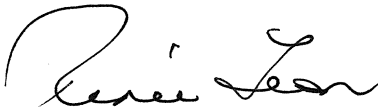


Department of Employment
STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

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

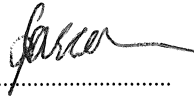
In our opinion, at the date of this statement, there are reasonable grounds to believe that the Department of Employment will be able to pay its debts as and when they fall due.



Signed.....

Reneé Leon PSM
Accountable Authority

9 September 2016



Signed.....

Glen Casson
Chief Financial Officer

9 September 2016

Department of Employment
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2016

| | Notes | 2016 \$'000 | 2015 \$'000 | Original Budget ¹ \$'000 |
|---|-------|-----------------|-----------------|---|
| NET COST OF SERVICES | | | | |
| EXPENSES | | | | |
| Employee benefits | 1.1A | 203,275 | 181,679 | 218,026 |
| Suppliers | 1.1B | 101,847 | 123,520 | 86,213 |
| Grants | 1.1C | 300 | 1,439 | - |
| Depreciation and amortisation | 3.2A | 21,861 | 27,875 | 34,072 |
| Finance costs | 1.1D | 95 | 474 | - |
| Write-down and impairment of assets | 1.1E | 371 | 848 | - |
| Losses from asset sales | | 463 | 224 | - |
| Total expenses | | 328,212 | 336,059 | 338,311 |
| OWN-SOURCE INCOME | | | | |
| Own-source revenue | | | | |
| Sale of goods and rendering of services | 1.2A | 23,813 | 26,100 | 17,713 |
| External audit | | 460 | 460 | 460 |
| Total own-source revenue | | 24,273 | 26,560 | 18,173 |
| Gains | | | | |
| Other gains | 1.2B | 3,752 | 1,361 | - |
| Total gains | | 3,752 | 1,361 | - |
| Total own-source income | | 28,025 | 27,921 | 18,173 |
| Net cost of services | | 300,187 | 308,138 | 320,138 |
| Revenue from Government | | 280,305 | 295,989 | 286,066 |
| Deficit attributable to the Australian Government | | (19,882) | (12,149) | (34,072) |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items not subject to subsequent reclassification to net cost of services | | | | |
| Changes in asset revaluation surplus | | 6,876 | - | - |
| Total other comprehensive income | | 6,876 | - | - |
| Total comprehensive loss | | (13,006) | (12,149) | (34,072) |

1. Employment's original budgeted financial statement that was first presented to parliament in respect of the reporting period was the 2015–16 Portfolio Budget Statements.

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

Department of Employment

STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

| | Notes | 2016 \$'000 | 2015 \$'000 | Original Budget ¹ \$'000 |
|-------------------------------------|-------|-----------------|----------------|---|
| ASSETS | | | | |
| Financial Assets | | | | |
| Cash and cash equivalents | | 3,876 | 6,321 | 2,768 |
| Trade and other receivables | 3.1A | 126,871 | 116,131 | 71,568 |
| Other financial assets | 3.1B | 1,764 | 4,094 | - |
| Total financial assets | | 132,511 | 126,546 | 74,336 |
| Non-financial Assets | | | | |
| Leasehold improvements | 3.2A | 23,274 | 20,260 | 20,173 |
| Infrastructure, plant and equipment | 3.2A | 13,714 | 13,239 | 15,580 |
| Intangibles | 3.2A | 88,511 | 65,761 | 65,037 |
| Other non-financial assets | 3.2B | 9,635 | 12,011 | 10,252 |
| Total non-financial assets | | 135,134 | 111,271 | 111,042 |
| Total assets | | 267,645 | 237,817 | 185,378 |
| LIABILITIES | | | | |
| Payables | | | | |
| Suppliers | 3.3A | 17,879 | 16,720 | 6,146 |
| Other payables | 3.3B | 32,959 | 34,936 | 11,690 |
| Total payables | | 50,838 | 51,656 | 17,836 |
| Provisions | | | | |
| Employee provisions | 6.1A | 67,329 | 62,596 | 65,128 |
| Other provisions | 3.4A | 2,397 | 6,264 | 1,315 |
| Total provisions | | 69,726 | 68,860 | 66,443 |
| Total liabilities | | 120,564 | 120,516 | 84,279 |
| Net assets | | 147,081 | 117,301 | 101,099 |
| EQUITY | | | | |
| Contributed equity | | 194,301 | 151,515 | 187,726 |
| Reserves | | 10,252 | 3,376 | 3,376 |
| Accumulated deficit | | (57,472) | (37,590) | (90,003) |
| Total equity | | 147,081 | 117,301 | 101,099 |

1. Employment's original budgeted financial statement that was first presented to parliament in respect of the reporting period was the 2015–16 Portfolio Budget Statements.

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

Department of Employment
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2016

| | Retained earnings | | | Asset revaluation surplus | | | Contributed equity/capital | | | Total equity | | |
|--|-------------------|-----------------|---|---------------------------|----------------|---|----------------------------|----------------|---|-----------------|-----------------|---|
| | 2016 \$'000 | 2015 \$'000 | Original Budget ¹ \$'000 | 2016 \$'000 | 2015 \$'000 | Original Budget ¹ \$'000 | 2016 \$'000 | 2015 \$'000 | Original Budget ¹ \$'000 | 2016 \$'000 | 2015 \$'000 | Original Budget ¹ \$'000 |
| Opening balance | | | | | | | | | | | | |
| Balance carried forward from previous period | (37,590) | (25,441) | (55,931) | 3,376 | 3,376 | 3,376 | 151,515 | 96,504 | 151,515 | 117,301 | 74,439 | 98,960 |
| Adjusted opening balance | (37,590) | (25,441) | (55,931) | 3,376 | 3,376 | 3,376 | 151,515 | 96,504 | 151,515 | 117,301 | 74,439 | 98,960 |
| Comprehensive income | | | | | | | | | | | | |
| Other comprehensive income | - | - | - | 6,876 | - | - | - | - | - | 6,876 | - | - |
| Deficit for the period | (19,882) | (12,149) | (34,072) | - | - | - | - | - | - | (19,882) | (12,149) | (34,072) |
| Total comprehensive income | (19,882) | (12,149) | (34,072) | 6,876 | - | - | - | - | - | (13,006) | (12,149) | (34,072) |
| Contributions by owners | | | | | | | | | | | | |
| Equity injection - Appropriation | - | - | - | - | - | - | 15,408 | 23,987 | 9,333 | 15,408 | 23,987 | 9,333 |
| Departmental capital budget | - | - | - | - | - | - | 27,378 | 31,024 | 26,878 | 27,378 | 31,024 | 26,878 |
| Restructuring | - | - | - | - | - | - | - | - | - | - | - | - |
| Sub-total transactions with owners | - | - | - | - | - | - | 42,786 | 55,011 | 36,211 | 42,786 | 55,011 | 36,211 |
| Closing balance attributable to Australian Government | (57,472) | (37,590) | (90,003) | 10,252 | 3,376 | 3,376 | 194,301 | 151,515 | 187,726 | 147,081 | 117,301 | 101,099 |

1. Employment's original budgeted financial statement that was first presented to parliament in respect of the reporting period was the 2015-16 Portfolio Budget Statements.

Accounting Policy

Equity Injections

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

Restructuring of Administrative Arrangements

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

Other Distributions to Owners

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

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

Department of Employment

CASH FLOW STATEMENT

for the period ended 30 June 2016

| | Notes | 2016 \$'000 | 2015 \$'000 | Original Budget ¹ \$'000 |
|---|-------|-----------------|-----------------|---|
| OPERATING ACTIVITIES | | | | |
| Cash received | | | | |
| Appropriations | | 301,641 | 281,233 | 286,530 |
| Sale of goods and rendering of services | | 24,465 | 28,130 | 17,923 |
| Net GST received | | 13,571 | 13,559 | 7,354 |
| Other | | 3 | - | - |
| Total cash received | | 339,680 | 322,922 | 311,807 |
| Cash used | | | | |
| Employees | | 202,642 | 182,157 | 218,490 |
| Suppliers | | 114,271 | 110,617 | 93,317 |
| Grants | | 300 | 1,439 | - |
| Section 74 receipts transferred to the OPA | | 24,286 | 26,198 | - |
| Total cash used | | 341,499 | 320,411 | 311,807 |
| Net cash from operating activities | 5.3 | (1,819) | 2,511 | - |
| INVESTING ACTIVITIES | | | | |
| Cash received | | | | |
| Proceeds from sales of infrastructure, plant and equipment | | 23 | 54 | - |
| Total cash received | | 23 | 54 | - |
| Cash used | | | | |
| Purchase of infrastructure, plant and equipment | | 3,932 | 4,591 | 6,990 |
| Purchase / development of intangibles | | 37,538 | 41,634 | 23,065 |
| Purchase of leasehold improvements | | 982 | 7,526 | 6,156 |
| Total cash used | | 42,452 | 53,751 | 36,211 |
| Net cash used by investing activities | | (42,429) | (53,697) | (36,211) |
| FINANCING ACTIVITIES | | | | |
| Cash received | | | | |
| Contributed equity - equity injection and capital budget | | 41,803 | 51,838 | 36,211 |
| Total cash received | | 41,803 | 51,838 | 36,211 |
| Net cash from financing activities | | 41,803 | 51,838 | 36,211 |
| Net increase in cash held | | (2,445) | 652 | - |
| Cash and cash equivalents at the beginning of the reporting period | | 6,321 | 5,669 | 2,768 |
| Cash and cash equivalents at the end of the reporting period² | | 3,876 | 6,321 | 2,768 |

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

Department of Employment

SCHEDULE OF COMMITMENTS

as at 30 June 2016

1. Employment's original budgeted financial statement that was first presented to parliament in respect of the reporting period was the 2015–16 Portfolio Budget Statements.
2. As shown in the Statement of Financial Position.

Department of Employment
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME
for the period ended 30 June 2016

| | Notes | 2016 \$'000 | 2015 \$'000 | Original Budget ¹ \$'000 |
|---|-------|--------------------|--------------------|---|
| NET COST OF SERVICES | | | | |
| EXPENSES | | | | |
| Suppliers | 2.1A | 1,004,221 | 1,187,868 | 1,313,745 |
| Subsidies | 2.1B | 165,165 | 281,345 | 305,930 |
| Personal benefits | 2.1C | 337,814 | 384,959 | 284,525 |
| Grants | 2.1D | 90,833 | 89,773 | 82,959 |
| Write-down and impairment of assets | | 2,293 | 155 | - |
| Payments to corporate Commonwealth entities | | 7,727 | 7,563 | 7,727 |
| Total expenses administered on behalf of Government | | 1,608,053 | 1,951,663 | 1,994,886 |
| INCOME | | | | |
| Revenue | | | | |
| Taxation revenue | | | | |
| Other taxes | | 144,931 | 159,401 | 174,618 |
| Total taxation revenue | | 144,931 | 159,401 | 174,618 |
| Non-taxation revenue | | | | |
| Interest | | 29 | 20 | - |
| Commonwealth asset recoveries | | 70,529 | 23,278 | 14,732 |
| Other revenue | | 25,237 | 5,643 | 3,963 |
| Total non-taxation revenue | | 95,795 | 28,941 | 18,695 |
| Total revenue | | 240,726 | 188,342 | 193,313 |
| Total income | | 240,726 | 188,342 | 193,313 |
| Net cost of services | | (1,367,327) | (1,763,321) | (1,801,573) |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items not subject to subsequent reclassification to net cost of services | | | | |
| Changes in asset revaluation surplus | | 16,239 | 79,181 | - |
| Total other comprehensive income | | 16,239 | 79,181 | - |
| Total comprehensive loss | | (1,351,088) | (1,684,140) | (1,801,573) |

1. Employment's original budgeted financial statement that was first presented to parliament in respect of the reporting period was the Portfolio Budget Statements 2015–16.

