266
Total reversals of previous asset write-downs and impairments	-	1,200,266

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. Administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of funds as directed.

Administered fee 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.

Gains and losses

Administered gains or losses under the Higher Education Loan Program (HELP) and Higher Education Superannuation Program are recognised at 30 June each year based on an actuarial assessment of the fair value.

3. Departmental Financial Position

3.1. Financial Assets

	2016	2015
	\$'000	\$'000
3.1A: Cash and cash equivalents		
Cash on hand or on deposit	2,596	7,531
Special Account	3,536	2,286
Total cash and cash equivalents	6,132	9,817

Accounting Policy

Cash

Cash is recognised at its nominal amount. Cash and cash equivalents include:

- cash on hand
- cash held by outsiders
- cash in special accounts

3.1B: Trade and other receivables

Good and Services receivables in connection with

Goods and services	7,697	4,111
Total goods and services receivables	7,697	4,111

Appropriations receivable

Existing programmes	73,999	45,176
Total appropriations receivable	73,999	45,176

Other receivables

GST receivable from the Australian Taxation Office	3,647	2,542
Total other receivables	3,647	2,542
Total trade and other receivables (gross)	85,343	51,829

Less impairment allowance

Goods and services	(98)	-
Total impairment allowance	(98)	-
Total trade and other receivables (net)	85,245	51,829

Trade and other receivables (net) expected to be recovered

No more than 12 months	85,245	51,829
More than 12 months	-	-
Total trade and other receivables (net)	85,245	51,829

Trade and other receivables (gross) aged as follows

Not overdue	82,900	50,467
Overdue by		
0 to 30 days	518	598
31 to 60 days	1,192	193
61 to 90 days	278	89
More than 90 days	455	482
Total trade and other receivables (gross)	85,343	51,829
	2016	2015
	\$'000	\$'000

The impairment allowance aged as follows

More than 90 days	(98)	-
Total impairment allowance	(98)	-

Credit terms for goods and services receivable are net 30 days (2015: 30 days).

Reconciliation of the Impairment Allowance**Movements in relation to 2016**

	Goods and services \$'000	Total \$'000
Opening balance as at 1 July 2015	-	-
Increase/(decrease) recognised in net surplus	(98)	(98)
Closing balance as at 30 June 2016	(98)	(98)

Movements in relation to 2015

	Goods and services \$'000	Total \$'000
Opening balance as at 1 July 2014	(64)	(64)
Amounts recovered and reversed	64	64
Closing balance as at 30 June 2015	-	-

Accounting PolicyFinancial assets

The department classifies its financial assets in the following categories:

- Loans and receivables
- Accrued revenue.

Trade receivables are classified as 'loans and receivables' and recorded at face value less any impairment. Trade receivables are recognised where the department becomes party to a contract and has a legal right to receive cash. Trade receivables are derecognised on payment.

Impairment of financial assets

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

3.1C: Other financial assets

Accrued revenue	1,996	3,276
Total other financial assets	1,996	3,276

Other financial assets expected to be recovered

No more than 12 months	1,996	3,276
Total other financial assets	1,996	3,276

3.2. Non-Financial Assets

3.2A: Reconciliation of the opening and closing balances of property, plant and equipment (2015-16)

	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Infrastructure, plant and equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2015							
Gross book value	200	250	47,824	18,216	93,784	570	160,844
Accumulated depreciation and impairment	-	(8)	(6,148)	(6,889)	(23,702)	(249)	(36,996)
Total as at 1 July 2015	200	242	41,676	11,327	70,082	321	123,848
Additions							
By purchase	-	-	1,360	3,427	23,294	104	28,185
By restructuring	-	-	646	40	949	-	1,635
First time recognition	-	-	-	50	-	-	50
Reclassification	-	-	(1,073)	1,042	(3)	34	-
Revaluations and impairments recognised in other comprehensive income	(30)	(4)	(1,242)	897			(379)
Impairments recognised in net cost of services	-	-	(80)	-	(2,502)	-	(2,582)
Depreciation and amortisation	-	(8)	(4,608)	(3,862)	(16,605)	(85)	(25,168)
Other movements	-	-	150	(3)	-	-	147
Other	-	-	-	(257)	-	-	(257)
Write-offs	-	-	(92)	(2)	-	-	(94)
Total as at 30 June 2016	170	230	36,737	12,659	75,215	374	125,385
Total as at 30 June 2016 represented by							
Gross book value	170	230	36,749	12,743	112,132	708	162,732
Accumulated depreciation, impairment and amortisation	-	-	(12)	(84)	(36,917)	(334)	(37,347)
Total as at 30 June 2016	170	230	36,737	12,659	75,215	374	125,385

3.2A: Reconciliation of the opening and closing balances of property, plant and equipment (2014-15)

	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Infrastructure, plant and equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2014							
Gross book value	200	890	49,796	14,591	74,619	570	140,666
Accumulated depreciation and impairment	-	-	(19)	(3,139)	(11,580)	(57)	(14,795)
Total as at 1 July 2014	200	890	49,777	11,452	63,039	513	125,871
Additions:							-
By purchase	-	-	1,884	3,824	18,548	-	24,256
By restructuring	-	-	-	1	14,712	-	14,713
First time recognition	-	-	-	111	770	-	881
Impairments recognised in net cost of services	-	-	(264)	-	(2,532)	-	(2,796)
Depreciation and amortisation	-	(23)	(6,984)	(3,928)	(15,791)	(192)	(26,918)
Other movements	-	-	(153)	(63)	(107)	-	(323)
Restructuring	-	-	-	-	(8,557)	-	(8,557)
Disposals							-
From disposal of entities or operations (including restructuring)	-	-	(2,583)	(25)	-	-	(2,608)
Other	-	(625)	-	(23)	-	-	(648)
Write-offs	-	-	(1)	(22)	-	-	(23)
Net book value 30 June 2015	200	242	41,676	11,327	70,082	321	123,848
Net book value as of 30 June 2015 represented by:							
Gross book value	200	250	47,824	18,216	93,784	570	160,844
Accumulated depreciation, impairment and amortisation	-	(8)	(6,148)	(6,889)	(23,702)	(249)	(36,996)
Net book value 30 June 2015	200	242	41,676	11,327	70,082	321	123,848

Land and Buildings

There is one (2015: one) residential property to be sold within the next 12 months. It has a net book value of \$400,000 (2015: \$442,424) as at 30 June 2016.

There are three (2015: four) leased properties that the department manages which are due to expire within the next 12 months that have leasehold improvement assets. The total net book value of the leasehold improvements including restoration for these properties is \$940,700 (2015: \$582,849) as at 30 June 2016.

An impairment loss of \$80,000 (2015: \$264,000) was recognised for one property associated with surplus lease space.

Infrastructure, plant and equipment

No material amounts of infrastructure, plant and equipment are expected to be sold or disposed of within the next 12 months.

No indicators of impairment were found for infrastructure, plant and equipment assets.

Intangibles

No material amounts of intangibles are expected to be sold or disposed of within the next 12 months.

An impairment loss of \$2.502 million was recognised for internally developed intangibles in the 2015-16 year (2015: \$2.532 million).

Revaluations of non-financial assets

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

Revaluation decrements of \$30,000 (2015: nil) for land, \$4,848 (2015: nil) for buildings on freehold land and \$1.242 million (2015: \$5,148) for leasehold improvements and a revaluation increment of \$897,000 (2015: \$5,148) for infrastructure, plant and equipment were recorded against the asset revaluation surplus by asset class and included in the equity section of the statement of financial position. The department completed an revaluation in the 2015-16 financial year for all assets excluding intangibles.

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

	2016	2015
	\$'000	\$'000
Commitments are payable as follows:		
Within 1 year	6,910	6,345
Between 1 to 5 years	-	411
Total contractual commitments	6,910	6,756

Accounting Policy

Acquisition of Assets

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 non-financial assets 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 obligation 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 obligations' recognised.

Revaluations

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

Asset Class	Fair value measurement
Land	Market selling price
Buildings excluding leasehold improvements	Market selling price
Buildings – Leasehold improvements	Depreciated replacement cost
Infrastructure, plant and equipment	Market selling price

Following initial recognition at cost, infrastructure, plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted 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.

