

## Department of Education

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# Department of Education

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Note 1: Summary of Significant Accounting Policies

#### 1.1 Objectives of the Department of Education

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

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

The department is structured to meet the following outcomes:

Outcome 1: Early Childhood Education and Care

Outcome 2: Schools and youth

Outcome 3: Higher Education, Research and International

The department was created following the abolition of the Department of Education, Employment and Workplace Relations on 18 September 2013. No comparatives are provided to these statements.

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

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.

#### 1.2 Basis of Preparation of the Financial Statements

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

The financial statements have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2013
- 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 FMOs, 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 schedule of contingencies.

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.

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

#### 1.3 Significant Accounting Judgements and Estimates

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

During the 2013–14 financial year the department made the following judgements that had a significant impact on the amounts recorded in the financial statements.

##### Child Care Fee Assistance

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

At any point in time there are recipients entitled to receive CCFA who have not yet received their full entitlement from the Australian Government. The department estimates a provision for these entitlements. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision as required by *AASB 137 – Provision, Contingent Liabilities and Contingent Assets*, para. 8.1. The provision calculates the current year and earlier years' liability for claims that have yet to be realised. The methodology considers the likely lodgement profiles associated with reconciliation top-ups, lump sum claims, and quarterly and fortnightly payments, including the impact of new measures.

There are also a number of eligible recipients who have received in excess of their entitlement and owe money to the department. The department estimates a receivable for these benefits. The methodology to determine the department's receivable considers historic recipient behaviours adjusted for the impact of new measures. The impairment allowance account for the CCFA receivable has been calculated by the Australian Government Actuary in accordance with the overall requirement of *AASB 136 – Impairment of Assets*, which relies on a profile of past customer behaviour.

##### Higher Education Loan Programme

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

##### Unfunded University Superannuation

The fair value of the Provision for Unfunded University Superannuation (2013–14 \$6.868 billion) is calculated annually by actuarial assessment. The provision is valued in accordance with the requirements of *AASB 119, Employee Benefits*. The discount rate used is based on the yields available on government bonds. The prevailing rate as at 30 June 2014 is 4.1%.

#### 1.4 New Australian Accounting Standards

##### *Adoption of New Australian Accounting Standard Requirements*

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

There have been no new standards, amended standards or interpretations that were issued by the Australian Accounting Standards Board prior to the sign off date that are applicable to the current reporting period and have a material impact on the department.

##### *Future Australian Accounting Standard Requirements*

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

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 the future reporting period. They are not expected to have a financial impact on the department:

AASB 1055            Budgetary Reporting – Applies from 2014–15 to all not-for-profit entities in the General Government Sector. This will require the department to explain significant variances between Portfolio Budget Statements and actual expenditure

AASB 1031            Materiality – guidance on quantitative assessment of materiality is no longer available. This is not expected to have an impact on the department's statements

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

AASB 9	Financial Instruments – Applies from 1 January 2017 to all entities. Potential impact on measurement of post initial recognition and recognition of gains and losses from financial instruments is yet to be assessed
AASB 2012–3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Liabilities (AASB 132) – this is expected to have a minimal impact on the department financial statements
AASB 2010–7	Amendments to Australian Accounting Standards arising from AASB 9, Operative from 1 January 2015
AASB 2012–3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (AASB 132) – this is not expected to have an impact on the department’s statements
AASB 2013–3	Amendments to AASB 136 – Recoverable amount disclosures for Non-Financial Assets – is not expected to have an impact on the department’s statements.

#### 1.5 Revenue

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
- 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
- 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.

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 end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

##### *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.

#### 1.6 Gains

##### *Resources received free of charge*

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

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

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

##### *Sale of assets*

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

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

#### 1.7 Transactions with the Government as Owner

##### *Equity injections*

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

##### *Restructuring of administrative arrangements*

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

##### *Other distributions to owners*

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

#### 1.8 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in *AASB 119 Employee Benefits*) and termination benefits due within 12 months of the end of reporting period are measured at their nominal amounts.

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

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

##### *Leave*

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

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

The liability for long service leave has been determined by reference to work conducted by an actuary as at 30 June 2014. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

##### *Separation and redundancy*

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

##### *Superannuation*

Staff of the department are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) 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 by the Department of Finance's administered schedules and notes.

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

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

#### 1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

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

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

#### *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.

#### **1.10 Fair Value Measurement**

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

#### **1.11 Cash**

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

- cash on hand
- demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value
- cash held by outsiders
- cash in special accounts.

#### **1.12 Financial Assets**

The department classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss
- available-for-sale financial assets
- 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.

#### *Effective interest method*

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

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

#### *Financial assets at fair value through profit or loss*

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets:

- have been acquired principally for the purpose of selling in the near future
- are parts of an identified portfolio of financial instruments that the department manages together and has a recent actual pattern of short-term profit-taking
- are derivatives that are not designated and effective as a hedging instrument.

Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in the reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where the asset is disposed of or is determined to be impaired, part (or all) of the cumulative gain or loss previously recognised in the reserve is included in profit or loss for the period.

Where a reliable fair value cannot be established for unlisted investments in equity instruments, these instruments are valued at cost. The department has no such instruments.

## Department of Education

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

#### *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'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

#### *Impairment of financial assets*

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

- *Financial assets held at amortised cost* – If there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.
- *Available-for-sale financial assets* – If there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Statement of Comprehensive Income.
- *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.

#### **1.13 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).

#### **1.14 Contingent Liabilities and Contingent Assets**

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

#### *Indemnities*

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

#### **1.15 Financial Guarantee Contracts**

Financial guarantee contracts are accounted for in accordance with *AASB 139 Financial Instruments: Recognition and Measurement*. They are not treated as a contingent liability, as they are regarded as financial instruments outside the scope of *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*.

#### **1.16 Acquisition of Assets**

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

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and 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.

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

**1.17 Infrastructure, Plant and Equipment including Land and Buildings**

*Asset recognition threshold*

Purchases of infrastructure, 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 obligation provisions in property leases taken up by the department where there exists an obligation to restore the property to its original condition. These costs are included in the value of the department's leasehold improvements with a corresponding provision for the 'restoration obligations' recognised.