Accounting Policy

Revenue

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

Administered 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.

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

Department of Employment
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES
as at 30 June 2016

| | Notes | 2016 \$'000 | 2015 \$'000 | Original Budget ¹ \$'000 |
|---|-------|--------------------|--------------------|---|
| ASSETS | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | | 4 | 104 | - |
| Trade, taxation and other receivables | 4.1A | 42,378 | 32,165 | 23,336 |
| Other investments | 4.1B | 240,897 | 224,658 | 145,477 |
| Total financial assets | | 283,279 | 256,927 | 168,813 |
| Non-financial assets | | | | |
| Prepayments | | 5,321 | 5,014 | 5,297 |
| Total non-financial assets | | 5,321 | 5,014 | 5,297 |
| Total assets administered on behalf of Government | | 288,600 | 261,941 | 174,110 |
| LIABILITIES | | | | |
| Payables | | | | |
| Suppliers | 4.2A | 60,980 | 99,476 | 21,642 |
| Subsidies | 4.2B | 24,135 | 52,573 | 14,810 |
| Personal benefits | 4.2C | 2,753 | 6,692 | 9,441 |
| Grants | 4.2D | 2,168 | - | 459 |
| Other payables | 4.2E | 2,810,289 | 2,794,446 | 2,779,135 |
| Total payables | | 2,900,325 | 2,953,187 | 2,825,487 |
| Total liabilities administered on behalf of Government | | 2,900,325 | 2,953,187 | 2,825,487 |
| Net liabilities | | (2,611,725) | (2,691,246) | (2,651,377) |

1. Employment's original budgeted financial statement that was first presented to parliament in respect of the reporting period was the Portfolio Budget Statements 2015–16.

Accounting Policy

Prepayments

All administered prepayments are current assets.

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

Department of Employment

ADMINISTERED RECONCILIATION SCHEDULE

| | 2016 \$'000 | 2015 \$'000 |
|---|--------------------|----------------|
| Opening assets less liabilities | (2,691,246) | (2,656,569) |
| Adjustment for errors | - | 5,023 |
| Adjusted opening assets less liabilities | (2,691,246) | (2,651,546) |
| Net cost of services | | |
| Income | 240,726 | 188,342 |
| Expenses | | |
| Payments to entities other than corporate Commonwealth entities | (1,600,326) | (1,944,100) |
| Payments to corporate Commonwealth entities | (7,727) | (7,563) |
| Other comprehensive income | | |
| Revaluations transferred to reserves | 16,239 | 79,181 |
| Transfers (to)/from the Australian Government | | |
| Appropriation transfers from Official Public Account | | |
| Administered assets and liabilities appropriations | - | - |
| Annual appropriations | | |
| Payments to entities other than corporate Commonwealth entities | 1,127,767 | 1,290,262 |
| Payments to corporate Commonwealth entities | 7,727 | 7,563 |
| Special appropriations (unlimited) | | |
| Payments to entities other than corporate Commonwealth entities | 288,618 | 334,246 |
| Payments to corporate Commonwealth entities | 182,146 | 198,110 |
| Appropriation transfers to Official Public Account | | |
| Transfers to Official Public Account | (175,649) | (185,741) |
| Restructuring | - | - |
| Closing assets less liabilities as at 30 June | (2,611,725) | (2,691,246) |

Accounting Policy

Administered Cash Transfers to and from the Official Public Account

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

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

Department of Employment
ADMINISTERED CASH FLOW STATEMENT
for the period ended 30 June 2016

| | Notes | 2016 \$'000 | 2015 \$'000 |
|---|-------|--------------------|--------------------|
| OPERATING ACTIVITIES | | | |
| Cash received | | | |
| Interest | | 29 | 20 |
| Net GST received | | 105,330 | 111,982 |
| Levies | | 146,970 | 158,606 |
| Other | | 95,859 | 28,982 |
| Total cash received | | 348,188 | 299,590 |
| Cash used | | | |
| Suppliers | | 1,153,568 | 1,308,506 |
| Subsidies | | 193,603 | 160,681 |
| Personal benefits | | 357,863 | 387,719 |
| Grants | | 73,662 | 71,792 |
| Payments to corporate Commonwealth entities | | 7,727 | 7,563 |
| Total cash used | | 1,786,423 | 1,936,261 |
| Net cash flows used by operating activities | 5.3 | (1,438,235) | (1,636,671) |
| Cash and cash equivalents at the beginning of the reporting period | | 104 | - |
| Cash from the Official Public Account for | | | |
| - Appropriations | | 1,606,257 | 1,830,183 |
| - GST appropriations | | 106,756 | 115,076 |
| Total cash from official public account | | 1,713,013 | 1,945,259 |
| Cash to the Official Public Account for | | | |
| - Appropriations | | (175,649) | (185,741) |
| - Return of GST appropriations | | (99,229) | (122,743) |
| Total cash to official public account | | (274,878) | (308,484) |
| Cash and cash equivalents at the end of the reporting period¹ | | 4 | 104 |

1. As shown in the Statement of Financial Position.

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

Department of Employment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison between the 2015–16 Portfolio Budget Statements (PBS) budget and the final financial outcome in the 2015–16 financial statements. The Budget is not audited and does not reflect budget estimates provided as part of the 2016–17 Portfolio Budget Statements (PBS). However, major changes in budget have been explained as part of the variance analysis where relevant.

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

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

Departmental Major Budget Variances for 2016

| Explanations of major variances | Affected line items (and schedule) |
|---|---|
| The main variance is primarily due to lower than planned expenditure on Leave and Other Entitlements. | Employee Benefits (Statement of Comprehensive Income), Employees (Cash Flow Statement) |
| Suppliers expense variance is primarily due an increase in expenses for staff training, additional work undertaken for research and analysis and strengthening of assurance activities. | Suppliers (Statement of Comprehensive Income), Suppliers (Cash Flow Statement) |
| The lower depreciation and amortisation expense compared to budget was mainly due to leases ending and extension of leases. | Depreciation and amortisation (Statement of Comprehensive Income) |
| Revenue from services and property sub leases contributed to the higher than expected own-source revenue. | Own-source of revenue (Statement of Comprehensive income), Sale of goods and rendering of services (Cash Flow Statement). |
| The Other gains variance is due to the write back of surplus lease, property ownership movements due to Machinery of Government changes and write off of a provision no longer required. These are one off revenues that were not budgeted for. | Other gains (Statement of Comprehensive income) |
| This variance is due to the revaluation of the Department's assets. | Other Comprehensive income (Statement of Comprehensive income), Reserves (Statement of Financial Position), Asset Revaluation Surplus (Statement of Changes in Equity) |
| The Trade Debtors variance is due to increased appropriation receivable and lease incentives. This budget was adjusted to better reflect the outcomes expected for the Department. With this adjustment the variance relates to lease incentives. | Trade and other receivables (Statement of Financial Position) |
| Accrued Revenue received is lower than expected, as less receivables have been accrued than forecast. | Assets—Other financial assets (Statement of Financial Position) |
| Leasehold asset values have been increased due to a revaluation as at 30 June 2016. | Leasehold Improvements (Statement of Financial Position) |
| The variance relates to fit-out works planned for 2015–16 that were delayed due to on-going lease negotiations. | Leasehold Improvements (Cash Flow Statement) |
| Infrastructure expenditure is below budget due to delays in purchases. | Infrastructure, Plant and Equipment (Statement of Financial Position) & (Cash Flow Statement) |
| The variance relates to a higher value of internally developed software. | Intangibles (Statement of Financial Position) & (Cash Flow Statement) |
| The Suppliers payable variance is due to increased accounts payable above what was originally budgeted. This budget was adjusted in the revised budget to better reflect the outcomes expected for the department. With this adjustment, the variance is on budget. | Supplier payables (Statement of Financial Position) |
| Other payables variance when compared to original budget is attributed to a lease incentive recognised and this has been adjusted in the revised budget. The variance to the revised budget relates to salary accruals at year end. | Other payables (Statement of Financial Position) |
| Higher Other provisions is mainly due to a provision for surplus lease recorded in 2014–15 and an onerous contract on a lease. | Other provisions (Statement of Financial Position) |
| The variance relates to a small capital and operating surplus when compared to revised budget. | Accumulated deficit (Statement of Financial Position), Retained Earnings (Statement of Changes in Equity) |
| The Department received additional Capital and Equity injections associated with new measures. This was amended in the revised budget. | Contributed equity (Statement of Financial Position), Contributed equity/capital (Statement of Changes in Equity) Contributed equity - equity injection (Cash Flow Statement) |
| GST received from the ATO was higher than the revised budget, | Net GST received |

| | |
|--|---|
| mainly due to higher than planned Supplier expenses. | (Cash Flow Statement) |
| There is no budget for the transfer of cash to the OPA from revenue received under Section 74 of the <i>Public Governance, Performance and Accountability Act 2013</i> . | Section 74 transfers to the OPA (Cash Flow Statement) |