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

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

Depreciation

Depreciable infrastructure, 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 with necessary adjustments 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	2016
Buildings on freehold land	37-51 years
Buildings – leasehold improvements	Lease term
Infrastructure, plant and equipment	3-25 years

Impairment

All assets were assessed for impairment at 30 June 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.

Derecognition

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

Assets not previously recognised

Assets were brought to account as part of infrastructure, plant & equipment and intangibles for the first time as at 30 June 2015.

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 2016.

	2016	2015
<u>3.2B: Other non-financial assets</u>	\$'000	\$'000
Prepayments	<u>10,126</u>	<u>10,728</u>
<i>Total other non-financial assets</i>	<u>10,126</u>	<u>10,728</u>
Total other non-financial assets expected to be recovered		
No more than 12 months	8,005	9,104
More than 12 months	<u>2,121</u>	<u>1,624</u>
<i>Total other non-financial assets</i>	<u><u>10,126</u></u>	<u><u>10,728</u></u>

No indicators of impairment were found for other non-financial assets.

3.3. Payables

	2016	2015
3.3A: Suppliers	\$'000	\$'000
Trade creditors and accruals	27,100	18,042
Operating lease rentals	4,563	5,453
Total suppliers	31,663	23,495
Suppliers expected to be settled		
No more than 12 months	28,659	23,438
More than 12 months	3,004	57
Total suppliers	31,663	23,495

Settlement was usually made within 30 days.

3.3B: Other payables

Wages and salaries	1,340	5,833
Superannuation	131	922
Separations and redundancies	385	2,246
Other employee benefits	542	111
Lease incentives	12,565	13,994
Unearned income	5,366	5,189
Payable to the Official Public Account	-	668
Total other payables	20,329	28,963
Other payables expected to be settled		
No more than 12 months	9,236	17,434
More than 12 months	11,093	11,529
Total other payables	20,329	28,963

Accounting Policy

Financial Liabilities

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). Supplier and other payables are derecognised on payment.

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.

3.4. Other Provisions

3.4A: Other provisions

	Provision for legal obligations \$'000	Provision for restoration obligations \$'000	Provision for surplus lease space \$'000	Provision for onerous contract \$'000	Total \$'000
As at 1 July 2015	620	320	2,166	-	3,106
Additional provisions made	-	255	-	496	751
Amounts reversed	(79)	(75)	(1,238)	-	(1,392)
Amounts used	-	-	(1,127)	-	(1,127)
Net adjustment due to allocation change in Departments	-	-	401	-	401
Total as at 30 June 2016	541	500	202	496	1,739

	2016 \$'000	2015 \$'000
Provision for legal obligations	541	620
Provision for restoration obligations	500	320
Provision for surplus lease space	202	2,166
Provision for onerous contract	496	-
Total other provisions	1,739	3,106
Other provisions expected to be settled		
No more than 12 months	1,521	2,591
More than 12 months	218	515
Total other provisions	1,739	3,106

The department currently has two (2015: two) agreements for the leasing of premises which have provisions requiring the department to restore the premises to their original condition at the conclusion of the lease. The department has made a provision to reflect the present value of this obligation.

4. Assets and Liabilities Administered on Behalf of Government

4.1. Administered – Financial Assets

	2016	2015
<u>4.1A: Cash and cash equivalents</u>	\$'000	\$'000
Special accounts	72,092	26,528
Total cash and cash equivalents	72,092	26,528
<u>4.1B: Receivables</u>		
Good and services		
Goods and services	48,482	39,143
Total receivables for goods and services	48,482	39,143
Advances and loans		
HECS\HELP	36,807,652	30,444,858
Trade Support Loans	145,680	52,960
Other loans	591	-
Total advances and loans	36,953,923	30,497,818
Other receivables		
GST receivable from Australian Taxation Office	39,821	16,536
Higher Education Superannuation Program	392,000	382,000
Personal benefits receivable	465,440	-
Total other receivables	897,261	398,536
Total receivables (gross)	37,899,666	30,935,497
Less impairment allowance		
Goods and services	(11,557)	(7,523)
Personal benefits	(17,709)	-
Total impairment allowance	(29,266)	(7,523)
Total receivables (net)	37,870,400	30,927,974
Receivables (net) expected to be recovered		
No more than 12 months	486,514	48,156
More than 12 months	37,383,886	30,879,818
Total receivables (net)	37,870,400	30,927,974

	2016 \$'000	2015 \$'000
Receivables (gross) aged as follows		
Not overdue	37,829,587	30,926,104
Overdue by		
0 to 30 days	299	549
31 to 60 days	170	910
61 to 90 days	77	33
More than 90 days	69,533	7,901
Total receivables (gross)	37,899,666	30,935,497
The impairment allowance aged as follows		
Not overdue	(4,348)	-
Overdue by		
0 to 30 days	(7)	(77)
31 to 60 days	(4)	-
61 to 90 days	(23)	-
More than 90 days	(24,884)	(7,446)
Total impairment allowance	(29,266)	(7,523)

Goods and services receivables are with entities external to the Australian Government. Credit terms are payment within 30 days (2015: 30 days).

Reconciliation of the Impairment Allowance Account:

Movements in relation to 2016

	Receivables \$'000	Total \$'000
Opening balance at 1 July 2015	(7,523)	(7,523)
Amounts transferred through restructuring	(19,790)	(19,790)
Increase (decrease) recognised in net cost of services	(1,953)	(1,953)
Closing balance at 30 June 2016	(29,266)	(29,266)

Movements in relation to 2015

	Receivables \$'000	Total \$'000
Opening balance at 1 July 2014	(1,225,966)	(1,225,966)
Amounts written off	(142)	(142)
Amounts recovered and reversed	142	142
Reversal of previous impairment	1,200,266	1,200,266
Amounts transferred through restructuring	36,559	36,559
Increase/decrease recognised in net surplus	(18,382)	(18,382)
Closing balance at 30 June 2015	(7,523)	(7,523)

Accounting Policy

Loans and receivables

Where loans and 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.

The HELP scheme is administered under the *Higher Education Support Act 2003*. HELP consists of HECS-HELP, FEE-HELP, OS-HELP and VET FEE-HELP, and any resulting debts are called a HELP debt.

The HELP debts are reflected as a receivable in the Schedule of Administered Items. The Australian Taxation Office (ATO) collects repayments of debts through the PAYG income tax system and voluntary repayments.

The department has recorded the total accumulated HECS and / or HELP debt in its financial statements at fair value in accordance with *AASB 139 Financial Instruments: Recognition and Measurement*. This varies from the debt level shown in the ATO certificate.

In the actuarial report for 2015-16 attention was drawn to an adjustment to the opening balance of the fair value of the HELP receivable. A number of VET FEE-HELP (VFH) providers are subject to litigation matters surrounding malpractice. Based on the evidence, the actuary deemed the outstanding debt for 20 percent of those who incurred a VFH debt in 2014 and 2015 as effectively irrecoverable, thus removing around \$1.2 billion of the debt. This has not led to any restatement of comparatives, however the implications of this irrecoverable amount have been incorporated into the total movement (reflected through profit and loss) of the total HELP receivable.

Administered receivables, including those relating to personal benefit overpayments, represent debts owed to the department by past and present customers. All debts known to be irrecoverable are excluded from the value of administered receivables.

Independent valuations are conducted with sufficient frequency to ensure that the carrying amounts of impairment allowances for doubtful debts does not differ materially from the fair value as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in the programs.

	2016	2015
4.1C: Other investments	\$'000	\$'000
Other Investments:		
Australian Institute for Teaching and School Leadership ¹	4,693	4,687
Australian Curriculum, Assessment and Reporting Authority ²	643	2,108
Australian National University ³	2,076,100	2,104,675
Australian Institute of Aboriginal and Torres Strait Islander Studies ⁴	36,901	38,460
Total other investments	2,118,337	2,149,930
Other investments expected to be recovered		
More than 12 months	2,118,337	2,149,930
Total other investments	2,118,337	2,149,930

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

¹ *Australian Institute for Teaching and School Leadership Ltd* – supports and enhances the teaching profession for the benefit of all Australians.

² *Australian Curriculum, Assessment and Reporting Authority* – executes the policy directions that are determined by the Ministerial Council for Education, Early Childhood Development and Youth Affairs regarding curriculum, assessment, data collection and reporting at a national level.

³ *Australian National University* – provision of research and teaching services.