*Revaluations*

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

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

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

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

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

*Depreciation*

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

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date 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	2014
Buildings on freehold land	37–51 years
Buildings – leasehold improvements	Lease term
Infrastructure, plant and equipment	3–25 years

*Impairment*

All assets were assessed for impairment at 30 June 2014. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent 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.



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#### *Derecognition*

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

#### *Assets not previously recognised*

Equipment was brought to account as part of infrastructure, plant and equipment for the first time as at 30 June 2014.

#### **1.18 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 2014.

#### **1.19 Taxation**

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

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

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

#### **1.20 Shared Services arrangements**

Following the abolition of the Department of Education, Employment and Workplace Relations on 18 September 2013 the Departments' of Education and Employment are establishing a Shared Services Centre (SSC) to support corporate services across the two partner agencies and other customers. The SSC commences formal operations on 1 July 2014. The SSC provides operational, transactional, advisory and support functions for Information Technology and a range of Corporate Services for both departments. The SSC is a joint operation and is supported by a governance committee which includes the secretaries of the partner departments, and representatives from the Australian Public Service Commission and the Department of Finance. The financial statements for both departments recognise their interest in the SSC using proportionate consolidation on the face of the financial statements.

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#### 1.21 Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Schedule of Administered Items and related notes.

Except where otherwise stated below, 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.

##### *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.

##### *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 funds as directed.

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

##### *Gains and losses*

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

##### *Loans and receivables*

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

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

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

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

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

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

##### *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 2014. 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.

##### *Grants*

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

Grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made. A commitment is recorded when the Government enters into an agreement to make these grants but services have not been performed or criteria satisfied.

Under the Federal Financial Framework agreed with Council of Australian Governments (COAG), which came into effect on 1 January 2009, the Department of the Treasury is accountable for the payment of grants under the National Partnership Agreements to the states and territories. As a result DEEWR reported payments made since the agreement came into effect as nation building transfers (Note 16D) for all payments made through state and territory governments.

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

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

the development of Commonwealth programmes. 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.

#### *Personal Benefits*

The department administers a number of personal benefit programmes on behalf of the government that provide family assistance and other entitlements to individuals. Payments are determined in accordance with provisions under social security law and other legislation. Payments made in accordance with family assistance law (comprising the *A New Tax System (Family Assistance) Act 1999* and *A New Tax System (Family Assistance) (Administration) Act 1999* as well as associated legislation and other legislative Disallowable Instruments) are assessed and determined by officers of the Department of Human Services (DHS) under delegation from the department.

Family assistance law imposes obligations on payment recipients to disclose to DHS information about financial and personal circumstances that affect entitlement to payment. Unreported changes in circumstances can lead to incorrect payment, even if no deliberate fraud is intended. However, risks associated with relying on voluntary disclosure are mitigated by a risk management strategy which focuses on prevention, detection and deterrence. Compliance reviews of payment recipient's circumstances contribute to the detection of overpayment and benefit fraud.

Family assistance law is also the basis for child care fee assistance and provides for the approval of child care services to receive child care fee assistance on behalf of families using the service. Reporting correctly on the care arrangements for each family using the service is one of the key obligations of approved child care services. These reports determine how much child care fee assistance is paid by the Australian Government for eligible families. The operator of the service is ultimately responsible for the accuracy of the data submitted.

The department has a broad ranging programme to encourage, enforce and strengthen compliance with family assistance law to mitigate the risks associated with relying on child care services to submit accurate information. The child care payments compliance programme focuses on prevention, including education, detection/recovery and deterrence.

The department progressively implemented a more sophisticated results-oriented approach to compliance in 2013–14. Compliance operations have been strengthened, including data interrogation and analysis capacity, to assist in targeting, leveraging resources available in our state network to create a virtual task force and prioritising the department's compliance effort to high value compliance work based on risk categories. This had led to increasing imposition of penalties and sanctions, where justified. In addition, processes for approval of child care services are being tightened to reduce the risk of future non-compliance by approved services.

Random Sample Parent Checks have been introduced in 2013–14 to validate the information provided by child care services. Statistical extrapolation of these results is providing improved assurance about the accuracy of child care payments and enables the department to prioritise its compliance activities. Of importance in 2014–15 will be a heightened emphasis on controls over family day care. The outcome of this activity will enhance measurement of compliance effectiveness over child care services.

The department continues to work closely with DHS, the Australian Taxation Office and state and territory regulatory authorities to ensure child care services are correctly applying the rules under all relevant laws.

#### *Payments to CAC Act bodies*

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

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

**Note 2: Events After the Reporting Period**

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

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

**Note 3: Expenses**

2014  
 \$'000

**Note 3A: Employee benefits**

Wages and salaries	100,302
Superannuation:	
Defined contribution plans	6,935
Defined benefit plans	16,772
Leave and other entitlements	19,169
Separations and redundancies	9,502
Other employee expenses	1,942
<b>Total employee benefits</b>	<b>154,622</b>

**Note 3B: Supplier expenses**

**Goods and services supplied or rendered**

Consultants	5,375
Contractors	3,955
Travel	2,351
IT services	17,115
Property	5,393
Resources received free of charge	10,412
Other	6,959
<b>Total goods and services supplied or rendered</b>	<b>51,560</b>

**Goods and services are made up of:**

Provision of goods – related parties	-
Provision of goods – external parties	3,280
Rendering of services – related parties	11,502
Rendering of services - external parties	36,778
<b>Total goods and services supplied or rendered</b>	<b>51,560</b>

**Other supplier expenses**

Operating lease rentals – external parties:	
Minimum lease repayments	15,685
Contingent rentals	226
Workers compensation expenses	1,437
<b>Total other supplier expenses</b>	<b>17,348</b>
<b>Total supplier expenses</b>	<b>68,908</b>

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

2014  
 \$'000

**Note 3C: Depreciation and amortisation**

**Depreciation**

Infrastructure, plant and equipment	3,006
Buildings	62
Leasehold improvements	5,448
<b>Total depreciation</b>	<b>8,516</b>

**Amortisation**

Intangibles:

Computer software	11,792
<b>Total amortisation</b>	<b>11,792</b>
<b>Total depreciation and amortisation</b>	<b>20,308</b>

**Note 3D: Write-down and impairment of assets**

Write-off of receivables - goods and services	97
Impairment of receivables - goods and services	9
Impairment of intangibles	33
Impairment of leasehold improvements	479
Write-off of non-financial assets – infrastructure, plant and equipment	57
Write-off of non-financial assets – land and buildings	227
<b>Total write-down and impairment of assets</b>	<b>902</b>

**Note 3E: Losses from asset sales**

**Infrastructure, plant and equipment**

Proceeds from sale	(4)
Carrying value of assets sold	318
<b>Net loss from infrastructure, plant and equipment</b>	<b>314</b>
<b>Total losses from asset sales</b>	<b>314</b>

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

**Note 4: Income**

	2014
OWN-SOURCE REVENUE	\$'000

**Note 4A: Sale of goods and rendering of services**

Provision of goods - external parties	193
Rendering of services - related entities	16,014
Rendering of services - external parties	1,860
<b><i>Total sale of goods and rendering of services</i></b>	<b><u>18,067</u></b>

**Note 4B: Reversals of previous asset write-downs and impairment**

Reversal of impairment losses	74
<b><i>Total reversals of previous asset write-downs and impairments</i></b>	<b><u>74</u></b>

**Note 4C: Other gains**

Resources received free of charge	5,665
First time recognition of assets – property, plant and equipment	1,498
Other	1,110
<b><i>Total other gains</i></b>	<b><u>8,273</u></b>

**REVENUE FROM GOVERNMENT**

**Note 4D: Revenue from Government**

Appropriations	
Departmental appropriations	196,102
<b><i>Total revenue from Government</i></b>	<b><u>196,102</u></b>

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

**Note 5: Fair Value Measurement**

The following tables provide an analysis of assets and liabilities that are measured at fair value. The different levels of the fair value hierarchy are defined below.

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

**Note 5A: Fair value measurements**

**Fair value measurements at 30 June 2014 by hierarchy for assets and liabilities**

	Fair value measurements at the end of the reporting period using			
	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
	\$'000	\$'000	\$'000	\$'000
<b>Non-financial assets</b>				
Land and buildings	1,090	-	450	640
Leasehold Improvements	49,777	-	304	49,473
Other property, plant and equipment	11,454	-	3,999	7,455
<b>Total non-financial assets</b>	<b>62,321</b>	<b>-</b>	<b>4,753</b>	<b>57,568</b>
<b>Total fair value measurements (assets) in statement of financial position<sup>1</sup></b>	<b>62,321</b>	<b>-</b>	<b>4,753</b>	<b>57,568</b>

<sup>1</sup> The Department has a number of assets and liabilities not measured at fair value in the statement of comprehensive income. The carrying amounts of these assets and liabilities are considered to be a reasonable approximation of their fair value.

**Fair value measurement – highest and best use for non-financial assets**

The department's assets are held for operational purposes and not held for the purpose of deriving a profit. The current use of all controlled assets is considered the highest and best use.

There have been no transfers between levels of the hierarchy during the reporting period.

The department's policy for determining when transfer between levels are deemed to have occurred can be found in Note 1.



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

**Note 5B: Valuation technique and inputs for Level 2 and Level 3 fair value measurements**

	Category (Level 2 or 3)	Fair Value \$'000	Valuation technique <sup>1</sup>	Inputs used	Range (weighted average) <sup>2</sup>
<b>Non-financial assets</b>					
Land	2	200	Market Approach	Adjusted market transactions	
Buildings	2	250	Market Approach	Adjusted market transactions	
Buildings	3	640	Market Approach	Adjusted market transactions	(30.0%) - 0.0%
Leasehold Improvements	2	304	Depreciated Replacement Cost (DRC)	Replacement Cost New (price per sqm)	
Leasehold Improvements	3	49,473	Depreciated Replacement Cost (DRC)	Replacement Cost New (price per sqm)  Useful life (consumed economic benefit/Obsolescence of asset)	4.3% - 41.4% (6.8%) per annum
Other property, plant and equipment	2	3,999	Market Approach	Adjusted market transactions	
Other property, plant and equipment	3	6,963	Depreciated Replacement Cost (DRC)	Replacement Cost New (size, capacity, use, configuration, style, type) Useful life	
Other property, plant and equipment				Useful Life(consumed economic benefit/Obsolescence of asset)	6.7% - 33.3% (15.6%) per annum
Other property, plant and equipment (Library Collection)	3	492	Depreciated Replacement Cost (DRC)	Adjusted market transactions (Average Price Per Title)  Useful life (consumed economic benefit/Obsolescence of asset)	\$15.00 - \$650.00 (\$320.00)  6.7% - 10.0% (6.7%) per annum

<sup>1</sup> There have been no changes to valuation techniques.

<sup>2</sup> Significant unobservable inputs only. Not applicable for assets or liabilities in the Level 2 category

The Department have a number of assets and liabilities not measured at fair value in the statement of comprehensive income. The carrying amounts of these assets and liabilities are considered to be a reasonable approximation of their fair value.

The methods and valuation techniques used for the purpose of measuring fair value of assets and liabilities in 2014 are unchanged from the previous reporting period.

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

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

**Recurring and non-recurring Level 3 fair value measurements – valuation processes**

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. The entity has engaged Australian Valuation Solutions (AVS) to provide written assurance that the methodology developed by the department has complied with the requirements of the new *AASB 13 Fair Value Measurement* effective from 19 September 2013.

AVS provided written assurance to the department that the models developed are in compliance with AASB 13.

There is no change in the valuation technique since the prior period.

There were no significant inter-relationships between unobservable inputs that materially affect fair value.

**Significant Level 3 inputs used by the department are derived and evaluated as follows:**

**Leasehold Improvements – Depreciated Replacement Cost Valuation**

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured using the Depreciated Replacement Cost (DRC) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its economic useful life and obsolescence (accumulated Depreciation). The economic useful lives and asset obsolescence has been determined based on professional judgment regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

**Other Property, Plant and Equipment – Depreciated Replacement Cost Valuation**

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured using the cost (Depreciated Replacement Cost or DRC) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its economic useful life and asset obsolescence (accumulated Depreciation). The economic useful lives and asset obsolescence has been determined based on professional judgment regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

The weighted average is determined by assessing the fair value measurement as a proportion of the total fair value for the class against the total useful life of each asset.