Administered Major Budget Variances for 2016

| Explanations of major variances | Affected line items (and schedule) |
|---|--|
| The Supplier and Subsidies expense variance primarily relates to lower than planned job seeker commencements in jobactive due to lower than forecast unemployment rate. | Suppliers & Subsidies(Administered Schedule of Comprehensive Income) |
| Monthly levy collections for the <i>Coal Mining Industry (LSL) Act 1992</i> (CMIC) have been impacted by the reduced numbers of employees in the sector. This is due to the industry moving from an expansion and construction phase to a more steady production phase. | Subsidies and Other Taxes (Administered Schedule of Comprehensive Income) |
| Higher than planned Personal Benefits expense primarily relates to the Fair Entitlements Guarantee Program (FEG). The average cost per claim was higher than the original budget estimate. | Personal Benefits (Administered Schedule of Comprehensive Income) |
| The majority of the variance to budget relates to one debt that was recognised as doubtful after the finalisation of an insolvency process. | Write-down and impairment of Assets (Administered Schedule of Comprehensive Income), |
| The variance relates to higher than planned recoveries relating to the FEG program including activities under the FEG Recovery program. | Commonwealth Asset Recoveries (Administered Schedule of Comprehensive Income), Trade and Other receivables (Administered Schedule of Assets and Liabilities) |
| Higher than planned Other Revenue relates to recoveries of asbestos settlement claims from employers for costs paid by the Commonwealth under the <i>Asbestos Related Claims Act 2005</i> . The original budget was based on prior year outcomes, however by their nature, the recoveries vary from year to year. | Other Revenue (Administered Schedule of Comprehensive Income) |
| Other revenue was higher than planned due to expenditure estimates from 2014–15 being lower in 2015–16 than expected. As such residual estimates to cover the expenditure have been moved from expenses. | Other Revenue (Administered Schedule of Comprehensive Income) |
| Higher than planned Other Investments relates to the Government's holdings in CMIC. | Other Investments (Administered Schedule of Assets and Liabilities), Other Comprehensive Income (Administered Schedule of Comprehensive Income) |
| Supplier payables relate to jobactive accruals for Wage Subsidies and Outcome Fees. The budget was amended at the revised budget which was based on previous year's result. The accrual for jobactive is less than the revised budget mainly due to changes in the way outcome fees are structured under the new jobactive program. | Suppliers Payable(Administered Schedule of Assets and Liabilities) |
| Subsidies payable relates to a higher than expected end of year accruals when compared to original budget. This was updated at the revised budget and the actuals are now on budget. | Subsidies Payable (Administered Schedule of Assets and Liabilities) |
| Due to changes in payment processing in 2016–17 under the FEG program, all approved claims were paid in 2015–16 and there are no accruals in 2015–16. | Personal Benefits Payable (Administered Schedule of Assets and Liabilities) |
| Grants payable actuals reflects grants that have been awarded but not yet paid. It was expected that the majority of the initial milestones would be paid by the end of the financial year. | Grants Payable (Administered Schedule of Assets and Liabilities) |

| | |
|--|-----|
| Budgetary Reports and Explanations of Major Variances | 120 |
| Overview | 123 |
| 1. Departmental Financial Performance | 125 |
| 1.1. Expenses | 125 |
| 1.2. Income | 127 |
| 2. Income and Expenses Administered on Behalf of Government | 129 |
| 2.1. Administered—Expenses | 129 |
| 3. Departmental Financial Position | 130 |
| 3.1. Financial Assets | 130 |
| 3.2. Non-Financial Assets | 132 |
| 3.3. Payables | 137 |
| 3.4. Other Provisions | 138 |
| 4. Assets and Liabilities Administered on Behalf of Government | 139 |
| 4.1. Administered—Financial Assets | 139 |
| 4.2. Administered—Payables | 140 |
| 5. Funding | 142 |
| 5.1. Appropriations | 142 |
| 5.2. Net Cash Appropriation Arrangements | 146 |
| 5.3. Cash Flow Reconciliation | 147 |
| 6. People and Relationships | 148 |
| 6.1. Employee Provisions | 148 |
| 6.2. Senior Management Personnel Remuneration | 149 |
| 7. Managing Uncertainties | 150 |
| 7.1. Contingent Assets and Liabilities | 151 |
| 7.2. Financial Instruments | 152 |
| 7.3. Administered—Financial Instruments | 156 |
| 7.4. Fair Value Measurement | 159 |
| 7.5. Administered—Fair Value Measurement | 162 |
| 8. Other Information | 163 |
| 8.1. Reporting of Outcomes | 163 |

Overview

Objectives of the Department of Employment

The Department of Employment is an Australian Government controlled entity. It is a not-for-profit entity.

The Department provides advice to the Government and administers programs to achieve the Government's objectives to create more jobs and increase productivity. The Department works in partnership with the states and territories, non-government authorities, jobactive providers and industry.

The Department is structured to meet the following outcomes:

Outcome 1: Fostering a productive and competitive labour market through employment policies and programs that assist job seekers into work, meet employer needs and increase Australia's workforce participation.

Outcome 2: Facilitating jobs growth through policies that promote fair, productive and safe workplaces.

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 Department conducts the following administered activities on behalf of the Government:

- aid the gaining of paid employment, delivering benefits for individuals, their families and the community through jobactive providers.
- provide advice and support on the national workplace relations system that encourages employers and employees to agree, and productive and competitive working arrangements to support jobs growth, and advise on workplace health and safety and workers compensation.

Basis of Preparation of the Financial Statements

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

The financial statements and notes have been prepared in accordance with:

- Financial Reporting Rule (FRR) for reporting periods ending on or after 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.

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

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

Significant Accounting Judgements and Estimates

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

- the fair value of leasehold improvements and infrastructure, plant and equipment has been taken to be the market value of similar items as determined by an independent valuer;
- the liability for long service leave has been estimated using an actuarial assessment based on the FRR requirements. This takes into account expected salary growth, attrition and future discounting using the government bond rates;
- the jobactive and the Job Commitment Bonus accruals for Supplier and Subsidies expense, developed by the Department have been reviewed by an independent actuary;

- the Department relies on the work of actuaries engaged by Comcare relating to balances for Other Payables; and
- the Department relies on the net asset position of the Coal Mining Industry Corporation for Other Investments.

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

Reporting of Administered Activities

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

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

New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No new and amended standards were issued prior to the signing of the statement by the accountable authority and chief financial officer, were applicable to the current reporting period and had a material effect on the entity's financial statements.

All other accounting standards that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on the Department's financial statements.

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 and apply to future reporting periods, which are expected to have a material impact on the Department's financial statements for future reporting periods:

| | |
|--------------------------|--|
| AASB 2015-6, AASB 124 | <i>Amendments to Australian Accounting Standards—Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i> |
| AASB 15 | <i>Revenue from Contracts with Customers</i> —specifies the accounting treatment for all revenue arising from contracts with customers |
| AASB 16 | <i>Leases</i> |

All other new standards and interpretations that were issued prior to the sign-off date and are applicable to future reporting periods are not expected to have a future material impact on the entity's financial statements.

Taxation

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

Revenues, expenses and non-financial assets are recognised net of GST except:

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

2014–15 Comparatives

Comparatives for the 2014–15 financial year have been amended. The changes relate to the mapping of General Ledger accounts only and have not changed the results for the 2014–15 financial year. The main changes are:

- balances were adjusted between Leave and other Entitlements and Wages and Salaries in the Employee benefits category in the Departmental Statement of Comprehensive Income;
- balances were adjusted between Suppliers and Subsidies in the Administered Schedule of Comprehensive Income;
- there have been prior year adjustments to the Short-term employee benefits category in the in the Senior Management Personnel Remuneration note;
- there were other minor adjustments in the Departmental Statement of Comprehensive Income.

Events after the Reporting Period

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

1. Departmental Financial Performance

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

1.1. Expenses

| | 2016 \$'000 | 2015 \$'000 |
|-------------------------------------|----------------|----------------|
| Note 1.1A: Employee Benefits | | |
| Wages and salaries | 147,518 | 135,974 |
| Superannuation | | |
| Defined contribution plans | 14,144 | 12,392 |
| Defined benefit plans | 17,577 | 16,391 |
| Leave and other entitlements | 19,132 | 14,989 |
| Separations and redundancies | 3,167 | 540 |
| Other employee expenses | 1,737 | 1,393 |
| Total employee benefits | 203,275 | 181,679 |

Accounting Policy

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

| | 2016 \$'000 | 2015 \$'000 |
|--|----------------|----------------|
| Note 1.1B: Suppliers | | |
| Goods and services supplied or rendered | | |
| Consultants | 15,464 | 8,854 |
| Contractors | 12,393 | 8,980 |
| Travel | 3,881 | 4,512 |
| IT services | 19,273 | 23,896 |
| Property | 3,176 | 8,896 |
| Resources provided free of charge | 460 | 460 |
| Legal | 2,501 | 2,896 |
| Other | 14,192 | 14,332 |
| Total goods and services supplied or rendered | 71,340 | 72,826 |
| Provision of goods | 1,667 | 2,099 |
| Rendering of services | 69,673 | 70,727 |
| Total goods and services supplied or rendered | 71,340 | 72,826 |
| Expenses paid on behalf of portfolio agency | - | 19,315 |
| Other suppliers | | |
| Operating lease rentals in connection with | | |
| Minimum lease repayments | 29,247 | 27,938 |
| Workers compensation expenses | 1,260 | 3,441 |
| Total other suppliers | 30,507 | 31,379 |
| Total suppliers | 101,847 | 123,520 |

Leasing commitments

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

| | 2016 | 2015 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Within 1 year | 26,596 | 30,806 |
| Between 1 to 5 years | 84,475 | 78,273 |
| More than 5 years | 69,836 | 82,882 |
| Total operating lease commitments | 180,907 | 191,961 |

Accounting Policy

Leases

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

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

| | 2016 | 2015 |
|--|--------|--------|
| | \$'000 | \$'000 |

Note 1.1C: Grants

Private sector

| | | |
|--------------------------|------------|--------------|
| Non-profit organisations | 215 | 423 |
| Other | 85 | 1,016 |
| Total grants | 300 | 1,439 |

Note 1.1D: Finance Costs

| | | |
|----------------------------------|-----------|------------|
| Discount for restoration | - | 17 |
| Discount for surplus lease space | 95 | 53 |
| Discount for lease incentives | - | 404 |
| Total finance costs | 95 | 474 |

Note 1.1E: Write-Down and Impairment of Assets

Asset write-downs and impairments from

| | | |
|--|------------|------------|
| Write-off of receivables—goods and services | 1 | 8 |
| Impairment of receivables—goods and services | 3 | 10 |
| Impairment of leasehold improvements | 51 | 689 |
| Write-off of leasehold improvements | 170 | 2 |
| Write-off of infrastructure, plant and equipment | 2 | 81 |
| Write-off of intangibles | 144 | 58 |
| Total write-down and impairment of assets | 371 | 848 |

1.2. Income

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

Note 1.2A: Sale of Goods and Rendering of Services

| | | |
|--|---------------|---------------|
| Sales of goods | 42 | 16 |
| Rendering of services | 23,771 | 26,084 |
| Total sale of goods and rendering of services | 23,813 | 26,100 |

Accounting Policy

Revenue from the sale of goods is recognised when:

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

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

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

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

Subleasing rental income commitments

Sub lease revenue for office accommodation. Vacant office space is sub leased where possible. The total of future minimum lease payments expected to be received over the next five years is \$3.93 million including GST.

| | 2016 | 2015 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Commitments for sublease rental income receivables are as follows: | | |
| Within 1 year | (1,520) | (3,359) |
| Between 1 to 5 years | (2,406) | (2,878) |
| More than 5 years | - | (253) |
| Total sublease rental income commitments | (3,926) | (6,490) |

Note 1.2B: Other Gains

| | | |
|--|--------------|--------------|
| Gain on write back of restoration provision | 1,172 | 229 |
| First time recognition of assets – infrastructure, plant and equipment | 50 | 266 |
| Write back of provision for surplus lease space | 1,098 | 11 |
| Write back of leaseholds impairment | 262 | 155 |
| Write back of intangibles impairment | 18 | - |
| Other | 1,152 | 700 |
| Total other gains | 3,752 | 1,361 |

Accounting Policy

Revenue from Government

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

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

Resources Received Free of Charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

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

Gains

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

Sale of Assets

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

2. Income and Expenses Administered on Behalf of Government

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

2.1. Administered—Expenses

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$'000 | \$'000 |
| Note 2.1A: Suppliers | | |
| Services rendered | | |
| Labour market assistance to job seekers and industry | 983,296 | 1,170,216 |
| Industrial relations | 20,925 | 17,649 |
| Total suppliers | 1,004,221 | 1,187,865 |
| Note 2.1B: Subsidies | | |
| Subsidies in connection with | | |
| Labour market assistance to job seekers and industry | 20,234 | 121,944 |
| Industrial relations | 144,931 | 159,401 |
| Total subsidies | 165,165 | 281,345 |
| Note 2.1C: Personal Benefits | | |
| Direct | | |
| Labour market assistance to job seekers and industry | 56,183 | 72,515 |
| Indirect | | |
| Industrial relations | 281,631 | 312,444 |
| Total personal benefits | 337,814 | 384,959 |

Accounting Policy

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

| | 2016 | 2015 |
|--------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Note 2.1D: Grants | | |
| Public sector | | |
| Australian Government entities | 78,812 | 84,299 |
| Private sector | | |
| Non-profit organisations | 7,641 | 957 |
| Other | 4,380 | 4,517 |
| Total grants | 90,833 | 89,773 |

Accounting Policy

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

Grant and subsidy liabilities are recognised to the extent that:

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

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.