⁴ *Australian Institute of Aboriginal and Torres Strait Islander Studies* – building pathways for the knowledge of Aboriginal and Torres Strait Islander peoples to grow and share.

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 2016. 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.

4.2. Administered – Non-Financial Asset

	2016	2015
<u>4.2A: Other non-financial assets</u>	\$'000	\$'000
Prepayments	240	-
<i>Total other non-financial assets</i>	240	-
Other non-financial assets expected to be recovered		
No more than 12 months	240	-
<i>Total other non-financial assets</i>	240	-

No indicators of impairment were found for other non-financial assets.

4.3. Administered - Payables

	2016	2015
4.3A: Suppliers	\$'000	\$'000
Trade creditors and accruals	57,624	54,235
Total suppliers	57,624	54,235

Settlement was usually made within 30 days. All suppliers were expected to be settled no more than 12 months.

4.3B: Personal benefits

Direct	13,899	-
Indirect	135,372	-
Total personal benefits	149,271	-

Personal benefits expected to be settled

No more than 12 months	149,271	-
Total personal benefits	149,271	-

4.3C: Grants

Public sector

State and Territory Governments	-	4,435
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Private sector

Non-profit organisations	481	196
Other	2,837	31,615
Total grants	3,318	36,246

Grants expected to be settled

No more than 12 months	3,318	36,246
Total grants	3,318	36,246

Settlement is usually made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.

4.3D: Other payables

Statutory payable	37,081	17,701
Total other payables	37,081	17,701

Other payables expected to be settled

No more than 12 months	37,081	17,701
Total other payables	37,081	17,701

4.4. Administered – Other Provisions

4.4A: Reconciliation of movements in provisions for grants and personal benefits

	Provisions for grants \$'000	Provisions for personal benefits \$'000	Total \$'000
Opening balance	6,068,013	-	6,068,013
Additional provisions made	-	126,042	126,042
Amounts used	(211,363)	-	(211,363)
Increase (decrease) in net cost of services	1,102,361	-	1,102,361
Restructuring	-	746,777	746,777
Total as at 30 June 2016	6,959,011	872,819	7,831,830
		2016	2015
		\$'000	\$'000
Provisions for personal benefits expected to be settled			
No more than 12 months		872,819	-
Total other provisions		872,819	-
Provision for grants expected to be settled			
More than 12 months		6,959,011	6,068,013
Total provisions for grants		6,959,011	6,068,013

Accounting Policy

Higher Education Superannuation Provision for Australian Universities

Historically, funding responsibility for universities has varied from time to time between the Commonwealth and the States.

A number of universities have employees or former employees who are members of old State-based superannuation schemes which are unfunded or partly funded. Accordingly, there are cost sharing arrangements for these schemes in place between the Commonwealth and the States.

The Commonwealth recognises the amount payable to eligible universities in Victoria, South Australia, Western Australia, Tasmania, Northern Territory and the Australian Capital Territory for these entitlements in full. The Commonwealth is then reimbursed by the States for their share of the costs.

For universities in NSW, different cost share arrangements were introduced in 2014. The Commonwealth recognises a liability for 78 per cent of the amount payable to NSW universities and the NSW State government recognises a liability for 22 per cent of the amount payable to NSW universities. Consequently, there is no reimbursement from NSW.

The department recognises two items in its Financial Statements that relate to the Higher Education Superannuation for Australian Universities – a liability and a receivable.

The liability comprises a provision for:

- the total amount of funding expected to be paid by the Commonwealth to universities in Victoria, South Australia, Western Australia, Tasmania, Northern Territory and the Australian Capital Territory; and
- 78 per cent of the funding expected to be paid to universities in NSW.

The provision is an estimate of the outstanding employer contribution obligations to the various old State based superannuation schemes to which some of their former employees belong.

The provision is recognised in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, which requires the recognition of a provision where it is probable that a future sacrifice of economic benefit will be required and where the provision can be measured reliably, as a best estimate of the expenditure required to settle the present obligation at reporting date.

The receivable comprises the contributions due and payable by the States Governments of Victoria, South Australia, Western Australia and Tasmania to the Commonwealth under the cost sharing arrangement – representing each State's share of the outstanding superannuation entitlement as at reporting date.

The Australian Government Actuary (AGA) provides an estimate of both the liability and receivable, based on data and calculations provided by each university's respective actuary. Both the AGA and the Department apply the provisions of AASB 119 *Employee Benefits* in measuring the liability at reporting date.

Personal Benefits

The department administers a number of personal benefit programmes on behalf of the government that provide entitlements to individuals. Payments are determined in accordance with provisions under social security law and other legislation.

The department made payments in accordance with family assistance law (comprising the *A New Tax System (Family Assistance) Act 1999* and *A New Tax System (Family Assistance) (Administration) Act 1999* as well as associated legislation and other legislative Disallowable Instruments for the period 30 September 2015 to 30 June 2016. Responsibility for these payments then transferred from the Department of Social Services following the change to the Administrative Arrangement Orders. These payments are assessed and determined by officers of the Department of Human Services (DHS) under delegation from the department.

The *A New Tax System (Family Assistance) (Administration) Act 1999* imposes an obligation on recipients and customers to disclose to DHS information about financial and personal circumstances that affect entitlement to payment. This is a necessary part of DHS's administration, which acknowledges that, at the time certain information is required, only the recipient or customer is in a position to provide that information.

Unreported changes in circumstances can lead to incorrect payment, even if no deliberate fraud is intended. However, risks associated with relying on voluntary disclosure by recipients and customers are mitigated by a comprehensive portfolio risk management plan, underpinned by compliance strategies, which have been built up over many years. The compliance framework has been designed to meet the requirements of social security legislation.

The compliance framework does not rely solely on information provided by recipients and customers to determine their entitlement. A comprehensive risk management strategy minimises the potential for incorrect payment by subjecting recipients and customers to a variety of review processes. If debts are identified, DHS seeks recovery in a lump sum or by instalments. While the risk management strategy is principally directed at minimising debts, the detection of underpayments will also result in an adjustment to their level of entitlement.

The department implemented a more sophisticated results-oriented approach to compliance in 2013–14. Compliance operations were strengthened, including data interrogation and analysis capacity, to assist in targeting, leveraging resources available in our state network to create a virtual task force and prioritising the department's compliance effort to high value compliance work based on risk categories. This had led to increasing imposition of penalties and sanctions upon non-compliant child care services, detection of incorrect payments to parents and adjustment to fee assistance payments, where justified.

5. Funding

5.1. Appropriations

5.1A: Annual appropriations ('recoverable GST exclusive')

	2016 Appropriations					Appropriation applied in 2016 (current and prior years) \$'000	Variance ² \$'000
	Appropriation Act		PGPA Act		Total appropriation \$'000		
	Annual Appropriation ¹ \$'000	AFM \$'000	Section 74 \$'000	Section 75 \$'000			
DEPARTMENTAL							
Ordinary annual services	254,837	-	30,665	44,904	330,406	348,816	(18,410)
Capital Budgets ³	22,177	-	-	-	22,177	19,447	2,730
Other services							
Equity	10,438	-	-	3,248	13,686	8,023	5,663
Total departmental	287,452	-	30,665	48,152	366,269	376,286	(10,017)
ADMINISTERED							
Ordinary annual services							
Administered items	1,548,526	-	-	303,735	1,852,261	1,407,325	444,936
Payments to Corporate Commonwealth Entities	14,935	-	-	-	14,935	14,935	-
Other services							
States, ACT, NT and local government	43,645	-	-	-	43,645	44,437	(792)
Payments to Corporate Commonwealth Entities	74	-	-	-	74	74	-
Total administered	1,607,180	-	-	303,735	1,910,915	1,466,771	444,144

Notes:

¹ In 2015-16, there were \$368.459 million reductions to appropriation made under a section 51 determination of the *PGPA Act 2013*. These reductions were due to various government measures, particularly delays in program implementation, and included 2015-16 departmental appropriations of \$4.712 million, previously quarantined 2014-15 departmental Appropriation Act (No.5) of \$3.690 million, and the remainder relating to administered appropriations of \$360.057 million.

² Administered and departmental variances are primarily due to amounts subject to quarantine and available to be reduced. Administered programs with significant underspends in 2015-16 included the Building skills and capability and Support for the child care system. Further explanations can be found in Budgetary Reporting sections of these financial statements.