**Recurring Level 3 fair value measurements – sensitivity of inputs**

**Leasehold Improvements, Other Property, Plant & Equipment – Depreciated Replacement Cost Valuation**

The significant unobservable inputs used in the fair value measurement of the department’s leasehold improvements and property, plant and equipment asset classes relate to the expected economic useful life and asset obsolescence (accumulated depreciation). A significant increase (decrease) in this input would result in a significantly lower (higher) fair value measurement. The expected economic useful life may be greater than the department’s useful life for assets and this can contribute to the uncertainty of the unobservable inputs.

**Note 5C: Reconciliation for recurring Level 3 fair value measurements**

There have been no transfers between levels

**Recurring Level 3 fair value measurements - reconciliation for assets**

	Non-financial assets				
	Land and buildings	Property, plant and equipment	Leasehold Improvements	Total	
		2014	2014	2014	2014
		\$'000	\$'000	\$'000	\$'000
<b>Restructuring opening balance</b>	640	7,573	55,913	64,126	
Total gains/(losses) recognised in net cost of services <sup>1</sup>	-	(1,765)	(5,312)	(7,078)	
Transfers to other entities	-	-	(1,352)	(1,352)	
Purchases	-	1,705	224	1,929	
Write-offs	-	(57)	-	(57)	
<b>Closing balance</b>	<b>640</b>	<b>7,455</b>	<b>49,473</b>	<b>57,568</b>	

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

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

**Note 6: Financial Assets**

2014  
 \$'000

**Note 6A: Cash and cash equivalents**

Cash on hand or on deposit	8,429
<b>Total cash and cash equivalents</b>	<b>8,429</b>

**Note 6B: Trade and other receivables**

**Good and Services receivables in connection with**

Related parties	13,729
External parties	1,409
<b>Total goods and services receivables</b>	<b>15,138</b>

**Appropriations receivable**

Existing programmes	18,106
<b>Total appropriations receivable</b>	<b>18,106</b>

**Other receivables**

GST receivable from the Australian Taxation Office	1,589
<b>Total other receivables</b>	<b>1,589</b>
<b>Total trade and other receivables (gross)</b>	<b>34,833</b>

**Less impairment allowance**

Goods and services	(64)
<b>Total impairment allowance</b>	<b>(64)</b>
<b>Total trade and other receivables (net)</b>	<b>34,769</b>

**Trade and other receivables (net) expected to be recovered**

No more than 12 months	34,603
More than 12 months	166
<b>Total trade and other receivables (net)</b>	<b>34,769</b>

**Trade and other receivables (gross) aged as follows**

Not overdue	27,086
Overdue by	
0 to 30 days	5,888
31 to 60 days	282
61 to 90 days	809
More than 90 days	768
<b>Total trade and other receivables (gross)</b>	<b>34,833</b>

**The impairment allowance aged as follows**

Not overdue	-
Overdue by	
0 to 30 days	-
31 to 60 days	-
61 to 90 days	-
More than 90 days	(64)
<b>Total impairment allowance</b>	<b>(64)</b>

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

**Reconciliation of the Impairment Allowance**

<b>Movements in relation to 2014</b>	<b>Goods and services \$'000</b>	<b>Total \$'000</b>
<b>Opening balance</b>	-	-
Amounts written off	(97)	(97)
Amounts recovered and reversed	97	97
Increase/(decrease) recognised in net surplus	(64)	(64)
<b>Closing balance</b>	<b>(64)</b>	<b>(64)</b>

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

	2014 \$'000
<b><u>Note 6C: Other financial assets</u></b>	
Accrued revenue	<u>10,113</u>
<b><i>Total other financial assets</i></b>	<b><u>10,113</u></b>
<b>Other financial assets expected to be recovered</b>	
No more than 12 months	10,113
More than 12 months	<u>-</u>
<b><i>Total other financial assets</i></b>	<b><u>10,113</u></b>

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

**Note 7: Non-Financial Assets**

	<b>2014</b> <b>\$'000</b>
<b><u>Note 7A: Land and buildings</u></b>	
<b>Land</b>	
Freehold land at fair value	200
<b>Total land</b>	<b>200</b>
<b>Buildings on freehold land:</b>	
Fair value	890
Accumulated depreciation	-
<b>Total buildings on freehold land</b>	<b>890</b>
<b>Leasehold improvements:</b>	
Work in progress	304
Fair value	50,178
Accumulated depreciation	(19)
Accumulated impairment losses	(686)
<b>Total leasehold improvements</b>	<b>49,777</b>
<b>Total land and buildings</b>	<b>50,867</b>

There are three residential properties to be sold within the next 12 months. The properties have a net book value of \$1,090,000 million as at 30 June 2014.

There are six 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 \$1,010,800 million as at 30 June 2014.

An impairment loss of \$0.686 million was recognised for one property associated with surplus lease space.

**Note 7B: Infrastructure, plant and equipment**

Fair value	14,460
Accumulated depreciation	(3,006)
<b>Total infrastructure, plant and equipment</b>	<b>11,454</b>

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

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

**Revaluations of non-financial assets**

All revaluations were conducted in accordance with the revaluation policy stated at Note 1.

A revaluation decrement of \$40,000 for land and \$187,503 for buildings on freehold land were expensed. A revaluation increment of \$432,853 for leasehold improvement was credited to the asset revaluation surplus by asset class and included in the equity section of the balance sheet. A revaluation was not performed on infrastructure, plant and equipment.