3. Departmental Financial Position

This section analyses the Department of Employment's assets used to conduct its operations and the operating liabilities incurred as a result.

Employee related information is disclosed in the People and Relationships section.

3.1. Financial Assets

| | 2016 \$'000 | 2015 \$'000 |
|---|----------------|----------------|
| Note 3.1A: Trade and Other Receivables | | |
| Goods and services | 3,873 | 4,722 |
| Appropriation receivables—for existing programs | 113,140 | 109,207 |
| GST receivable from the Australian Taxation Office | 2,297 | 1,386 |
| Lease incentives | 7,510 | 776 |
| Other | 54 | 50 |
| Total trade and other receivables (gross) | 126,874 | 116,141 |
| Less impairment allowance account | | |
| Goods and services | (3) | (10) |
| Total impairment allowance account | (3) | (10) |
| Total trade and other receivables (net) | 126,871 | 116,131 |
| Trade and other receivables (net) expected to be recovered | | |
| No more than 12 months | 120,378 | 116,027 |
| More than 12 months | 6,493 | 104 |
| Total trade and other receivables (net) | 126,871 | 116,131 |
| Trade and other receivables (gross) aged as follows | | |
| Not overdue | 124,797 | 115,876 |
| Overdue by | | |
| 0 to 30 days | 341 | 20 |
| 31 to 60 days | 1,058 | 60 |
| 61 to 90 days | 165 | 28 |
| More than 90 days | 513 | 157 |
| Total trade and other receivables (gross) | 126,874 | 116,141 |
| Impairment allowance account aged as follows | | |
| Overdue by: | | |
| More than 90 days | (3) | (10) |
| Total impairment allowance | (3) | (10) |

Credit terms are net 30 days.

Reconciliation of the Impairment Allowance

Movements in relation to 2016

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

Movements in relation to 2015

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

Accounting Policy

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

Cash

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

- cash on hand;
- cash held by outsiders; and
- cash in special accounts.

Financial Assets

The Department classifies its financial assets in the following category:

- loans and receivables.

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

Loans and Receivables

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

Impairment of Financial Assets

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

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

| | 2016 \$'000 | 2015 \$'000 |
|--|----------------|----------------|
| Note 3.1B: Other Financial Assets | | |
| Accrued revenue | 1,764 | 4,094 |
| Total other financial assets | 1,764 | 4,094 |

All accrued revenue is expected to be received in no more than 12 months.

3.2. Non-Financial Assets

Note 3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles (2015–16)

| | Leasehold improvements \$'000 | Other plant & equipment \$'000 | Computer software internally developed \$'000 | Computer software purchased \$'000 | Total \$'000 |
|--|-------------------------------------|--------------------------------------|--|---|-----------------|
| As at 30 June 2015 | | | | | |
| Gross book value | 28,582 | 23,697 | 79,421 | 701 | 132,401 |
| Opening adjustment—gross book value | - | - | - | - | - |
| Accumulated depreciation and impairment | (8,322) | (10,458) | (14,011) | (350) | (33,141) |
| Opening adjustment—accumulated depreciation and impairment | - | - | - | - | - |
| Net book value 30 June 2015 | 20,260 | 13,239 | 65,410 | 351 | 99,260 |
| Additions | | | | | |
| Purchase or internally developed | 982 | 3,395 | 37,266 | 104 | 41,747 |
| First time recognition | - | 50 | - | - | 50 |
| Reclassification | (951) | 920 | (3) | 34 | - |
| Revaluations recognised in other comprehensive income | 6,128 | 748 | - | - | 6,876 |
| Impairments recognised in net cost of services | (51) | - | (144) | - | (195) |
| Reversal of impairments recognised in net cost of services | 262 | - | 18 | - | 280 |
| Depreciation/amortisation expense | (3,031) | (4,305) | (14,455) | (70) | (21,861) |
| Disposals | | | | | |
| Other | (155) | (331) | - | - | (486) |
| Write-offs | (170) | (2) | - | - | (172) |
| Total as at 30 June 2016 | 23,274 | 13,714 | 88,092 | 419 | 125,499 |
| Total as at 30 June 2016 represented by: | | | | | |
| Gross book value | | | | | |
| Fair Value | 23,586 | 14,579 | 113,208 | 839 | 152,212 |
| Work in progress | 8 | - | 2,910 | - | 2,918 |
| Accumulated amortisation | - | - | (27,585) | (407) | (27,992) |
| Accumulated depreciation | (10) | (102) | - | - | (112) |
| Accumulated impairment | (310) | (763) | (441) | (13) | (1,527) |
| Total as at 30 June 2016 | 23,274 | 13,714 | 88,092 | 419 | 125,499 |

Note 3.2B: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles (2014–15)

| | Leasehold improvements \$'000 | Other plant & equipment \$'000 | Computer software internally developed \$'000 | Computer software purchased \$'000 | Total \$'000 |
|---|-------------------------------------|--------------------------------------|--|--|-----------------|
| As at 30 June 2014 | | | | | |
| Gross book value | 21,599 | 21,582 | 86,190 | 706 | 130,077 |
| Opening adjustment—gross book value | - | 80 | - | (5) | 75 |
| Accumulated depreciation and impairment | (582) | (8,480) | (46,744) | (141) | (55,947) |
| Opening Adjustment—accumulated depreciation and impairment | 155 | (80) | - | 5 | 80 |
| Net book value 30 June 2014 | 21,172 | 13,102 | 39,446 | 565 | 74,285 |
| Additions | | | | | |
| Purchase or internally developed | 7,533 | 4,990 | 41,169 | - | 53,692 |
| First time recognition | - | 152 | 114 | - | 266 |
| Reclassification | - | - | - | - | - |
| Revaluations and impairments recognised in other comprehensive income | - | - | - | - | - |
| Impairments recognised in net cost of services | (689) | - | - | - | (689) |
| Depreciation/amortisation expense | (7,754) | (4,762) | (15,145) | (214) | (27,875) |
| Disposals | | | | | |
| From disposal of entities or operations (including restructuring) | - | - | - | - | - |
| Other | - | (162) | (116) | - | (278) |
| Write-offs | (2) | (81) | (58) | - | (141) |
| Total as at 30 June 2015 | 20,260 | 13,239 | 65,410 | 351 | 99,260 |
| Total as at 30 June 2015 represented by: | | | | | |
| Gross book value | | | | | |
| Fair Value | 27,545 | 23,697 | 78,492 | 701 | 130,435 |
| Work in progress | 1,037 | - | 929 | - | 1,966 |
| Accumulated amortisation | - | - | (13,143) | (319) | (13,462) |
| Accumulated depreciation | (7,432) | (9,239) | - | - | (16,671) |
| Accumulated impairment | (890) | (1,219) | (868) | (31) | (3,008) |
| Total as at 30 June 2015 | 20,260 | 13,239 | 65,410 | 351 | 99,260 |

During 2016, \$0.144 million of internally developed software was impaired (2015: nil). There were no write offs of internally developed software (2015: \$0.058 million). There were no write offs of purchased software during 2016 (2015: nil).

There are 3 leased properties that the Department manages which are due to be vacated within the next 12 months that have leasehold improvement assets. The total net book value of the leasehold improvements, including restoration for these properties, was \$0.774 million as at 30 June 2016.

No impairment loss was recognised for surplus lease space (2015: \$0.689m, 7 properties).

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

Revaluations of non-financial assets

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

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

Accounting Policy

Acquisition of Assets

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

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

Asset Recognition Threshold

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

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

Revaluations

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

| Asset Class | Fair value measurement |
|-------------------------------------|-------------------------------|
| Leasehold improvements | Depreciated replacement cost |
| Infrastructure, plant and equipment | Market selling price |

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

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

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

Depreciation

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

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

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

| Asset Class | 2016 |
|-------------------------------------|-------------|
| 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.

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

Derecognition

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

Intangibles

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

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

All software assets were assessed for indications of impairment as at 30 June 2016.

| | |
|--|---------------|
| Contractual commitments for the acquisition of property, plant, equipment and intangible assets | 2016 |
| | \$'000 |
| Commitments are payable as follows: | |
| Within 1 year | 28,513 |
| Total commitments payable | 28,513 |

Commitments reporting has changed from the prior year as such there are no comparatives for this item.

| | 2016 \$'000 | 2015 \$'000 |
|---|---------------------|----------------------|
| <u>Note 3.2B: Other Non-Financial Assets</u> | | |
| Prepayments | <u>9,635</u> | <u>12,011</u> |
| <i>Total other non-financial assets</i> | <u>9,635</u> | <u>12,011</u> |
| Other non-financial assets expected to be recovered in | | |
| No more than 12 months | 7,192 | 10,314 |
| More than 12 months | <u>2,443</u> | <u>1,697</u> |
| <i>Total other non-financial assets</i> | <u>9,635</u> | <u>12,011</u> |

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

Note 3.2C: Jointly Controlled Operations

The Shared Services Centre (SSC) commenced operation on 1 July 2014. The SSC provides operational, transactional, advisory and support functions for information technology and a range of corporate services for the partner departments: the Departments of Employment (Employment) and Education and Training (Education). The SSC also provides services to other agencies across the Commonwealth on a fee for service basis.

The SSC is classed as a joint operation under *AASB 11—Joint Arrangement*, whereby Employment and Education have joint control of the arrangement with rights to the 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 share of the assets, liabilities, revenues and expenses of the SSC.

The partner's ownership in the SSC is 50:50. Items are generally shared between Employment and Education on 49:51 basis respectively, with the main exception being property related items which are allocated based on occupancy at an agreed date. The resultant overall share of net assets for Employment in 2015–16 is 51 per cent.