³ 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.

Accounting Policy

Payments to Corporate Commonwealth Entities

Payments to the Australian Institute of Aboriginal and Torres Strait Islander Studies from amounts appropriated for that purpose are classified as administered expenses of the relevant portfolio department.

	2015 Appropriations					Appropriation applied in 2015 (current and prior years) \$'000	Variance ² \$'000
	Appropriation Act		PGPA Act		Total appropriation \$'000		
	Annual Appropriation ¹ \$'000	AFM \$'000	Section 74 \$'000	Section 75 \$'000			
DEPARTMENTAL							
Ordinary annual services	273,050	-	47,837	9,695	330,582	326,500	4,082
Capital Budgets	22,536	-	-	505	23,041	18,299	4,742
Other services							
Equity	3,489	-	-	-	3,489	3,836	(347)
Total departmental	299,075	-	47,837	10,200	357,112	348,635	8,477
ADMINISTERED							
Ordinary annual services							
Administered items	996,201	-	-	316,252	1,312,453	1,082,706	229,747
Payments to Corporate Commonwealth Entities	13,295	-	-	-	13,295	13,295	-
Other services							
States, ACT, NT and local government	100,431	-	-	-	100,431	96,677	3,754
Payments to Corporate Commonwealth Entities	75	-	-	-	75	75	-
Total administered	1,110,002	-	-	316,252	1,426,254	1,192,753	233,501

Notes:

1. In 2014–15, there were \$12.473 million reductions to appropriation made under a section 51 determination and a further \$3.690 million quarantined. In 2014–15, there was \$3.690 million that met the recognition criteria of a formal addition or reduction in revenue (in accordance with FRR Part 6 Div 3) but at law the appropriation has not been amended before the end of the reporting period.
2. Administered and departmental variances are primarily due to the movements in liability balances between 2013–14 and 2014–15, and amounts subject to quarantine and available to be reduced.

5.1B: Unspent annual appropriations ('recoverable GST exclusive')

	2016	2015
	\$'000	\$'000
Departmental		
Appropriation Act (No.1) 2015-16	35,506	-
Appropriation Act (No.2) 2015-16	7,109	-
Appropriation Act (No.3) 2015-16	4,567	-
Appropriation Act (No.4) 2015-16	1,973	-
Appropriation Act (No.1) 2014-15	22,827	42,874
Appropriation Act (No.1) 2013-14	-	1,468
Appropriation Act (No.2) 2013-14	784	3,860
Appropriation Act (No.4) 2013-14	-	14,255
Appropriation Act (No.4) 2012-13	-	2,508
Cash at Bank	2,596	7,531
Total departmental	75,362	72,496
Administered		
Appropriation Act (No.1) 2015-16	262,431	-
Appropriation Act (No.3) 2015-16	3,243	-
Appropriation Act (No.1) 2014-15	259,203	227,511
Appropriation Act (No.3) 2014-15	14,836	14,836
Appropriation Act (No.2) 2014-15	1,447	6,292
Appropriation Act (No.1) 2013-14	-	110
Appropriation Act (No.3) 2013-14	-	8,144
Total administered	541,160	256,893

5.1C: Special appropriations ('recoverable GST exclusive')

Authority	Appropriation applied	
	2016 \$'000	2015 \$'000
A New Tax System (Family Assistance) (Administration) Act 1999 (Administered)	5,023,245	3,448,822
Australian Education Act 2013 - (Administered)	15,669,315	14,632,883
Schools Assistance Act 2008 - Section 167 (Administered)	-	-
Higher Education Support Act 2003 - Section 238-12 (Administered)	17,629,196	16,616,684
Trade Support Loans Act 2014 - Section 104	144,676	57,113
Total special appropriations applied	38,466,432	34,755,502

5.1D: Disclosure by agent in relation to annual and special appropriations ('recoverable GST exclusive')

	Department of Prime Minister and Cabinet	Department of Foreign Affairs and Trade ²	Department of Social Services
2016	\$'000	\$'000	\$'000
Total receipts	-	24,988	-
Total payments	-	24,988	-

	Department of Prime Minister and Cabinet ¹	Department of Foreign Affairs and Trade ²	Department of Social Services ³
2015	\$'000	\$'000	\$'000
Total receipts	250	9,978	605,050
Total payments	250	9,978	605,050

¹ The department made a payment for the Office of Women programme for the Department of Prime Minister and Cabinet.

² The department had drawing rights for the Department of Foreign Affairs and Trade annual appropriation for the New Colombo Plan programme.

³ In 2014-15 the department had drawing rights for the Department of Social Services special appropriations for the payment of Child Care Benefit, Child Care Rebate and the Early Years Quality Fund Special Account.

5.2. Special Accounts

5.2A: Special accounts ('recoverable GST exclusive')

	Education Investment Fund - Research Portfolio Special Account ¹		Education Investment Fund - Education Portfolio Special Account ²		National Youth Affairs Research Scheme ³		Growth Fund Skills and Training Special Account ⁴	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance brought forward from previous period	-	-	-	-	171	251	-	-
Increases								
Appropriation credited to special account	-	70,950	55,754	146,463	-	-	4,757	-
Transfer through restructuring	-	-	-	-	-	-	-	-
Total increases	-	70,950	55,754	146,463	-	-	4,757	-
Available for payments	-	70,950	55,754	146,463	171	251	4,757	-
Decreases								
Administered								
Payments made	-	(70,950)	(55,754)	(146,463)	(171)	(80)	-	-
Transfer through restructuring	-	-	-	-	-	-	-	-
Total Administered	-	(70,950)	(55,754)	(146,463)	(171)	(80)	-	-
Total decreases	-	(70,950)	(55,754)	(146,463)	(171)	(80)	-	-
Total balance carried to the next period	-	-	-	-	-	171	4,757	-

	Early Years Quality Fund ⁵		Overseas Student Tuition Fund ⁶		Unique Student Identifier ⁷		Services for Other Entities and Trust Money ⁸	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance brought forward from previous period	-	72,297	19,869	12,157	2,286	-	6,476	6,588
Increases								
Appropriations credited to special account	-	-	-	-	1,250	3,508	-	-
Receipts	598	-	10,126	8,591	-	-	1,154	886
Transfer through restructuring	-	-	-	-	-	2,186	-	424
Total increases	598	-	10,126	8,591	1,250	5,694	1,154	1,310
Available for payments	598	72,297	29,995	20,748	3,536	5,694	7,630	7,898
Decreases								
Departmental								
Other Payments	-	-	-	-	-	(3,408)	-	-
Total Departmental	-	-	-	-	-	(3,408)	-	-
Administered								
Payments made	(68,607)	(47,588)	(1,828)	(879)	-	-	(2,527)	(1,422)
Transfer through restructuring	102,048	(24,709)	-	-	-	-	22	-
Total Administered	33,441	(72,297)	(1,828)	(879)	-	-	(2,505)	(1,422)
Total decreases	33,441	(72,297)	(1,828)	(879)	-	(3,408)	(2,505)	(1,422)
Total balance carried to the next period	34,039	-	28,167	19,869	3,536	2,286	5,125	6,476

¹ Education Investment Fund - Research Portfolio Special Account

Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 80

Establishing Instrument: *Nation-building Funds Act 2008 No. 154 of 2008*

Purpose: To make grants of financial assistance in relation to the creation and development of research infrastructure.

² Education Investment Fund - Education Portfolio Special Account

Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 80

Establishing Instrument: *Nation-building Funds Act 2008 No. 154 of 2008*

Purpose: To make grants of financial assistance to eligible higher education institutions in relation to capital expenditure and research facilities.

³ National Youth Affairs Scheme Special Account

Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 78

Establishing Instrument: *Financial Management and Accountability Determination 2006/45* on 17 August 2006.

Purpose: For the receipt of monies from State Governments to meet expenditure in respect of the National Youth Affairs Research Scheme.

⁴ Growth Fund Skills and Training Special Account

Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 78

Establishing Instrument: *Growth Fund Skills and Training Special Account 2015 – Establishment Determination 2015/04* on 15 July 2015.

Purpose: For paying amounts to enable Australian workers and former workers in the Australian automotive industry to obtain career advice, education, training and re-skilling support to exit the industry and obtain new forms of employment.