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

**Note 7C: Reconciliation of the opening and closing balances of property, plant and equipment (2013-14)**

	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Total land and buildings \$'000	Other property, plant & equipment \$'000	Total \$'000
<b>As at 19 September 2013</b>						
Gross book value	-	-	-	-	-	-
Accumulated depreciation and impairment	-	-	-	-	-	-
<b>Total as at 19 September 2013</b>	-	-	-	-	-	-
Additions						
By purchase	-	-	421	421	3,102	3,523
By restructuring	1,910	1,924	53,503	57,337	11,579	68,916
By revaluations and impairments	-	-	433	433	-	433
First time recognition	-	-	1,353	1,353	145	1,498
Leasehold Restoration	-	-	-	-	-	-
Reclassification	-	-	-	-	28	28
Revaluations and impairments recognised in other comprehensive income	(40)	(187)	-	(227)	-	(227)
Impairments recognised in net cost of services	-	-	(405)	(405)	-	(405)
Depreciation	-	(62)	(5,448)	(5,510)	(3,006)	(8,516)
Other movements	-	-	-	-	-	-
Disposals						
From disposal of entities or operations (including restructuring)	(1,670)	(785)	(80)	(2,535)	(19)	(2,554)
Other	-	-	-	-	(318)	(318)
Write-offs	-	-	-	-	(57)	(57)
<b>Total as at 30 June 2014</b>	<b>200</b>	<b>890</b>	<b>49,777</b>	<b>50,867</b>	<b>11,454</b>	<b>62,321</b>
<b>Total as at 30 June 2014 represented by</b>						
Gross book value	200	890	49,796	50,886	14,460	65,346
Accumulated depreciation and impairment	-	-	(19)	(19)	(3,006)	(3,025)
<b>Total as at 30 June 2014</b>	<b>200</b>	<b>890</b>	<b>49,777</b>	<b>50,867</b>	<b>11,454</b>	<b>62,321</b>

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

	2014 \$'000
<b><u>Note 7D: Intangibles</u></b>	
Computer software	
Internally developed – in progress	3,024
Internally developed – in use	71,743
Purchased	575
<b>Total computer software (gross)</b>	<b>75,342</b>
Accumulated amortisation - internally developed	(11,728)
Accumulated amortisation - purchased	(64)
<b>Total computer software (net)</b>	<b>63,550</b>
<b><i>Total intangibles</i></b>	<b>63,550</b>

No indicators of impairment were found for intangible assets.

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



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

**Note 7E: Reconciliation of the opening and closing balances of intangibles (2013-14)**

	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
<b>As at 19 September 2013</b>			
Gross book value	-	-	-
Accumulated amortisation and impairment	-	-	-
<b>Total as at 19 September 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>
Additions			
By purchase	-	513	513
Internally developed	17,169		17,169
By restructure	57,794	123	57,917
Reclassification	-	(28)	(28)
Revaluations and impairments recognised in other comprehensive income	-	-	-
Impairments recognised in the net cost of services	-	-	-
Amortisation	(11,728)	(64)	(11,792)
Disposals			
From disposal of entities or operations (including restructuring)	(196)	-	(196)
Other	-	-	-
Write-offs	-	(33)	(33)
<b>Total as at 30 June 2014</b>	<b>63,039</b>	<b>511</b>	<b>63,550</b>
<b>Total as at 30 June 2014 represented by</b>			
Gross book value	74,767	575	75,342
Accumulated amortisation and impairment	(11,728)	(64)	(11,792)
<b>Total as at 30 June 2014</b>	<b>63,039</b>	<b>511</b>	<b>63,550</b>

In the 2013–14 financial year write-offs of \$33,000 were carried out for internally developed software. There were no write-offs of purchased software.

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

	2014 \$'000
<b><u>Note 7F: Other non-financial assets</u></b>	
Prepayments	8,599
<b><i>Total other non-financial assets</i></b>	<b><u>8,599</u></b>
<b>Total other non-financial assets expected to be recovered</b>	
No more than 12 months	6,901
More than 12 months	1,698
<b><i>Total other non-financial assets</i></b>	<b><u><u>8,599</u></u></b>

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

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

**Note 8: Payables**

2014  
 \$'000

**Note 8A: Suppliers**

Trade creditors and accruals	7,451
Operating lease rentals	7,149
<b>Total suppliers</b>	<b>14,600</b>

**Suppliers expected to be settled**

No more than 12 months	8,171
More than 12 months	6,429
<b>Total suppliers</b>	<b>14,600</b>

**Suppliers in connection with**

Related parties	1,284
External parties	13,316
<b>Total suppliers</b>	<b>14,600</b>

Settlement is usually made within 30 days.

**Note 8B: Other payables**

Wages and salaries	5,908
Superannuation	1,024
Separations and redundancies	8,477
Other employee benefits	946
Lease incentives	16,249
Unearned income	1,821
Payable to the Official Public Account	1
Surplus lease space	3,326
<b>Total other payables</b>	<b>37,752</b>

**Other payables expected to be settled**

No more than 12 months	23,368
More than 12 months	14,384
<b>Total other payables</b>	<b>37,752</b>

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

**Note 9: Provisions**

2014  
 \$'000

**Note 9A: Employee provisions**

Leave	61,052
<b>Total employee provisions</b>	<b>61,052</b>

**Employee provisions expected to be settled**

No more than 12 months	21,286
More than 12 months	39,766
<b>Total employee provisions</b>	<b>61,052</b>

**Note 9B: Other provisions**

Provision for legal obligations	700
Provision for restoration obligations	645
<b>Total other provisions</b>	<b>1,345</b>

**Other provisions expected to be settled**

No more than 12 months	1,015
More than 12 months	330
<b>Total other provisions</b>	<b>1,345</b>

	Provision for legal obligations \$'000	Provision for restoration obligations \$'000	Total \$'000
<b>As at 19 September 2013</b>	-	-	-
Opening balance from restructuring	1,363	499	1,862
Additional provisions made	400	146	546
Amounts reversed	(1,063)	-	(1,063)
Amounts used	-	-	-
Unwinding of discount or change in discount rate	-	-	-
Adjustments to asset revaluation reserve	-	-	-
<b>Total as at 30 June 2014</b>	<b>700</b>	<b>645</b>	<b>1,345</b>