3.3. Payables

| | 2016 | 2015 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Note 3.3A: Suppliers | | |
| Trade creditors | 15,736 | 14,606 |
| Operating lease rentals | 2,143 | 2,114 |
| Total suppliers | 17,879 | 16,720 |
| Suppliers expected to be settled | | |
| No more than 12 months | 16,195 | 15,652 |
| More than 12 months | 1,684 | 1,068 |
| Total suppliers | 17,879 | 16,720 |

Settlement is usually made within 30 days.

Note 3.3B: Other Payables

| | | |
|--|---------------|---------------|
| Salaries and wages | 710 | 5,842 |
| Superannuation | 129 | 1,004 |
| Separations and redundancies | 1,844 | 108 |
| Other employee benefits | 438 | 468 |
| Lease incentive | 21,320 | 16,817 |
| Unearned income | 1,261 | 3,979 |
| Accrued expenses | 7,257 | 6,718 |
| Total other payables | 32,959 | 34,936 |
| Other payables expected to be settled | | |
| No more than 12 months | 14,197 | 20,142 |
| More than 12 months | 18,762 | 14,794 |
| Total other payables | 32,959 | 34,936 |

Accounting Policy

Lease Incentives

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

Financial Liabilities

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

Financial Liabilities at Fair Value through Profit or Loss

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

Other Financial Liabilities

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

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

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

3.4. Other Provisions

Note 3.4A: Other provisions

| | Provision for restoration \$'000 | Provision for surplus lease \$'000 | Provision for onerous lease \$'000 | Total \$'000 |
|-------------------------------------|--|--|--|-----------------|
| As at 30 June 2015 | 1,030 | 5,234 | - | 6,264 |
| Additional provisions made | 226 | - | 440 | 666 |
| Amounts reversed | (756) | (1,913) | - | (2,669) |
| Amounts used | - | (1,959) | - | (1,959) |
| Discount or change in discount rate | - | 95 | - | 95 |
| Total as at 30 June 2016 | 500 | 1,457 | 440 | 2,397 |

| | 2016 \$'000 | 2015 \$'000 |
|---|----------------|----------------|
| <u>Note 3.4A: Other provisions</u> | | |
| Provision for restoration | 500 | 1,030 |
| Provision for surplus lease space | 1,457 | 5,234 |
| Provision for onerous lease | 440 | - |
| Total other provisions | 2,397 | 6,264 |

Other provisions expected to be settled

| | | |
|-------------------------------|--------------|--------------|
| No more than 12 months | 1,364 | 4,224 |
| More than 12 months | 1,033 | 2,040 |
| Total other provisions | 2,397 | 6,264 |

The Department currently has 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 (2015: 3 agreements). The Department has made a provision to reflect the present value of this obligation.

The Department has recognised a provision for surplus lease on six properties. Four properties have a lease end date within 2016–17. One property has a lease end date within two years. One property has a lease end date greater than two years.

4. Assets and Liabilities Administered on Behalf of Government

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

4.1. Administered—Financial Assets

| | 2016 | 2015 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Note 4.1A: Receivables | | |
| Taxation receivables | 11,963 | 14,002 |
| Personal benefits receivables | 16,111 | - |
| Goods and services receivables | 4,335 | 835 |
| GST receivable from the ATO | 12,111 | 17,465 |
| Total receivables (gross) | 44,520 | 32,302 |
| Less impairment allowance | | |
| Goods and services | (2,142) | (137) |
| Total impairment allowance | (2,142) | (137) |
| Total receivables (net) | 42,378 | 32,165 |
| Receivables (net) expected to be recovered | | |
| No more than 12 months | 42,226 | 32,072 |
| More than 12 months | 152 | 93 |
| Total receivables (net) | 42,378 | 32,165 |
| Receivables (gross) aged as follows | | |
| Not overdue | 41,694 | 31,682 |
| Overdue by: | | |
| 0 to 30 days | 9 | 14 |
| 31 to 60 days | 163 | 14 |
| 61 to 90 days | 180 | 53 |
| More than 90 days | 2,474 | 539 |
| Total receivables (gross) | 44,520 | 32,302 |
| Impairment allowance aged as follows | | |
| Overdue by: | | |
| More than 90 days | (2,142) | (137) |
| Total impairment allowance | (2,142) | (137) |
| Credit terms are within 30 days. | | |
| Reconciliation of the Impairment Allowance | | |
| Movements in relation to 2016 | | |
| | Goods and | Total |
| | services | Total |
| | \$'000 | \$'000 |
| Opening balance | (137) | (137) |
| Amounts written off | 129 | 129 |
| Increase recognised in net cost of services | (2,134) | (2,134) |
| Closing balance | (2,142) | (2,142) |
| Movements in relation to 2015 | | |
| | Goods and | Total |
| | services | Total |

| | \$'000 | \$'000 |
|---|--------------|--------------|
| Opening balance | (141) | (141) |
| Amounts written off | 141 | 141 |
| Increase recognised in net cost of services | (137) | (137) |
| Closing balance | (137) | (137) |

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.

| | 2016 \$'000 | 2015 \$'000 |
|---|----------------|----------------|
| Note 4.1B: Other Investments | | |
| Other Investments | | |
| Coal Mining Industry Corporation ¹ | <u>240,897</u> | <u>224,658</u> |
| Total other investments | 240,897 | 224,658 |

All Other Investments are expected to be recovered in greater than 12 months.

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

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

Accounting Policy

Administered Investments

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

Administered investments other than those held for sale are classified as available-for-sale and are measured at their fair value as at 30 June 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—Payables

| | 2016 \$'000 | 2015 \$'000 |
|------------------------------|----------------|----------------|
| Note 4.2A: Suppliers | | |
| Trade creditors and accruals | <u>60,980</u> | <u>99,475</u> |
| Total suppliers | 60,980 | 99,475 |

All suppliers are expected to be settled in no more than 12 months.

Settlement was made within 30 days

| | 2016 | 2015 |
|-----------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Note 4.2B: Subsidies | | |
| Subsidies | 24,135 | 52,573 |
| Total subsidies | 24,135 | 52,573 |

All subsidies are expected to be settled in no more than 12 months.

Note 4.2C: Personal Benefits

| | | |
|---|--------------|--------------|
| Labour market assistance to job seekers and industry - Direct | 2,744 | 2,142 |
| Labour market assistance to job seekers and industry - Indirect | 9 | - |
| Industrial relations - Indirect | - | 4,550 |
| Total personal benefits | 2,753 | 6,692 |

All personal benefits are expected to be settled in no more than 12 months.

Note 4.2D: Grants

| | | |
|--------------------------|--------------|----------|
| Private sector | | |
| Non-profit organisations | 306 | - |
| Other | 1,862 | - |
| Total grants | 2,168 | - |

All grants are expected to be settled in no more than 12 months.

Note 4.2E: Other Payables

| | | |
|------------------------------|------------------|------------------|
| Comcare payable ¹ | 2,802,684 | 2,787,681 |
| GST payable | 7,605 | 6,765 |
| Total other payables | 2,810,289 | 2,794,446 |

Other payables expected to be settled

| | | |
|-----------------------------|------------------|------------------|
| No more than 12 months | 7,605 | 6,765 |
| More than 12 months | 2,802,684 | 2,787,681 |
| Total other payables | 2,810,289 | 2,794,446 |

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

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

5. Funding

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

5.1. Appropriations

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

| | 2016 Appropriations | | | | | Appropriation applied in 2016 (current and prior years) \$'000 | Variance ¹ \$'000 |
|---|--------------------------------|---------------|----------------------|----------------------|-------------------------------|---|---------------------------------|
| | Appropriation Act | | PGPA Act | | Total appropriation \$'000 | | |
| | Annual Appropriation \$'000 | AFM \$'000 | Section 74 \$'000 | Section 75 \$'000 | | | |
| DEPARTMENTAL | | | | | | | |
| Ordinary annual services | 285,566 | - | 24,286 | - | 309,852 | 303,178 | 6,674 |
| Capital Budget ² | 27,378 | - | - | - | 27,378 | 29,231 | (1,853) |
| Other services | | | | | | | |
| Equity | 15,408 | - | - | - | 15,408 | 12,572 | 2,836 |
| Total departmental | 328,352 | - | 24,286 | - | 352,638 | 344,981 | 7,657 |
| ADMINISTERED | | | | | | | |
| Ordinary annual services | | | | | | | |
| Administered items | 1,544,684 | - | - | - | 1,544,684 | 1,127,770 | 416,914 |
| Payments to corporate Commonwealth entities | 7,727 | - | - | - | 7,727 | 7,727 | - |
| Total administered | 1,552,411 | - | - | - | 1,552,411 | 1,135,497 | 416,914 |

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

2. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1, 3 & 5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts.

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

Accounting Policy

Payments to Corporate Commonwealth Entities

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

| | 2015 Appropriations | | | | | | |
|--------------------------------|----------------------|--------|------------|------------|---------------------|---|-----------------------|
| | Appropriation Act | | PGPA Act | | Total appropriation | Appropriation applied in 2015 (current and prior years) | Variance ¹ |
| | Annual Appropriation | AFM | Section 74 | Section 75 | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| DEPARTMENTAL | | | | | | | |
| Ordinary annual services | 295,989 | - | 26,198 | - | 322,187 | 260,377 | 61,810 |
| Capital Budget ² | 31,024 | - | - | - | 31,024 | 47,619 | (16,595) |
| Other services | | | | | | | |
| Equity | 23,987 | - | - | - | 23,987 | 26,114 | (2,127) |
| Total departmental | 351,000 | - | 26,198 | - | 377,198 | 334,110 | 43,088 |
| ADMINISTERED | | | | | | | |
| Ordinary annual services | | | | | | | |
| Administered items | 1,552,552 | - | - | - | 1,552,552 | 1,290,262 | 262,290 |
| Payments to corporate entities | 7,563 | - | - | - | 7,563 | 7,563 | - |
| Total administered | 1,560,115 | - | - | - | 1,560,115 | 1,297,825 | 262,290 |

1. The departmental ordinary annual services variance is due to closing liabilities not yet paid and operating surplus. The administered items variance relates to lower than planned administered expenditure.

The variances in 2014 and 2015 are a timing difference between the purchase of the assets and drawdown of the capital budget.

2. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1, 3 & 5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Note 26A: Annual appropriations.