⁵ Early Years Quality Fund Special Account

Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 80

Establishing Instrument: *Early Years Quality Fund Special Account Act 2013*

Purpose: For the administration of the Early Years Quality Fund (EYQF). The EYQF will provide \$300 million over two years to assist long day care services to offset the costs of employing higher qualified staff who are required as part of the National Quality Framework for Early Childhood Education and Care from 1 January 2014. The Department of Finance quarantined an amount of \$30 million from this account while the program was with DSS. The restructuring shown above was the total dollar value transferred, however in ACM the balance was \$30 million less.

⁶ Overseas Student Tuition Fund Special Account

Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 80

Establishing Instrument: *Education Services for Overseas Students Act 2000 Act No. 164 of 2000*, taking into account amendments up *Education Services for Overseas Students Legislation Amendment (Tuition Protection Services and Other Measures) Act 2012*, section 52A

Purpose: For expenditure in connection with assisting international students whose education providers are unable to deliver their course of study in full.

⁷ Unique Student Identifiers Special Account

Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 80

Establishing Instrument: *Student Identifiers Act 2014*; section 48

Purpose: For paying or discharging the costs, expenses and other obligations incurred by the Commonwealth in the performance of the Registrar's functions, paying any remuneration and allowances payable to any person under the Act and meeting the expenses of administering the Account.

⁸ Services for Other Entities and Trust Moneys Special Account

Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 78

Establishing Instrument: *Financial Management and Accountability Determination 2008/14* on 3 June 2008.

Purpose: To disburse amounts: held on trust or otherwise for the benefit of a person other than the Commonwealth; in connection with services performed on behalf of other governments and bodies that are not non-corporate Commonwealth entities; and to repay amounts where an Act or other law requires or permits the repayment of an amount received.

5.3. Regulatory Charging Summary

	2016	2015
5.3A: Regulatory charging summary	\$'000	\$'000
Amounts applied		
Departmental		
Annual appropriations	<u>4,545</u>	<u>4,830</u>
Total amounts applied	<u>4,545</u>	<u>4,830</u>
Expenses		
Departmental	<u>4,545</u>	<u>4,830</u>
Total expenses	<u>4,545</u>	<u>4,830</u>
Revenue		
Administered	<u>7,927</u>	<u>7,119</u>
Total revenue	<u>7,927</u>	<u>7,119</u>
Receivables		
Not overdue	47	16
Overdue by		
0 to 30 days	8	6
31 to 60 days	6	-
61 to 90 days	10	-
More than 90 days	<u>120</u>	<u>75</u>
Total receivables	<u>191</u>	<u>97</u>

Cost recovered activities:

The Commonwealth recovers the costs of administering its functions under the Education Services for Overseas Students Act 2000 (the ESOS Act) and the National Code of Practice for Providers of Education and Training to Overseas Students (National Code) through compulsory registration fees charged to all providers wishing to be registered on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS), which allows them to offer courses to overseas students.

The following entities are involved in the delivery of these activities: Department of Education, Australian Skills Quality Authority and the Tertiary Education Quality and Standards Agency. The Commonwealth also recovers the cost of administering the functions of the Overseas Students Ombudsman under the Ombudsman Act 1976.

Documentation (Cost Recovery Impact Statement) for the above activity is available at www.education.gov.au.

5.4. Net Cash Appropriation Arrangements

	2016	2015
5.4A: Net cash appropriation arrangements	\$'000	\$'000
<i>Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations¹</i>	3,734	3,328
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<u>(25,168)</u>	<u>(26,918)</u>
<i>Total comprehensive income (loss) - as per the Statement of Comprehensive Income</i>	<u>(21,434)</u>	<u>(23,590)</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.

5.5. Cash Flow Reconciliation

	2016	2015
<u>5.5A: Cash flow reconciliation</u>	<u>\$'000</u>	<u>\$'000</u>
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	6,132	9,817
Statement of financial position	<u>6,132</u>	<u>9,817</u>
Discrepancy	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from (used by) operating activities		
Net (cost of) contribution by services	(334,182)	(300,449)
Revenue from Government	313,127	276,854
Adjustments for non-cash items		
First time recognition of non-financial assets	(50)	(881)
Other gains	(2,144)	(502)
Write-down and impairment of goods and services	98	(17)
Depreciation / amortisation	25,168	26,918
Net write-down and impairment of assets	2,676	2,819
Net losses from sale of assets	234	(87)
Movements in assets and liabilities		
Assets		
Decrease / (increase) in net receivables	(10,789)	(9,416)
Decrease / (increase) in accrued income	1,280	6,837
Decrease / (increase) in prepayments	601	(2,126)
Liabilities		
Increase / (decrease) in employee provisions	2,540	(7,113)
Increase / (decrease) in supplier payables	8,268	12,175
Increase / (decrease) in other provisions	(1,368)	(404)
Increase / (decrease) in other payables	<u>(8,437)</u>	<u>(5,460)</u>
Net cash from (used by) operating activities	<u>(2,978)</u>	<u>(852)</u>

	2016	2015
5.5B: Administered cash flow reconciliation	\$'000	\$'000
Reconciliation of cash and cash equivalents as per administered schedule of assets and liabilities to administered cash flow statement		
Cash and cash equivalents as per		
Schedule of administered cash flows	-	-
Schedule of administered assets and liabilities	-	-
Discrepancy	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from (used by) operating activities		
Net (cost of) contribution by services	(32,119,760)	(27,889,199)
Adjustments for non-cash items		
Net write down of non-financial assets	18,596	26,237
Concessional loan discount	636,237	801,980
Fair value losses	1,058,194	702,638
Interest on loans	(529,330)	(567,434)
Other revenues not providing cash	(656,803)	326,859
Unwinding of the discount	(24,612)	(15,363)
Movements in assets and liabilities		
Assets		
(Increase) / decrease in net receivables	(70,978)	(34,943)
(Increase) / decrease in other non-financial assets	(240)	523
Liabilities		
Increase / (decrease) in supplier payables	(18,853)	39,401
Increase / (decrease) in grants payable	11,471	(1,306,416)
Increase / (decrease) in personal benefits payable	(28,579)	14,742
Increase / (decrease) in provisions	126,042	(97,721)
Net cash from (used by) operating activities	<u>(31,598,615)</u>	<u>(27,998,696)</u>

6. People and Relationships

6.1. Employee Provisions

	2016	2015
	\$'000	\$'000
6.1A: Employee provisions		
Leave	<u>71,173</u>	<u>54,778</u>
Total employee provisions	<u>71,173</u>	<u>54,778</u>
Employee provisions expected to be settled		
No more than 12 months	<u>23,167</u>	18,989
More than 12 months	<u>48,006</u>	<u>35,789</u>
Total employee provisions	<u>71,173</u>	<u>54,778</u>

Accounting Policy

Employee Benefits

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.

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 at 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. 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 department is estimated to be less than the annual entitlement for sick 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 department'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 work conducted by an actuary as at 30 June 2016. 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

Staff of the department are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap), the Australian Government Employees Superannuation Trust (AGEST) or other elected defined contribution schemes.

The CSS, 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 by 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 represents outstanding contributions for the final fortnight of the year.

6.2. Senior Management Personnel Remuneration

	2016	2015
6.2A: Senior management personnel remuneration	\$'000	\$'000
Short-term employee benefits		
Salary	13,251	12,551
Other	<u>2,088</u>	<u>2,638</u>
Total short-term employee benefits	<u>15,339</u>	<u>15,189</u>
Post-employment benefits		
Superannuation	<u>2,567</u>	<u>2,354</u>
Total post-employment benefits	<u>2,567</u>	<u>2,354</u>
Other long-term employee benefits		
Annual leave accrued	1,190	943
Long-service leave	<u>947</u>	<u>253</u>
Total other long-term benefits	<u>2,137</u>	<u>1,196</u>
Termination benefits	<u>904</u>	<u>1,632</u>
Total senior executive remuneration expenses	<u><u>20,947</u></u>	<u><u>20,371</u></u>

The total number of senior management personnel that are included in the above table are 97 individuals (2015: 93 individuals).

7. Managing Uncertainties

7.1. Contingent Assets and Liabilities

7.1A: Contingent liabilities and assets

Quantifiable Contingencies

The department holds two legal quantifiable contingent assets or liabilities as at 30 June 2016 (2015: nil).