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

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

**Note 10: Restructuring**

**Note 10A: Departmental restructuring**

2014					
Function	Education including: Early Childhood Education and Care and Schools and Youth	Education including: State Network and Corporate Functions	Education including: Higher Education, Research and International	Education including: Indigenous education	Corporate functions supporting Working Age Payments and Disability Employment Services
Entity	Department of Education, Employment and Workplace Relations <sup>1</sup>	Department of Employment <sup>2</sup>	Department of Industry <sup>3</sup>	Department of the Prime Minister and Cabinet <sup>4</sup>	Department of Social Services <sup>5</sup>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>FUNCTION ASSUMED</b>					
<b>Assets recognised</b>					
Cash and cash equivalents	2,618	-	-	-	-
Trade and other receivables	19,789	-	2,066	-	-
Other financial assets	2,395	-	-	-	-
Land and buildings	57,229	-	487	-	-
Property, plant and equipment	11,310	-	218	-	-
Intangibles	43,407	-	14,510	-	-
Other non-financial assets	8,145	-	554	-	-
<b>Total assets recognised</b>	<b>144,893</b>	<b>-</b>	<b>17,835</b>	<b>-</b>	<b>-</b>
<b>Liabilities recognised</b>					
Suppliers	8,203	-	-	-	-
Other payables	27,309	-	660	-	-
Employee provisions	59,126	6,504	14,023	-	-
Other provisions	1,864	-	-	-	-
<b>Total liabilities recognised</b>	<b>96,502</b>	<b>6,504</b>	<b>14,683</b>	<b>-</b>	<b>-</b>
<b>Net assets recognised</b>	<b>48,391</b>	<b>(6,504)</b>	<b>3,152</b>	<b>-</b>	<b>-</b>

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

<b>Function</b>	<b>Education including: Early Childhood Education and Care and Schools and Youth</b>	<b>Education including: State Network and Corporate Functions</b>	<b>Education including: Higher Education, Research and International</b>	<b>Education including Indigenous education</b>	<b>Corporate functions supporting Working Age Payments and Disability Employment Services</b>
<b>Entity</b>	<b>Department of Education, Employment and Workplace Relations<sup>1</sup></b>	<b>Department of Employment<sup>2</sup></b>	<b>Department of Industry<sup>3</sup></b>	<b>Department of the Prime Minister and Cabinet<sup>4</sup></b>	<b>Department of Social Services<sup>5</sup></b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>FUNCTIONS RELINQUISHED</b>					
<b>Assets relinquished</b>					
Land and buildings	-	-	-	(2,535)	-
Property, plant and equipment	-	-	-	(18)	-
Intangibles	-	-	-	(197)	-
<b>Total assets relinquished</b>	-	-	-	<b>(2,750)</b>	-
<b>Liabilities relinquished</b>					
Employee provisions	-	(14,277)	-	(2,941)	(417)
<b>Total liabilities relinquished</b>	-	<b>(14,277)</b>	-	<b>(2,941)</b>	<b>(417)</b>
<b>Net assets relinquished</b>	-	<b>14,277</b>	-	<b>191</b>	<b>417</b>
<b>Income assumed</b>					
Recognised by the receiving entity	13,941	-	12,473	-	-
Recognised by the losing entity	6,141	-	667	-	-
<b>Total income assumed</b>	<b>20,082</b>	-	<b>13,140</b>	-	-
<b>Expenses assumed</b>					
Recognised by the receiving entity	164,361	-	80,694	-	-
Recognised by the losing entity	55,998	-	30,497	-	-
<b>Total expenses assumed</b>	<b>220,359</b>	-	<b>111,191</b>	-	-

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

Notes:

<sup>1</sup> The Early Childhood Education and Care and Schools and Youth Education functions were acquired from the former Department of Education, Employment and Workplace Relations following the Administrative Arrangement Orders changes on 18 September 2013.

<sup>2</sup> Responsibility for Corporate and State Network functions in relation to the former DEEWR were acquired/relinquished from/to the Department of Employment on 28 February 2014. The transfer of staff followed the transfer of function resulting from the Administrative Arrangement Orders changes on 18 September 2013.

<sup>3</sup> The Tertiary Education functions including higher education, research and international education were acquired from the Department of Industry during 2013–14 due to the Administrative Arrangement Order changes on 18 September 2013 and 12 December 2014.

<sup>4</sup> Indigenous education functions were relinquished to the Department of the Prime Minister and Cabinet during 2013–14 following the Administrative Arrangement Orders of 18 September 2013.

<sup>5</sup> Responsibility for certain Corporate functions relating to Working Age Payments and Disability Employment Services were relinquished to the Department of Social Services on 13 February 2014. In respect of the functions assumed and relinquished the net book value of assets were transferred to the entity for no consideration.

The net assets/liabilities assumed from all entities were \$45.039 million.

The net assets/liabilities relinquished to all entities were \$14.885 million.

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

<b>Note 10B: Administered restructuring</b>			
<b>2014</b>			
<b>Function</b>	<b>Education: Early Childhood Education and Care, Schools and Youth</b>	<b>Tertiary Education: including Higher Education, Research and International Education</b>	<b>Tertiary Education: including Research</b>
<b>Entity</b>	<b>Department of Education, Employment and Workplace Relations<sup>1</sup></b>	<b>Department of Industry, Innovation, Science, Research and Tertiary Education<sup>2</sup></b>	<b>Department of the Prime Minister and Cabinet<sup>3</sup></b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>FUNCTIONS ASSUMED</b>			
<b>Assets assumed</b>			
Cash and cash equivalents	139,331	-	-
Trade and other receivables	9,478	431,524	-
Personal benefits receivable	295,752	-	-
Advances and loans	11,885	22,432,432	-
Other non-financial assets	3,864	-	-
Investments	6,987	1,960,654	38,465
<b>Total assets assumed</b>	<b>467,297</b>	<b>24,824,610</b>	<b>38,465</b>
<b>Liabilities assumed</b>			
Suppliers	33,327	551,779	-
Personal benefits payable	118,561	-	-
Grants payable	13,663	-	-
Other payable	2,794	-	-
Provision for personal benefits	624,484	-	-
Provision for grants	-	6,676,618	-
<b>Total liabilities assumed</b>	<b>792,829</b>	<b>7,228,397</b>	<b>-</b>
<b>Net assets assumed</b>	<b>(325,532)</b>	<b>17,596,213</b>	<b>38,465</b>