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

| | 2016 | 2015 |
|--|----------------|---------|
| | \$'000 | \$'000 |
| Departmental | | |
| Appropriation Act (No. 1) 2013–14 | - | 18,428 |
| Appropriation Act (No. 3) 2013–14 | - | 195 |
| Appropriation Act (No. 1) 2014–15 | - | 45,505 |
| Appropriation Act (No. 1) Capital Budget 2014–15 | - | 2,059 |
| Appropriation Act (No. 3) 2014–15 | - | 40,409 |
| Appropriation Act (No. 3) Capital Budget 2014–15 | - | 2,611 |
| Appropriation Act (No. 1) 2015–16 | 107,487 | - |
| Appropriation Act (No. 1) Capital Budget 2015–16 | 2,817 | - |
| Appropriation Act (No. 4) 2015–16 | 2,836 | - |
| Cash at bank | 3,876 | 6,321 |
| Total | 117,016 | 115,528 |
| Administered | | |
| Appropriation Act (No.1) 2013–14 | - | 25,880 |
| Appropriation Act (No. 1) 2014–15 | 40,377 | 191,498 |
| Appropriation Act (No. 3) 2014–15 | 317 | 70,792 |
| Appropriation Act (No. 1) 2015–16 | 503,112 | - |
| Total | 543,806 | 288,170 |

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

| Authority | Type | Purpose | Appropriation applied | |
|---|------------------|---|-----------------------|----------------|
| | | | 2016 \$'000 | 2015 \$'000 |
| <i>Fair Entitlements Guarantee Act 2012—Section 50 (Administered)</i> | Unlimited Amount | An Act to provide for financial assistance for workers who have not been fully paid for work done for insolvents or bankrupts, and for related purposes. | 259,980 | 307,890 |
| <i>Coal Mining Industry (Long Service Leave Funding) Act 1992 (Administered)</i> | Unlimited Amount | An Act to manage the long service leave entitlement of the Coal Mining Industry. | 146,970 | 158,607 |
| <i>Safety, Rehabilitation and Compensation Act 1988 (SRC Act) (Administered)</i> | Unlimited Amount | An Act to provide for the payment of workers compensation claims and associated expenses in accordance with the provisions of the SRC Act. | 35,174 | 39,503 |
| <i>Asbestos-related Claims (Management of Commonwealth Liabilities) Act 2005 (Administered)</i> | Unlimited Amount | An Act to assign responsibility for the management of certain liabilities relating to asbestos-related claims, and for related purposes. | 28,635 | 26,356 |
| <i>Public Governance, Performance and Accountability Act 2013—Section 77</i> | Refund | To provide an appropriation where an Act or other law requires or permits the repayment of an amount received by the Commonwealth and apart from this section there is no specific appropriation for the repayment. | 4 | - |
| Total special appropriations applied | | | 470,763 | 532,356 |

5.2. Net Cash Appropriation Arrangements

| | 2016 | 2015 |
|---|------------------------|------------------------|
| | \$'000 | \$'000 |
| <i>Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations</i> ¹ | 8,855 | 15,726 |
| Plus: depreciation/amortisation expenses previously funded through revenue appropriation | <u>(21,861)</u> | <u>(27,875)</u> |
| <i>Total comprehensive loss—as per the Statement of Comprehensive Income</i> | <u><u>(13,006)</u></u> | <u><u>(12,149)</u></u> |

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

5.3. Cash Flow Reconciliation

| | 2016 \$'000 | 2015 \$'000 |
|---|--------------------|--------------------|
| Reconciliation of net cost of services to net cash from (used by) operating activities | | |
| Net cost of services | (300,187) | (308,138) |
| Revenue from Government | 280,305 | 295,989 |
| Adjustments for non-cash items | | |
| First time recognition of non-financial assets | (50) | (266) |
| Reversal of impairment losses | (280) | - |
| Depreciation / amortisation | 21,861 | 27,875 |
| Net write-down and impairment of non-financial assets | 367 | 830 |
| Net losses from sale of assets | 463 | 224 |
| Finance costs | 95 | 474 |
| Asset other movements | - | (153) |
| Movements in assets and liabilities | | |
| Assets | | |
| Increase in net receivables | (9,853) | (39,504) |
| Decrease in accrued revenue | 2,330 | (1,490) |
| Decrease in prepayments | 2,376 | 4,039 |
| Liabilities | | |
| Increase in employee provisions | 4,733 | 3,036 |
| Increase in supplier payables | 1,865 | 10,157 |
| Decrease in other provisions | (3,867) | 3,667 |
| Decrease in unearned income | (2,718) | 1,434 |
| Increase in other payables | 741 | 4,337 |
| Net cash from operating activities | (1,819) | 2,511 |
| Administered | | |
| Reconciliation of net cost of services to net cash from/(used by) operating activities | | |
| Net cost of services | (1,367,327) | (1,763,321) |
| GST appropriation | (106,756) | - |
| Return of GST appropriation | 99,229 | - |
| Adjustments for non-cash items | | |
| Net write down of non-financial assets | - | 155 |
| Movements in assets/liabilities | | |
| Assets | | |
| Increase in net receivables | (10,213) | (8,987) |
| Increase in other non-financial assets | (307) | (46) |
| Liabilities | | |
| Decrease in supplier payables | (38,496) | 105,432 |
| Decrease in subsidies payable | (28,438) | 10,163 |
| Decrease in personal benefits payable | (3,938) | (2,749) |
| Increase in other payables | 15,003 | 23,141 |
| Increase in grants payable | 2,168 | (459) |
| Increase in GST payable | 840 | - |
| Net cash used by operating activities | (1,438,235) | (1,636,671) |

6. People and Relationships

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

6.1. Employee Provisions

| | 2016 \$'000 | 2015 \$'000 |
|---|----------------------|----------------------|
| Note 6.1A: Employee Provisions | | |
| Leave | <u>67,329</u> | <u>62,596</u> |
| Total employee provisions | <u>67,329</u> | <u>62,596</u> |
| Employee provisions expected to be settled | | |
| No more than 12 months | <u>20,619</u> | <u>18,545</u> |
| More than 12 months | <u>46,710</u> | <u>44,051</u> |
| Total employee provisions | <u>67,329</u> | <u>62,596</u> |

Accounting Policy

Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

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

The majority of the Department's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or the Australian Government Employees Superannuation Trust (AGEST).

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 in the Department of Finance's administered schedules and notes.

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

The liability for superannuation recognised as at 30 June 2016 represents outstanding contributions for the final fortnight of the year.

6.2. Senior Management Personnel Remuneration

Note 6.3A: Senior Management Personnel Remuneration

| | 2016 | 2015 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Short-term employee benefits | | |
| Salary | 12,019 | 12,055 |
| Other ¹ | <u>2,177</u> | <u>2,357</u> |
| Total short-term employee benefits | <u>14,196</u> | <u>14,412</u> |
| Post-employment benefits | | |
| Superannuation | <u>2,453</u> | <u>2,107</u> |
| Total post-employment benefits | <u>2,453</u> | <u>2,107</u> |
| Other long-term employee benefits | | |
| Annual leave accrued | 891 | 990 |
| Long-service leave | <u>299</u> | <u>670</u> |
| Total other long-term employee benefits | <u>1,190</u> | <u>1,660</u> |
| Termination benefits | | |
| Separation and redundancy payments | - | <u>135</u> |
| Total termination benefits | - | <u>135</u> |
| Total senior executive remuneration expenses | <u>17,839</u> | <u>18,314</u> |

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

The total number of senior management personnel that are included in the above table is 68 (2015: 66).

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

All substantive SES are included as headcount in the note regardless of time engaged with the agency for the reporting period or dollar value of remuneration. Accordingly SES staff movements may result in SES numbers that exceed the number of SES positions.

7. Managing Uncertainties

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

7.1. Contingent Assets and Liabilities

| | Claims for Damages and Costs | | Total | |
|---------------------------------------|------------------------------|----------------|----------------|----------------|
| | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 |
| Contingent liabilities | | | | |
| Balance from previous period | 308 | 180 | 308 | 180 |
| New contingent liabilities recognised | - | 125 | - | 125 |
| Re-measurement | - | 3 | - | 3 |
| Liabilities realised | (112) | - | (112) | - |
| Obligations expired | (196) | - | (196) | - |
| Total contingent liabilities | - | 308 | - | 308 |
| Net contingent liabilities | - | (308) | - | (308) |

Quantifiable Contingencies

The Department does not have any new quantifiable contingencies. All prior year contingencies have been realised or expired.

Unquantifiable Contingencies

As at 30 June 2016, the Department had no contingent liabilities likely to be paid in respect of damages and claims that are not quantifiable.

The Department has one unquantifiable contingent asset in respect of recovery of employee entitlements paid under Act of Grace.

Accounting Policy

Contingent Assets and Contingent Liabilities

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

| Administered | Claims for damages or costs | | Total | |
|--|-----------------------------|----------|----------------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Contingent assets | | | | |
| Balance from previous period | 24,903 | 22,724 | 24,903 | 22,724 |
| Re-measurement | 89,379 | 25,471 | 89,379 | 25,471 |
| Assets realised | (70,544) | (23,292) | (70,544) | (23,292) |
| Total contingent assets | 43,738 | 24,903 | 43,738 | 24,903 |
| Contingent liabilities | | | | |
| Balance from previous period | 44,433 | 114,469 | 44,433 | 114,469 |
| Re-measurement | 7,125 | (70,036) | 7,125 | (70,036) |
| Total contingent liabilities | 51,558 | 44,433 | 51,558 | 44,433 |
| Net contingent assets / (liabilities) | (7,820) | (19,530) | (7,820) | (19,530) |

Quantifiable Contingencies

The above table reports contingent assets and liabilities in respect of estimated payments and recoveries in relation to dividends for General Employee Entitlements and Redundancy Scheme (GEERS) and the Fair Entitlements Guarantee (FEG). The estimated contingent liability is \$51.56 million. The estimated contingent asset is \$43.74 million.

Unquantifiable Contingencies

As at 30 June 2016, the Department had a number of claims for employee entitlements under the *Fair Entitlements Guarantee Act 2012* which were currently subject to review by the Administrative Appeals Tribunal.

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

7.2. Financial Instruments

| | 2016 | 2015 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Note 7.2A: Categories of Financial Instruments | | |
| Financial Assets | | |
| Loans and receivables | | |
| Cash and cash equivalents | 3,876 | 6,321 |
| Goods and services receivables | 3,870 | 4,712 |
| Total loans and receivables | 7,746 | 11,033 |
| Total financial assets | 7,746 | 11,033 |
| Financial Liabilities | | |
| Financial liabilities measured at amortised cost | | |
| Trade creditors | 17,879 | 16,720 |
| Total financial liabilities measured at amortised cost | 17,879 | 16,720 |
| Total financial liabilities | 17,879 | 16,720 |

Accounting Policy

Financial Assets

The Department classifies its financial assets in the following category:

- loans and receivables.

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

Loans and Receivables

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

Impairment of Financial Assets

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

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

Financial Liabilities

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

Financial Liabilities at Fair Value through Profit or Loss

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

Other Financial Liabilities

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

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

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

| | 2016 \$'000 | 2015 \$'000 |
|---|----------------|----------------|
| Note 7.2B: Net Gains or Losses on Financial Assets | | |
| Loans and receivables | | |
| Write off - goods and services | (1) | (8) |
| Impairment of receivables - goods and services | (3) | (10) |
| Net losses on loans and receivables | <u>(4)</u> | <u>(18)</u> |
| Net losses on financial assets | <u>(4)</u> | <u>(18)</u> |

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

Note 7.2C: Fair Value of Financial Instruments

| | Carrying amount 2016 \$'000 | Fair value 2016 \$'000 | Carrying amount 2015 \$'000 | Fair value 2015 \$'000 |
|------------------------------------|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| Financial Assets | | | | |
| Cash and cash equivalents | 3,876 | 3,876 | 6,321 | 6,321 |
| Goods and services receivables | 3,870 | 3,873 | 4,712 | 4,722 |
| Total Financial Assets | <u>7,746</u> | <u>7,749</u> | 11,033 | 11,043 |
| Financial Liabilities | | | | |
| Trade creditors | 17,879 | 17,879 | 16,720 | 16,720 |
| Total Financial Liabilities | <u>17,879</u> | <u>17,879</u> | 16,720 | 16,720 |

Note 7.2D: Credit Risk

The Department is exposed to minimal credit risk as loans and receivables were cash, cash on deposit and trade receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount was equal to the total amount of trade receivables of \$3,873,000 (2015: \$4,722,000). The Department assessed the risk of the default on payment and allocated \$3,000 to an impairment allowance account (2015: \$10,000).