Unquantifiable Contingencies

As at 30 June 2016, the department had contingent assets and liabilities likely to be paid in respect of damages and claims that are not quantifiable. There were three open matters (2015: three) in the hands of the department's legal representatives. These open matters relate to a wide range of legal issues (departmental and administered) with varying probabilities of success. It is not possible to estimate the amounts of any eventual receipts or payments that may be received or made in relation to these claims.

7.1B: Administered contingent assets and liabilities

Quantifiable Contingencies

The department does not hold quantifiable contingent assets and liabilities (2015: nil).

Unquantifiable Contingencies

At 30 June 2016, the department had nil legal claims against it (2015: nil).

There are currently a number of cases before the Administrative Appeals Tribunal (AAT) for which the outcomes are not yet known or able to be quantified.

Accounting Policy

Contingent Liabilities and Contingent Assets

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

Indemnities

The maximum amounts payable under the indemnities given is disclosed in the notes. At the time of completion of the financial statements, there was no reason to believe that the indemnities would be called upon, and no recognition of any liability was therefore required.

7.2. Financial Instruments

	2016	2015
<u>7.2A: Categories of financial instruments</u>	\$'000	\$'000
Financial Assets		
Loans and receivables		
Cash and cash equivalents	6,132	9,817
Goods and services	7,697	4,111
Accrued revenue	1,996	3,276
Total financial assets	15,825	17,204
Financial Liabilities		
Measured at amortised cost		
Trade creditors and accruals	27,100	18,042
Total financial liabilities	27,100	18,042

7.2B: Net gains or losses on financial assets

Loans and receivables		
Write off impairment - goods and services	-	47
Impairment of receivables - goods and services	98	-
Net gains (losses) on loans and receivables	98	47
Net gains (losses) on financial assets	98	47

The net income/expenses from financial assets not at fair value through profit or loss is \$98,000 (2015:\$47,000).

7.2C: Fair value of financial instruments

	Carrying amount	Fair value	Carrying amount	Fair value
	2016	2016	2015	2015
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	6,132	6,132	9,817	9,817
Goods and services receivable	7,697	7,697	4,111	4,111
Accrued revenue	1,996	1,996	3,276	3,276
Total financial assets	15,167	15,167	17,204	17,204
Financial Liabilities				
At amortised cost				
Trade creditors and accruals	27,100	27,100	18,042	18,042
Total financial liabilities	27,107	27,107	18,042	18,042

7.2D: Credit risk

The department is exposed to minimal credit risk as loans and receivables are cash, cash on deposit and trade receivables. 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 trade receivables in 2016: \$7.697 million (2015: \$4.111 million). The department has assessed the risk of the default on payment and has allocated an impairment allowance for doubtful debts of \$97,602 (2015: nil).

The department has no liabilities carried at amounts not best representing maximum exposure to credit risk.

The department has no significant exposures to any concentrations of credit risk. All figures for credit risk referred to do not take into account the value of any collateral of other security.

In relation to the department's gross credit risk and the financial effect in respect of the amount that best represents the maximum exposure to credit risk there is no collateral held.

Credit quality of financial assets not past due or individually determined as impaired

	Not past due nor impaired 2016 \$'000	Past due or impaired 2016 \$'000	Not past due nor impaired 2015 \$'000	Past due or impaired 2015 \$'000
Cash and cash equivalents	6,132	-	9,817	-
Goods and services receivable	5,772	1,925	3,347	764
Accrued revenue	1,996	-	3,276	-
Total	13,900	1,925	16,440	764

Ageing of financial assets that were past due but not impaired for 2016

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Goods and services receivable	518	1,192	278	455	2,443
Total	518	1,192	278	455	2,443

Ageing of financial assets that were past due but not impaired for 2015

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Goods and services	598	193	89	482	1,362
Total	598	193	89	482	1,362

The following asset has been individually assessed as impaired

Trade receivables have been individually assessed for impairment including an assessment made on an historical basis.

7.2E: Liquidity risk

The department is appropriated funding from the Australian Government. The department manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the department has policies in place to ensure timely payments are made when due and has no past experience of default.

7.2F: Market risk

The department holds basic financial instruments that do not expose the department to market risks.

7.3. Administered – Financial Instruments

	2016	2015
<u>7.3A: Categories of financial instruments</u>	\$'000	\$'000
Financial assets		
Available for sale financial assets		
Investments	2,118,337	2,149,930
Total available-for sale financial assets	2,118,337	2,149,930
Loans and receivables		
Goods and services receivable	36,925	31,620
Total loans and receivables	36,925	31,620
Financial assets at fair value through profit or loss (designated)		
HECS\HELP Loans	36,807,652	30,444,858
Trade support loans	145,680	52,960
Other loans	591	-
Total assets at fair value through profit or loss (designated)	36,953,923	30,497,818
Total financial assets categorised as financial instruments	39,109,185	32,679,368
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade creditors and accruals	57,624	54,235
Grants payable	3,318	36,246
Total financial liabilities measured at amortised cost	60,942	90,481
Total financial liabilities	60,942	90,481
<u>7.3B: Net gains or losses on financial assets</u>		
Available for sale financial assets		
Gain (loss) recognised in equity	(31,593)	904
Net gains (losses) from available-for-sale financial assets	(31,593)	904
Loans and receivables		
Interest revenue	7	337
Write-down and impairment	(783)	(7,031)
Net gains (losses) from loans and receivables	(776)	(6,694)
Financial assets at fair value through profit or loss (designated)		
Interest revenue	529,330	582,797
Other revenue	675,522	558,656
Unwinding of discount	(636,237)	(801,980)
Fair value gain/(losses)	(1,058,199)	(1,261,294)
Net gains (losses) at fair value through profit or loss (designated)	(489,584)	(921,821)
Net gains (losses) on financial assets	(521,953)	(927,611)

7.3C: Fair value of financial instruments

The fair value of financial instruments is the same as their carrying amounts for 2016.

7.3D: Credit risk

The administered loans and receivables of the department are not exposed to a high level of credit risk as the majority of financial assets are cash or cash equivalents, trade receivables or advances and loans to state, territory and local governments. The department manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition the department has policies and procedures that guide employees' debt recovery techniques that are to be applied.

The recoverability and credit quality of the fair value through profit and loss (designated) amounts are factored into the actuarial assessment each year. No separate account is maintained of the write offs in the department's accounts rather just the movement in the assessment as a gain or loss in the Schedule of Administered Items. This accounting treatment is consistent with the basis for accounting for these instruments.

The department has assessed the risk of the default on payment and has allocated the following to an impairment allowance for doubtful debts:

Goods and services receivables 2016:\$11.557 million (2015: \$7.523 million).

In relation to the department's gross credit risk and the financial effect in respect of the amount that best represents the maximum exposure to credit risk there is no collateral held.

Credit quality of financial assets not past due or individually determined as impaired

	Not past due nor impaired 2016 \$'000	Past due or impaired 2016 \$'000	Not past due nor impaired 2015 \$'000	Past due or impaired 2015 \$'000
Available for sale				
Investments	2,118,337	-	2,149,930	-
Loans and receivables				
Goods and services receivables	29,727	18,755	29,749	9,394
Fair value through profit or loss (designated)				
HECS\HELP loans	36,807,652	-	30,444,858	-
Trade support loans	145,680	-	52,960	-
Other loans	591	-	-	-
Total	39,101,987	18,755	32,677,497	9,394

Ageing of financial assets that were past due but not impaired for 2016

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Goods and services and other receivables	292	166	54	6,686	7,198
Total	292	166	54	6,686	7,198

Ageing of financial assets that were past due but not impaired for 2015

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Goods and services and other receivables	472	910	33	456	1,871
Total	472	910	33	456	1,871

7.3E: Liquidity risk

The department is exposed to minimal liquidity risk and is appropriated funding from the Australian Government. The department manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the department has policies in place to ensure timely payments are made when due and has no past experience of default.

7.3F: Market risk

The department holds basic financial instruments that do not expose it to certain market risks including to 'currency risk' and 'other price risks'.