## Department of Education

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

Function	Education: including Early Childhood Education and Care, Schools and Youth	Tertiary Education: including Higher Education, Vocational Education and International Education	Tertiary Education: including Research
Entity	Department of Education, Employment and Workplace Relations <sup>1</sup>	Department of Industry, Innovation, Science, Research and Tertiary Education <sup>2</sup>	Department of the Prime Minister and Cabinet <sup>3</sup>
	\$'000	\$'000	\$'000
<b>Income assumed</b>			
Recognised by the receiving entity	20,856	881,148	-
Recognised by the losing entity	144,614	8,405	-
<b>Total income assumed</b>	<b>165,470</b>	<b>889,553</b>	<b>-</b>
<b>Expenses assumed</b>			
Recognised by the receiving entity	14,251,244	8,462,473	5,360
Recognised by losing entity	3,531,369	2,230,376	2,279
<b>Total expenses assumed</b>	<b>17,782,613</b>	<b>10,692,849</b>	<b>7,639</b>
Function	Education: including Early Childhood Education and Care, Schools and Youth	Tertiary Education: including Higher Education, Vocational Education and International Education	Education: including Indigenous Education
Entity	Department of Education, Employment and Workplace Relations <sup>1</sup>	Department of Industry, Innovation, Science, Research and Tertiary Education <sup>2</sup>	Department of the Prime Minister and Cabinet <sup>4</sup>
	\$'000	\$'000	\$'000
<b>FUNCTIONS RELINQUISHED</b>			
<b>Assets relinquished</b>			
Trade and other receivables	-	-	(1,847)
<b>Total assets relinquished</b>	<b>-</b>	<b>-</b>	<b>(1,847)</b>
<b>Liabilities relinquished</b>			
Suppliers payable	-	-	966
<b>Total liabilities relinquished</b>	<b>-</b>	<b>-</b>	<b>966</b>
<b>Net assets relinquished</b>	<b>-</b>	<b>-</b>	<b>(881)</b>

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

Notes:

<sup>1</sup> The Early Childhood Education and Care and Schools and Youth Education functions were assumed from the former Department of Education, Employment and Workplace Relations following the Administrative Arrangement Orders changes on 18 September 2013.

<sup>2</sup> The Tertiary Education functions including higher education, research and international education were assumed from the Department of Industry during 2013-14 due to the Administrative Arrangement Order changes on 18 September 2013 and 12 December 2014.

<sup>3</sup> The Tertiary Education functions including research were assumed from the Department of the Prime Minister and Cabinet during 2013–14 due to the Administrative Arrangement Orders of 18 September 2013.

<sup>4</sup> Indigenous education functions were relinquished to the Department of the Prime Minister and Cabinet during 2013–14 following the Administrative Arrangement Orders of 18 September 2013.

The net assets/liabilities assumed from all entities were \$17.309 billion.

The net assets/liabilities relinquished to all entities were \$0.881 million.

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

**Note 11: Cash Flow Reconciliation**

	2014
	\$'000
<b>Reconciliation of cash and cash equivalents as per statement of financial position to cash flow statement</b>	
<b>Cash and cash equivalents as per</b>	
Cash flow statement	8,429
Statement of financial position	8,429
<b>Discrepancy</b>	<u>-</u>
<b>Reconciliation of net cost of services to net cash from (used by) operating activities</b>	
Net (cost of) contribution by services	(218,640)
Revenue from Government	196,102
<b>Adjustments for non-cash items</b>	
First time recognition of non-financial assets	(1,498)
Reversal of previous asset impairment	(74)
Write-down and impairment of goods and services	106
Depreciation / amortisation	20,308
Net write-down and impairment of assets	796
Net losses from sale of assets	314
<b>Movements in assets and liabilities</b>	
<b>Assets</b>	
Decrease / (increase) in net receivables	(11,477)
Decrease / (increase) in accrued income	472
Decrease / (increase) in prepayments	100
<b>Liabilities</b>	
Increase / (decrease) in employee provisions	(693)
Increase / (decrease) in supplier payables	10,391
Increase / (decrease) in other provisions	(518)
Increase / (decrease) in other payables	4,992
<b>Net cash from (used by) operating activities</b>	<u><u>681</u></u>

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

**Note 12: Contingent Assets and Liabilities**

Quantifiable Contingencies

The department does not hold contingent assets or liabilities as at 30 June 2014.

Unquantifiable Contingencies

As at 30 June 2014, the department had contingent liabilities likely to be paid in respect of damages and claims that are not quantifiable. There were two open matters in the hands of the department's legal representatives. These open matters relate to a wide range of legal issues (departmental and administered) with varying probabilities of success. It is not possible to estimate the amounts of any eventual receipts or payments that may be received or made in relation to these claims. These were not included in the Schedule of Contingencies.

Significant Remote Contingencies

The department has one contingent asset where the likelihood of receipt is remote. The value of contingent liabilities where the likelihood of payment is remote is nil. These are not included in the Schedule of Contingencies.

The department has provided an indemnity to the Reserve Bank of Australia against loss or damage arising from the bank acting in good faith on the instructions given to it under the provision of the contract for the department's transactional banking services, any error, mistake, fraud or negligence and any failure of the department to observe its obligations. The likelihood of any payment being required under the indemnity is remote and unquantifiable.

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

**Note 13: Senior Executive Remuneration**

**Note 13A: Senior executive remuneration expenses for the reporting period**

	2014 \$'000
<b>Short-term employee benefits</b>	
Salary	5,035
Annual leave accrued	-
Other	831
<b><i>Total short-term employee benefits</i></b>	<u>5,866</u>
<b>Post-employment benefits</b>	
Superannuation	948
<b><i>Total post-employment benefits</i></b>	<u>948</u>
<b>Other long-term employee benefits</b>	
Annual leave accrued	149
Long-service leave	7
<b><i>Total other long-term benefits</i></b>	<u>156</u>
<b>Termination benefits</b>	<u>815</u>
<b><i>Total senior executive remuneration expenses</i></b>	<u><u>7,785</u></u>

Notes

<sup>1</sup> Note 13A was prepared on an accrual basis. It excludes acting arrangements and part-year service where total remuneration expensed as a senior executive was less than \$195,000.