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

| Maximum exposure to credit risk (excluding any collateral or credit enhancements) | 2016 | 2015 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Financial assets | | |
| Cash and cash equivalents | 3,876 | 6,321 |
| Goods and services receivables | 3,873 | 4,722 |
| Total | 7,749 | 11,043 |

In relation to the department's gross credit risk there is no collateral held.

| Credit quality of financial instruments not past due or individually determined as impaired | Not past due nor impaired | Not past due nor impaired | Past due or impaired | Past due or impaired |
|--|----------------------------------|---------------------------|-----------------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | 3,876 | 6,321 | - | - |
| Goods and services receivables | 1,796 | 4,457 | 2,077 | 265 |
| Total | 5,672 | 10,778 | 2,077 | 265 |

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

| | 0 to 30 days | 31 to 60 days | 61 to 90 days | 90+ days | Total |
|--------------------------------|---------------------|----------------------|----------------------|-----------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Goods and services receivables | 341 | 1,058 | 165 | 510 | 2,074 |
| Total | 341 | 1,058 | 165 | 510 | 2,074 |

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

| | 0 to 30 days | 31 to 60 days | 61 to 90 days | 90+ days | Total |
|--------------------------------|---------------------|----------------------|----------------------|-----------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Goods and services receivables | 20 | 60 | 28 | 147 | 255 |
| Total | 20 | 60 | 28 | 147 | 255 |

Note 7.2E: Liquidity Risk

The Department's financial liabilities were trade creditors and accrued expenses. The exposure to liquidity risk was based on the notion that the Department will encounter difficulty in meeting its obligations associated with financial liabilities. This was highly unlikely as 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.

Maturities for non-derivative financial liabilities in 2016

| | On demand \$'000 | Within one year \$'000 | Between one to two years \$'000 | Between two and five years \$'000 | More than five years \$'000 | Total \$'000 |
|-----------------|---------------------|------------------------------|--|--|-----------------------------------|-----------------|
| Trade creditors | | 17,104 | 621 | 154 | - | 17,879 |
| Total | - | 17,104 | 621 | 154 | - | 17,879 |

Maturities for non-derivative financial liabilities 2015

| | On demand \$'000 | Within one year \$'000 | Between one to two years \$'000 | Between two and five years \$'000 | More than five years \$'000 | Total \$'000 |
|-----------------|---------------------|------------------------------|--|--|-----------------------------------|-----------------|
| Trade creditors | - | 15,652 | 656 | 109 | 303 | 16,720 |
| Total | - | 15,652 | 656 | 109 | 303 | 16,720 |

Note 7.2F: Market Risk

The Department held basic financial instruments that did not expose the Department to market risks.

7.3. Administered - Financial Instruments

| | 2016 | 2015 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Note 7.3A: Categories of Financial Instruments | | |
| Financial Assets | | |
| Available-for-sale financial assets | | |
| Investments | 240,897 | 224,658 |
| Total available-for-sale financial assets | 240,897 | 224,658 |
| Loans and receivables | | |
| Cash and cash equivalents | 4 | 104 |
| Goods and services receivables | 2,193 | 698 |
| Total loans and receivables | 2,197 | 802 |
| Total financial assets | 243,094 | 225,460 |
| Financial Liabilities | | |
| Financial liabilities measured at amortised cost | | |
| Trade creditors and accruals | 60,980 | 99,476 |
| Total financial liabilities measured at amortised cost | 60,980 | 99,476 |
| Total financial liabilities | 60,980 | 99,476 |
| Note 7.3B: Net Gains or Losses on Financial Assets | | |
| Available-for-sale financial assets | | |
| Gains recognised in equity | 16,239 | 79,181 |
| Net gains from available-for-sale financial assets | 16,239 | 79,181 |
| Loans and receivables | | |
| Interest revenue | 29 | 20 |
| Write-down and impairment | (2,293) | (155) |
| Net losses from loans and receivables | (2,264) | (135) |
| Net gains on financial assets | 13,975 | 79,046 |

Note 7.3C: Fair value of Financial Instruments

| | Carrying amount | Fair value | Carrying amount | Fair value |
|---|-----------------|----------------|-----------------|----------------|
| | 2016 | 2016 | 2015 | 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial Assets | | | | |
| Available-for-sale financial assets | | | | |
| Investments | 240,897 | 240,897 | 224,658 | 224,658 |
| Loans and receivables | | | | |
| Cash at bank and on hand | 4 | 4 | 104 | 104 |
| Receivables for goods and services | 2,193 | 4,335 | 698 | 835 |
| Total financial assets | 243,094 | 245,236 | 225,460 | 225,597 |
| Financial Liabilities | | | | |
| Financial liabilities measured at amortised cost | | | | |
| Trade creditors and accruals | 60,980 | 60,980 | 99,476 | 99,476 |
| Total financial liabilities | 60,980 | 60,980 | 99,476 | 99,476 |

Note 7.3D: Credit Risk

The administered loans and receivables of the Department were not exposed to a high level of credit risk as the financial assets were trade receivables. The Department manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, the Department had policies and procedures that guide employees' debt recovery techniques that were to be applied.

The Department assessed the risk of the default on payment and allocated \$2.14 million in 2016 (2015: \$0.137m) to an impairment allowance for doubtful debts for goods and services receivables.

The Department held no collateral to mitigate against credit risk.

| Credit quality of financial instruments not past due or individually determined as impaired | Not past due nor impaired | Not past due nor impaired | Past due or impaired | Past due or impaired |
|---|---------------------------|---------------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Loans and receivables | | | | |
| Cash at bank and on hand | 4 | 104 | - | - |
| Goods and services receivables | 1,509 | 215 | 2,826 | 620 |
| Total | 1,513 | 319 | 2,826 | 620 |

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

| | 0 to 30 days | 31 to 60 days | 61 to 90 days | 90+ days | Total |
|--|--------------|---------------|---------------|------------|------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Goods and services and other receivables | 9 | 163 | 180 | 332 | 684 |
| Total | 9 | 163 | 180 | 332 | 684 |

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

| | 0 to 30 days | 31 to 60 days | 61 to 90 days | 90+ days | Total |
|--|--------------|---------------|---------------|------------|------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Goods and services and other receivables | 14 | 14 | 53 | 402 | 483 |
| Total | 14 | 14 | 53 | 402 | 483 |

Note 7.3E: Liquidity Risk

The Department's financial liabilities were trade creditors. The exposure to liquidity risk is based on the notion that the department would encounter difficulty in meeting its obligations associated with financial liabilities. This was highly unlikely as the department was appropriated funding from the Australian Government and the department manages its budgeted funds to ensure it had adequate funds to meet payments as they fall due. In addition, the department has policies in place to ensure timely payments were made when due and had no past experience of default.

Maturities for non-derivative financial liabilities in 2016

| | On demand \$'000 | Within one year \$'000 | Between one to two years \$'000 | Between two to five years \$'000 | More than five years \$'000 | Total \$'000 |
|------------------------------|------------------------|------------------------------|--|---|-----------------------------------|-----------------|
| Financial Liabilities | | | | | | |
| Trade creditors and accruals | - | 60,980 | - | - | - | 60,980 |
| Total | - | 60,980 | - | - | - | 60,980 |

Maturities for non-derivative financial liabilities 2015

| | On demand \$'000 | Within one year \$'000 | Between one to two years \$'000 | Between two to five years \$'000 | More than five years \$'000 | Total \$'000 |
|------------------------------|------------------------|------------------------------|--|---|-----------------------------------|-----------------|
| Financial Liabilities | | | | | | |
| At amortised cost: | | | | | | |
| Trade creditors and accruals | - | 99,476 | - | - | - | 99,476 |
| Total | - | 99,476 | - | - | - | 99,476 |

The Department has no derivative financial liabilities in the current year and prior year.

Note 7.3F: Market Risk

The Department held basic financial instruments that did not expose it to certain market risks including to 'currency risk' and 'other price risks'.

7.4. Fair Value Measurement

The following table provides 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.

Note 7.4A: Fair Value Measurements

| | Fair value measurements at the end of the reporting period | | | For Levels 2 and 3 fair value measurements | |
|---|--|----------------|-------------------------------|--|---|
| | 2016 \$'000 | 2015 \$'000 | Category (Level 1, 2 or 3) | Valuation Techniques ¹ | Inputs Used |
| Non-financial assets | | | | | |
| Leasehold Improvements | 23,074 | 18,928 | 3 | Depreciated Replacement Cost | The cost to acquire a substitute asset of comparable utility adjusted for depreciation and obsolescence. Depreciation based on lease term |
| | 191 | 320 | 3 | Depreciated Replacement Cost | Current restoration costs (price per square metre of floor area) BPI and Government Bond rates Depreciation based on lease term |
| Infrastructure, plant and equipment | 7,912 | 4,684 | 2 | Market Approach | Fair value estimated with reference to recent market transactions involving plant & equipment |
| | 736 | - | 3 | Market Approach | Fair value estimated with reference to recent market transactions involving plant & equipment |
| | 5,066 | 8,525 | 3 | Depreciated Replacement Cost | Current prices for substitute assets. Physical depreciation and obsolescence was determined based on judgement regarding economic and external factors. |
| Total non-financial assets | 36,979 | 32,457 | | | |
| Total fair value measurements of assets in the Statement of Financial Position | 36,979 | 32,457 | | | |

| | 2016 | 2015 |
|---|---------------|--------------|
| | \$'000 | \$'000 |
| Assets not measured at fair value in the statement of financial position | | |
| Leasehold Improvements—AUC | 8 | 1,013 |
| Infrastructure, Plant & Equipment—AUC | - | 32 |
| Total assets not measured at fair value in the statement of financial position | 8 | 1,045 |

Accounting Policy

Australian Valuation Solutions (AVS) provided a comprehensive valuation of all leasehold improvements and Infrastructure Plant and Equipment as at 30 June 2016 and has relied upon those outcomes to establish carrying amounts.¹ The Department has a policy of testing the currency of the valuation of various asset classes at least once every 12 months and to obtain a comprehensive valuation at least once every three years. AVS provided written assurance to the Department that the models developed comply with AASB 13.²

The methods utilised to determine and substantiate inputs are derived and evaluated as follows:

Replacement Cost—the amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility without adjustment. The Replacement cost has been determined by current market prices relevant to the location of the asset.