7.3G: Concessional loans

	2016 \$'000	2015 \$'000
HECS\HELP loans		
Nominal value	52,468,283	44,120,178
Less: Unexpired discount	(1,161,178)	(3,446,468)
Impairment	(14,499,449)	(10,228,852)
Carrying amount	<u>36,807,656</u>	<u>30,444,858</u>
Child Care loans		
Nominal value	252	727
Restructure	339	(727)
Carrying amount	<u>591</u>	<u>-</u>
Trade Support Loans		
Nominal value	196,037	81,055
Less: Unexpired discount	(33,117)	(18,596)
Impairment	(17,242)	(9,496)
Principal repayment	2	(3)
Carrying amount	<u>145,680</u>	<u>52,960</u>
Total Concessional loans	<u><u>36,953,927</u></u>	<u><u>30,497,818</u></u>

7.4. Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value.

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 department 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 or indirectly.

Level 3: Unobservable inputs for the asset or liability.

7.4A: Fair value measurements, valuation techniques and inputs used

Fair value measurements at 30 June 2016 by hierarchy for assets and liabilities

	Fair value measurements at the end of the reporting period using		Category (Level 1, 2 or 3)	Valuation Technique ²	Inputs Used
	2016 \$'000	2015 \$'000			
Non-financial assets					
Land	170	200	2	Market Approach	Adjusted market transactions
Buildings	230	242	2	Market Approach	Adjusted market transactions
Leasehold Improvements	35,640	40,537	3	Depreciated Replacement Cost	Replacement Cost New (price per sqm) Useful life (consumed economic benefit/ obsolescence of asset) Current restoration costs (price per square metre)
Leasehold Improvements - Assets	215 ³	173	3	Depreciated Replacement Cost	Discount rate Indexation rates
Under Construction	882	-	2	Replacement Cost	Current prices relevant to the location of the asset
Infrastructure, plant and equipment	7,404	4,499	2	Market Approach	Adjusted market transactions
Infrastructure, plant and equipment - Assets Under Construction	4,839	6,751	3	Depreciated Replacement Cost	Replacement Cost New (price per sqm) Useful life (consumed economic benefit/ obsolescence of asset)
Infrastructure, plant and equipment - Assets Under Construction	384	42	3	Market Approach	Adjusted market transactions
Infrastructure, plant and equipment - Assets Under Construction	32	-	2	Replacement Cost	Current prices relevant to the location of the asset
Total non-financial assets	49,796	52,444			
Total fair value measurements (assets) in statement of financial position¹	49,796	53,445			

¹. The Department has a number of assets and liabilities not measured at fair value in the statement of financial position. The carrying amounts of these assets and liabilities are considered to be a reasonable approximation of their fair value.

². There have been no changes to valuation techniques.

³. In 2015-16, leasehold improvements representing make good were stated to be measured using a category 2 valuation technique. A revised assessment has established that these assets are better represented as a category 3 asset disclosed at present value.

The department's assets are held for operational purposes and not held for the purpose of deriving a profit. The current use of all controlled assets is considered the highest and best use. The methods and valuation techniques used for the purpose of measuring fair value of assets and liabilities in 2016 are unchanged from the previous reporting period.

Accounting Policy**Fair Value Measurement**

The department deems transfers between levels of the fair value hierarchy to have occurred at reporting date.

7.4B: Reconciliation for recurring Level 3 fair value measurements

There have been no transfers between levels.

Recurring Level 3 fair value measurements - reconciliation for assets

	Non-financial assets							
	Land and buildings		Property, plant and equipment		Leasehold Improvements		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Restructuring opening balance	-	640	6,793	7,455	40,446	49,473	47,239	57,568
Total gains/(losses) recognised in net cost of services ¹	-	(15)	(478)	(2,244)	(6,116)	(6,804)	(6,594)	(9,063)
Transfers to other entities	-	-	-	-	34	(3,181)	34	(3,181)
Purchases	-	-	368	1,568	764	715	1,132	2,283
Disposals	-	(625)	(250)	-	(92)	-	(342)	(625)
Transfers into Level 3	-	-	36	14	819	243	855	257
Transfers out Level 3	-	-	(1,246)	-	-	-	(1,246)	-
Closing balance	-	-	5,223	6,793	35,855	40,446	41,078	47,239

¹ These gains/(losses) are presented in the Statement of Comprehensive Income under 'Depreciation and amortisation' and 'Write-down and Impairment of assets'.

7.5. Administered – Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value. 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 department 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 or indirectly.

Level 3: Unobservable inputs for the asset or liability.

7.5A: Fair value measurements, valuation techniques and inputs used

Fair value measurements at 30 June 2016 by hierarchy for assets and liabilities

	Fair value measurements at the end of the reporting period using			For Levels 2 and 3 fair value measurements			
	2016 \$'000	2015 \$'000	Category (Level 1, 2 or 3)	Valuation technique	Inputs Used	Inputs Range	Weighted Average
Financial assets							
Concessional loans	36,953,923	30,497,818	3	Loan Conditions		Principal due	
Administered investments	2,118,337	2,149,930	3	Net assets of the entity		Net assets of the entity	
Total financial assets	39,072,260	32,647,748					
Total fair value measurements	39,072,260	32,647,748					

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

The methods and valuation techniques used for the purpose of measuring fair value of assets and liabilities in 2016 are unchanged from the previous reporting period.

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

7.5B: Reconciliation for recurring Level 3 fair value measurements

There has been no transfer between levels during the period

Recurring Level 3 fair value measurements - reconciliation for assets

	Financial assets					
	Concessional loans		Administered investments		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Opening balance	30,497,818	25,147,866	2,149,930	2,149,026	32,647,748	27,296,892
Total gains/(losses) recognised in net cost of services ¹	325,973	(669,486)	-	-	325,973	(669,486)
Total gains/(losses) recognised in Administered Equity	-	-	(31,593)	904	(31,593)	904
Issues	8,295,624	7,944,246	-	-	8,295,624	7,944,246
Settlements	(2,165,493)	(1,924,808)	-	-	(2,165,493)	(1,924,808)
Closing balance	36,953,922	30,497,818	2,118,337	2,149,930	39,072,259	32,647,748

¹The gains or losses are presented in the Administered Schedule of Comprehensive Income under Notes 2.1C Personal benefits, 2.1E Finance costs, 2.1H Fair value losses, 2.2B Interest.

8. Other Information

8.1. Restructuring

8.1A: Departmental restructuring

	2016
Function	Early Childhood Education and Care
Entity	Department of Social Services ¹
	\$'000
FUNCTION ASSUMED	
Assets recognised	
Trade and other receivables	16,060
Property, plant and equipment	40
Intangibles	949
Leasehold improvements	646
Total assets recognised	17,695
Liabilities recognised	
Employee provisions	13,855
Other payables	192
Total liabilities recognised	14,047
Net assets recognised	3,648
Income assumed	
Recognised by the receiving entity	-
Recognised by the losing entity	62
Total income assumed	62
Expenses assumed	
Recognised by the receiving entity	30,508
Recognised by the losing entity	14,801
Total expenses assumed	45,309

Notes:

¹ The Early Childhood Education and Care functions were acquired from the Department of Social Services following the Administrative Arrangement Orders of 21 September 2015.

The net assets assumed from all entities total \$3.648 million.

The net book value of the assets and liabilities were transferred to the department for no consideration.

Function	2015	
	Early Childhood Education and Care	Skills and Training
Entity	Department of Social Services ¹	Department of Industry and Science ²
	\$'000	\$'000
FUNCTION ASSUMED		
Assets recognised		
Trade and other receivables	-	24,100
Property, plant and equipment	-	1
Intangibles	-	14,712
Total assets recognised	-	38,813
Liabilities recognised		
Employee provisions	-	14,256
Total liabilities recognised	-	14,256
Net assets recognised	-	24,557
Income assumed		
Recognised by the receiving entity	-	4,105
Recognised by the losing entity	-	2,863
Total income assumed	-	6,968
Expenses assumed		
Recognised by the receiving entity	-	18,960
Recognised by the losing entity	-	38,212
Total expenses assumed	-	57,172
FUNCTIONS RELINQUISHED		
Assets relinquished		
Trade and other receivables	13,085	-
Land and buildings	2,583	-
Property, plant and equipment	25	-
Intangibles	8,557	-
Other non financial assets	260	-
Total assets relinquished	24,510	-
Liabilities relinquished		
Suppliers	4,073	-
Employee provisions	13,416	-
Total liabilities relinquished	17,489	-
Net assets relinquished	7,021	-

¹The Early Childhood Education and Care functions transferred to Department of Social Services following the Administrative Arrangement Orders of 23 December 2014.