Physical Depreciation and Obsolescence—assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the Depreciated Replacement Cost approach. Under the Depreciated Replacement Cost approach the estimated cost to replace the asset is calculated and then adjusted to take into account physical depreciation and obsolescence.

Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all leasehold improvement assets, the consumed economic benefit/asset obsolescence is determined based on the term of the associated lease.

Market Approach—this approach seeks to estimate the fair value of an asset with reference to recent market transactions involving identical or comparable assets. Professional judgement and available information generated by market transactions involving plant and equipment were used in determining fair value under this approach.

The Department recognises transfers between the levels of the fair value hierarchy to have occurred at the end of the reporting period.³

The carrying amount of assets and liabilities not measured at fair value, are considered to be a reasonable approximation of their fair value.⁴

¹ No non-financial assets were measured at fair value on a non-recurring basis at 30 June 2016 (2015:Nil)

² The Department's assets are held for operational purposes and not held for the purpose of deriving a profit. The current use of all non-financial assets is considered their highest and best use.

³ There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

⁴ The remaining assets and liabilities reported by the Department are not measured at fair value in the Statement of Financial Position.

Note 7.4B: Reconciliation for Recurring Level 3 Fair Value Measurements

Recurring Level 3 fair value measurements—reconciliation for assets

| | Non-financial assets | | | | | |
|--|-----------------------------|---------------|------------------------------|---------------|----------------|---------------|
| | Leasehold | | Infrastructure, plant | | Total | |
| | Improvements | | and equipment | | | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Opening balance | 19,248 | 20,608 | 8,525 | 8,568 | 27,773 | 29,176 |
| Total losses recognised in net cost of services ¹ | (2,845) | (8,289) | (1,444) | (2,852) | (4,289) | (11,141) |
| Total gains recognised in comprehensive income | - | (2) | - | (17) | - | (19) |
| Purchases | 666 | 6,522 | 252 | 2,806 | 918 | 9,328 |
| Disposals | (239) | - | (325) | - | (564) | - |
| Reclassifications | - | - | 952 | - | 952 | - |
| Revaluation increment against Statement of Equity | 6,435 | - | 725 | - | 7,160 | - |
| Transfers into Level 3 ² | - | 409 | 14 | 20 | 14 | 429 |
| Transfers out Level 3 ⁴ | - | - | (2,897) | - | (2,897) | - |
| Closing balance | 23,265 | 19,248 | 5,802 | 8,525 | 29,067 | 27,773 |

1. These losses are presented in the Statement of Comprehensive Income under 'depreciation and amortisation' and 'write-down and Impairment of assets'.

2. These gains are presented in the Statement of Comprehensive Income under Other Changes in Asset Revaluation Reserves.

3. There have been asset transfers into level 3 during the year. This is due to an increase in the professional judgement required in using a market approach or a change in the valuation technique from a market approach to a depreciated replacement cost approach.

4. There have been asset transfers out of level 3 during the year. This is due to a change in the valuation technique from a depreciated replacement cost approach to a market approach.

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.

Note 7.5A: Fair Value Measurements

| | 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 Techniques | Inputs used | Weighted average |
| | | | | | | |
| Financial assets | | | | | | |
| Administered investments | 240,897 | 224,658 | 3 | Net assets of the entity | Net Assets | |
| Total financial assets | 240,897 | 224,658 | | - | - | - |
| Total fair value measurements of assets in the Administered Schedule of Assets and Liabilities | 240,897 | 224,658 | | - | - | - |

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

The Department's administered investments are classified as available-for-sale financial assets and are measured at their fair value as at 30 June 2016. Fair value is assessed as the Australian Government's proportional interest in the net assets of the entity at balance date. The methods and valuation techniques used for the purpose of measuring fair value of assets and liabilities in 2016 are unchanged from the prior year.

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

Note 7.5B: Reconciliation For Recurring Level 3 Fair Value Measurements

There have been no transfers between levels during the period.

Recurring Level 3 fair value measurements—reconciliation for assets

| | Financial assets | | | |
|---|--------------------------|----------------|----------------|----------------|
| | Administered investments | | Total | |
| | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 |
| Opening balance | 224,658 | 145,477 | 224,658 | 145,477 |
| Restructured amount | | | | |
| Total gains recognised in administered equity | 16,239 | 79,181 | 16,239 | 79,181 |
| Closing balance | 240,897 | 224,658 | 240,897 | 224,658 |

8. Other Information

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

8.1. Reporting of Outcomes

Note 8.1A: Major Classes of Departmental Expense, Income, Assets and Liabilities by Outcome

| | Outcome 1 | | Outcome 2 | | Payments to corporate Commonwealth entities* | | Not attributed [#] | | Total | |
|--|------------------|------------------|----------------|----------------|--|----------------|-----------------------------|----------------|------------------|------------------|
| | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 |
| Expenses | | | | | | | | | | |
| Employee benefits | 158,140 | 147,912 | 45,135 | 33,767 | - | - | - | - | 203,275 | 181,711 |
| Suppliers | 79,233 | 81,407 | 22,614 | 42,113 | - | - | - | - | 101,847 | 123,488 |
| Grants | 90 | 589 | 210 | 850 | - | - | - | - | 300 | 1,439 |
| Depreciation and amortisation | 16,750 | 21,891 | 5,111 | 5,984 | - | - | - | - | 21,861 | 27,875 |
| Other | 723 | 1,160 | 206 | 386 | - | - | - | - | 929 | 1,546 |
| Total expenses | 254,936 | 252,959 | 73,276 | 83,100 | - | - | - | - | 328,212 | 336,059 |
| Income | | | | | | | | | | |
| Sales of goods and rendering of services | 19,012 | 22,582 | 5,261 | 3,978 | - | - | - | - | 24,273 | 26,560 |
| Other | 2,882 | 908 | 870 | 453 | - | - | - | - | 3,752 | 1,361 |
| Total income | 21,894 | 23,490 | 6,131 | 4,431 | - | - | - | - | 28,025 | 27,921 |
| Expenses | | | | | | | | | | |
| Suppliers | 983,296 | 1,171,324 | 20,925 | 16,544 | - | - | - | - | 1,004,221 | 1,187,868 |
| Subsidies | 20,234 | 120,839 | 144,931 | 160,506 | - | - | - | - | 165,165 | 281,345 |
| Personal benefits | 56,183 | 72,530 | 281,631 | 312,429 | - | - | - | - | 337,814 | 384,959 |
| Grants | 8,929 | 2,411 | 81,904 | 87,362 | - | - | - | - | 90,833 | 89,773 |
| Other | 2,230 | 145 | 63 | 10 | 7,727 | 7,563 | - | - | 10,020 | 7,718 |
| Total expenses | 1,070,872 | 1,367,249 | 529,454 | 576,851 | 7,727 | 7,563 | - | - | 1,608,053 | 1,951,663 |
| Income | | | | | | | | | | |
| Taxation | - | - | 144,931 | 159,401 | - | - | - | - | 144,931 | 159,401 |
| Non-taxation revenue | 18,369 | 276 | 77,426 | 28,665 | - | - | - | - | 95,795 | 28,941 |
| Total income | 18,369 | 276 | 222,357 | 188,066 | - | - | - | - | 240,726 | 188,342 |
| Net cost of outcome delivery | 1,285,545 | 1,596,442 | 374,242 | 467,454 | 7,727 | 7,563 | - | - | 1,667,514 | 2,071,459 |

| | Outcome 1 | | Outcome 2 | | Payments to corporate Commonwealth entities* | | Not attributed# | | Total | |
|-------------------------------------|----------------|----------------|------------------|------------------|--|----------------|-----------------|----------------|------------------|------------------|
| | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 | 2016 \$'000 | 2015 \$'000 |
| Assets | | | | | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | - | 3,876 | 6,321 | 3,876 | 6,321 |
| Trade and other receivables | 10,665 | 5,206 | 3,066 | 1,718 | - | - | 113,140 | 109,207 | 126,871 | 116,131 |
| Other financial assets | 1,370 | 2,808 | 394 | 1,286 | - | - | - | - | 1,764 | 4,094 |
| Leaseholds | 17,834 | 15,977 | 5,440 | 4,283 | - | - | - | - | 23,274 | 20,260 |
| Infrastructure, plant and equipment | 10,342 | 9,928 | 3,372 | 3,311 | - | - | - | - | 13,714 | 13,239 |
| Intangibles | 75,158 | 55,897 | 13,353 | 9,864 | - | - | - | - | 88,511 | 65,761 |
| Other non-financial assets | 7,484 | 9,031 | 2,151 | 2,980 | - | - | - | - | 9,635 | 12,011 |
| Total assets | 122,853 | 98,847 | 27,776 | 23,442 | - | - | 117,016 | 115,528 | 267,645 | 237,817 |
| Liabilities | | | | | | | | | | |
| Suppliers | 13,700 | 13,130 | 4,179 | 3,590 | - | - | - | - | 17,879 | 16,720 |
| Other payables | 25,254 | 27,436 | 7,705 | 7,500 | - | - | - | - | 32,959 | 34,936 |
| Employee provisions | 51,588 | 49,157 | 15,741 | 13,439 | - | - | - | - | 67,329 | 62,596 |
| Other provisions | 1,837 | 4,919 | 560 | 1,345 | - | - | - | - | 2,397 | 6,264 |
| Total liabilities | 92,379 | 94,642 | 28,185 | 25,874 | - | - | - | - | 120,564 | 120,516 |
| Assets | | | | | | | | | | |
| Cash and cash equivalents | 4 | 86 | - | 18 | - | - | - | - | 4 | 104 |
| Receivables | 13,520 | 17,754 | 28,858 | 14,411 | - | - | - | - | 42,378 | 32,165 |
| Investments | - | - | 240,897 | 224,658 | - | - | - | - | 240,897 | 224,658 |
| Other non-financial assets | - | 34 | 5,321 | 4,980 | - | - | - | - | 5,321 | 5,014 |
| Total assets | 13,524 | 17,874 | 275,076 | 244,067 | - | - | - | - | 288,600 | 261,941 |
| Liabilities | | | | | | | | | | |
| Suppliers | 59,837 | 126,153 | 1,143 | 647 | - | - | - | - | 60,980 | 99,476 |
| Subsidies | 12,172 | 10,971 | 11,963 | 14,278 | - | - | - | - | 24,135 | 52,573 |
| Personal benefits | 2,753 | 2,221 | - | 4,471 | - | - | - | - | 2,753 | 6,692 |
| Grants | 1,986 | - | 182 | - | - | - | - | - | 2,168 | - |
| Other payables | 7,341 | 7,541 | 2,802,948 | 2,786,905 | - | - | - | - | 2,810,289 | 2,794,446 |
| Total liabilities | 84,089 | 146,886 | 2,816,236 | 2,806,301 | - | - | - | - | 2,900,325 | 2,953,187 |

* Payments to corporate Commonwealth entities are not related to outcomes. They are included here so the total agrees to the resourcing table. The Department has two outcomes and details of each outcome are provided in the Overview. The Department uses a cost allocation model to determine the attribution of its shared items. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome. Refer to Appendix 3 of this annual report for Agency resource statements and resources.

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