²The Skills and Training functions were acquired from the Department of Industry and Science following the Administrative Arrangement Orders of 23 December 2014.

The net assets assumed from all entities total \$24.557 million.

The net assets relinquished to all entities total \$7.021 million.

The net book value of the assets and liabilities were transferred to the department for no consideration.

8.1B: Administered restructuring	
2016	
Function	Early Education: Early Childhood and Child Care
Entity	Department of Social Services¹
\$'000	
FUNCTIONS ASSUMED	
Assets recognised	
Cash and cash equivalents	102,070
Trade and other receivables	406,541
Advances and loans	339
Other non-financial assets	4,169
Total assets recognised	513,119
Liabilities recognised	
Suppliers	95
Personal benefits payable	197,991
Grants payable	2,583
Provision for personal benefits	746,777
Total liabilities recognised	947,446
Net assets recognised	(434,327)
Income assumed	
Recognised by the receiving entity	5,226
Recognised by the losing entity	408
Total income assumed	5,634
Expenses assumed	
Recognised by the receiving entity	4,670,116
Recognised by losing entity	2,098,320
Total expenses assumed	6,768,436

Notes:

¹The Early Childhood Education and Care functions transferred from the Department of Social Services following the Administrative Arrangement Orders of 21 September 2015.

The net assets assumed from all entities total (\$434.327) million.

The net book value of the assets and liabilities were transferred to the department for no consideration.

Function	2015	
	Early Education: Early Childhood and Child Care	Skills and Training
Entity	Department of Social Services ¹	Department of Industry and Science ²
	\$'000	\$'000
FUNCTIONS ASSUMED		
Assets recognised		
Cash and cash equivalents	-	737
Trade and other receivables	-	1,449
Advances and loans	-	23,850
Total assets recognised	-	26,036
Liabilities recognised		
Suppliers	-	34,605
Total liabilities recognised	-	34,605
Net assets recognised	-	(8,569)
Income assumed		
Recognised by the receiving entity	-	3,610
Recognised by the losing entity	-	8,912
Total income assumed	-	12,522
Expenses assumed		
Recognised by the receiving entity	-	414,257
Recognised by losing entity	-	853,436
Total expenses assumed	-	1,267,693
FUNCTIONS RELINQUISHED		
Assets relinquished		
Cash and cash equivalents	25,109	-
Trade and other receivables	(917)	-
Personal benefits receivable	355,471	-
Advances and loans	609	-
Total assets relinquished	380,272	-
Liabilities relinquished		
Suppliers	3,797	-
Personal benefits payable	193,101	-
Grants payable	22,429	-
Provision for personal benefits	703,289	-
Total liabilities relinquished	922,616	-
Net assets relinquished	(542,344)	-

Notes:

¹ The Early Childhood Education and Care functions transferred to the Department of Social Services following the Administrative Arrangement Orders of 23 December 2014.

² The Skills and Training functions were acquired from the Department of Industry and Science following the Administrative Arrangement Orders of 23 December 2014.

The net assets assumed from all entities total (\$8.569) million.

The net assets relinquished to all entities total (\$542.344) million.

8.2. Reporting of Outcomes

Outcomes 1 and 2 are described in the Overview. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome. The annual report details Agency resource statements and resources. The department uses a cost allocation model to determine the attribution of its shared items.

8.2A: Major classes of expenses, income, assets and liabilities by outcome

	Outcome 1		Outcome 2		Payment to Corporate Commonwealth Entities		Not attributed ¹		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses										
Employee benefits	88,410	104,832	127,420	101,729	-	-	-	-	215,830	206,561
Suppliers	48,417	48,221	79,506	52,958	-	-	-	-	127,923	101,179
Depreciation	10,109	13,831	15,059	13,087	-	-	-	-	25,168	26,918
Grants	100	25	529	232	-	-	-	-	629	257
Other	217	264	2,791	2,653	-	-	-	-	3,008	2,917
Total expenses	147,253	167,173	225,305	170,659					372,558	337,832
Own-Source Income										
Sale of goods and rendering of services	10,540	13,846	19,196	16,539	-	-	-	-	29,736	30,385
Income from government	122,236	142,651	190,891	134,203	-	-	-	-	313,127	276,854
Other	1,684	1,390	6,956	5,608	-	-	-	-	8,640	6,998
Total own-source income	134,460	157,887	217,043	156,350					351,503	314,237
Net cost/(contribution) of outcome delivery	12,793	9,286	8,262	14,309					21,055	23,595
Assets										
Cash and cash equivalents	-	-	3,536	2,286	-	-	2,596	7,531	6,132	9,817
Trade and other receivables	38,449	16,031	46,796	35,798	-	-	-	-	85,245	51,829
Other financial assets	900	1,013	1,096	2,263	-	-	-	-	1,996	3,276
Land and buildings	16,750	13,027	20,387	29,091	-	-	-	-	37,137	42,118
Infrastructure, plant and equipment	5,710	3,504	6,949	7,823	-	-	-	-	12,659	11,327
Intangibles	31,653	28,157	43,936	42,246	-	-	-	-	75,589	70,403
Other non-financial assets	4,567	3,318	5,559	7,410	-	-	-	-	10,126	10,728
Total assets	98,029	65,050	128,259	126,917			2,596	7,531	228,884	199,498
Liabilities										
Suppliers	14,281	7,267	17,382	16,228	-	-	-	-	31,663	23,495
Other payables	9,169	8,958	11,160	20,005	-	-	-	-	20,329	28,963
Employee provisions	32,102	16,943	39,071	37,835	-	-	-	-	71,173	54,778
Other provisions	784	961	955	2,145	-	-	-	-	1,739	3,106
Total liabilities	56,336	34,129	68,568	76,213					124,904	110,342

¹ Assets and liabilities that could not be reliably attributed to outcomes.

	Outcome 1		Outcome 2		Payment to Corporate Commonwealth Entities		Not attributed		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses										
Personal benefits	5,028,009	3,443,917	64,265	91,179	-	-	-	-	5,092,274	3,535,096
Subsidies	693	-	327,117	144,309	-	-	-	-	327,810	144,309
Grants	15,932,767	15,150,944	9,792,553	9,259,152	-	-	-	-	25,725,320	24,410,096
Suppliers	44,824	115,912	554,003	222,665	-	-	-	-	598,827	338,577
Other	18,461	25,342	1,694,717	2,064,226	15,009	13,370	-	-	1,728,187	2,102,938
Total expenses	21,024,754	18,736,115	12,432,655	11,781,531	15,009	13,370	-	-	33,472,418	30,531,016
Income										
Interest	2	336	529,335	582,798	-	-	-	-	529,337	583,134
Levies	-	-	10,144	8,576	-	-	-	-	10,144	8,576
Non taxation revenue - Other	5,972	42,677	807,205	806,610	-	-	-	554	813,177	849,841
Gains	-	16	-	1,200,250	-	-	-	-	-	1,200,266
Total income	5,974	43,029	1,346,684	2,598,234	-	-	-	554	1,352,658	2,641,817
Net cost/(contribution) of outcome delivery	21,018,780	18,693,086	11,085,971	9,183,297	15,009	13,370	-	(554)	32,119,760	27,889,199
Assets										
Cash and cash equivalents	37,360	5,146	34,732	21,382	-	-	-	-	72,092	26,528
Receivables	471,413	4,339	37,398,987	30,923,635	-	-	-	-	37,870,400	30,927,974
Investments	5,336	6,795	2,113,001	2,143,135	-	-	-	-	2,118,337	2,149,930
Other non-financial assets	-	-	240	-	-	-	-	-	240	-
Total assets	514,109	16,280	39,546,960	33,088,152	-	-	-	-	40,061,069	33,104,432
Liabilities										
Suppliers	13,670	3,886	43,193	50,253	-	-	761	96	57,624	54,235
Personal benefits	149,271	-	-	-	-	-	-	-	149,271	-
Grants	-	15,743	3,318	20,503	-	-	-	-	3,318	36,246
Other payables	13,748	2,118	23,333	15,571	-	-	-	12	37,081	17,701
Provision for personal benefits	872,819	-	-	-	-	-	-	-	872,819	-
Provision for grants	-	-	6,959,011	6,068,013	-	-	-	-	6,959,011	6,068,013
Total liabilities	1,049,508	21,747	7,028,855	6,154,340	-	-	761	108	8,079,124	6,176,195