<sup>2</sup> Other includes motor vehicle allowances, other allowances and reportable fringe benefits.

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

**Note 13B: Average annual reportable remuneration paid to substantive senior executives during the reporting period**

Average annual reportable remuneration <sup>1</sup>	2013-14					
	Substantive Senior Executives	Reportable salary <sup>2</sup>	Contributed superannuation <sup>3</sup>	Reportable allowances <sup>4</sup>	Bonus paid <sup>5</sup>	Total reportable remuneration
	No.	\$	\$	\$	\$	\$
Total reportable remuneration (including part-time arrangements)						
Less than \$195,000	74	102,946	19,559	-	-	122,505
\$195,000 to \$224,999	10	179,368	24,664	1,724	-	205,756
\$225,000 to \$254,999	4	199,484	36,727	-	-	236,211
\$255,000 to \$284,999	3	229,056	39,749	-	-	268,805
\$285,000 to \$314,999	1	259,997	36,204	-	-	296,201
\$555,000 to \$585,999	1	476,933	78,457	1,011	-	556,401
<b>Total number of substantive senior executives</b>	<b>93</b>					

Notes:

<sup>1</sup> This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.

<sup>2</sup> 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column)
- b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax purposes)
- c) reportable employer superannuation contributions
- d) exempt foreign employment income.

<sup>3</sup> The 'contributed superannuation' amount is the average cost to the department for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.

<sup>4</sup> 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

<sup>5</sup> 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. Existing remuneration arrangements for senior executives do not provide for the payment of performance bonus.

**Note 13C: Average annual reportable remuneration paid to other highly paid staff during the reporting period**

The department has no highly paid staff during 2013–14.

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

**Note 14: Remuneration of Auditors**

2014  
 \$'000

Financial statement audit services were provided free of charge to the department by the Australian National Audit Office.

The fair value of the services received for financial statement audit services	1,460
<b><i>Total fair value of services received</i></b>	<b>1,460</b>

No other services were provided by the auditors of the financial statements.

**Note 15: Financial Instruments**

**Note 15A: Categories of financial instruments**

**Financial Assets**

**Loans and receivables**

Cash and cash equivalents	8,429
Goods and services	15,138
Accrued revenue	10,113

<b><i>Total financial assets</i></b>	<b>33,680</b>
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**Financial Liabilities**

**Measured at amortised cost**

Trade creditors and accruals	7,451
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<b><i>Total financial liabilities</i></b>	<b>7,451</b>
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**Note 15B: Net gains or losses on financial assets**

**Loans and receivables**

Write off impairment - goods and services	97
Impairment of receivables - goods and services	9

<b>Net gains (losses) on loans and receivables</b>	<b>106</b>
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<b><i>Net gains (losses) on financial assets</i></b>	<b>106</b>
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The net income/expenses from financial assets not at fair value through profit or loss is (\$106,000).

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

**Note 15C: Fair value of financial instruments**

	Carrying amount 2014 \$'000	Fair value 2014 \$'000
<b>Financial Assets</b>		
Cash and cash equivalents	8,429	8,429
Goods and services receivable	15,138	15,074
Accrued revenue	10,113	10,113
<b>Total financial assets</b>	<b>33,680</b>	<b>33,616</b>
<b>Financial Liabilities</b>		
<b>At amortised cost</b>		
Trade creditors and accruals	7,451	7,451
<b>Total financial liabilities</b>	<b>7,451</b>	<b>7,451</b>

**Note 15D: Credit risk**

The department is exposed to minimal credit risk as loans and receivables are cash, cash on deposit and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables in 2014: \$15,074. The department has assessed the risk of the default on payment and has allocated nil in 2014 to an impairment allowance for doubtful debts.

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

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

**Maximum exposure to credit risk (excluding any collateral or credit enhancements)**

	2014 \$'000
<b>Financial assets carried at amount not best representing maximum exposure to credit risk</b>	
Cash and cash equivalents	8,429
Goods and services receivable	15,138
Accrued revenue	10,113
<b>Total financial assets carried at amount not best representing maximum exposure to credit risk</b>	<b>33,680</b>

In relation to the department's gross credit risk and the financial effect in respect of the amount that best represents the maximum exposure to credit risk there is no collateral held however in 2014: 2 limited indemnities were given in respect of venue hire between the Commonwealth and third parties.

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

	Not past due nor impaired 2014 \$'000	Past due or impaired 2014 \$'000
Cash and cash equivalents	8,429	-
Goods and services receivable	7,391	7,747
Accrued revenue	10,113	-
<b>Total</b>	<b>25,933</b>	<b>7,747</b>



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

**Ageing of financial assets that were past due but not impaired for 2014**

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Goods and services receivable	5,888	282	809	768	7,747
<b>Total</b>	<b>5,888</b>	<b>282</b>	<b>809</b>	<b>768</b>	<b>7,747</b>

**The following asset has been individually assessed as impaired**

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

**Note 15E: Liquidity risk**

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

**Maturities for non-derivative financial liabilities 2014**

	On demand \$'000	Within 1 year \$'000	Between 1 to 2 years \$'000	Between 2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Trade creditors and accruals	-	7,451	-	-	-	7,451
<b>Total</b>	<b>-</b>	<b>7,451</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,451</b>

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

**Note 15F: Market risk**

The department holds basic financial instruments that do not expose the department to market or interest rate risk.

**Note 16: Financial Assets Reconciliation**

	2014
	\$'000
	Notes
<b><i>Total financial assets as per statement of financial position</i></b>	<b>53,311</b>
Less: non-financial instrument components	
Appropriation receivable	<b>18,106</b>
GST receivable from the ATO	<b>1,589</b>
Impairment allowance account	<b>(64)</b>
Total non-financial instrument components	<b>19,631</b>
<b><i>Total financial assets as per financial instruments note</i></b>	<b>33,680</b>
	15A

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

**Note 17: Administered Expenses**

<u>Note 17A: Suppliers</u>	2014 \$'000
<b>Goods and services supplied or rendered</b>	
Assistance to Families with Children	40,957
School education - specific funding	123,348
Other	4,302
<b>Total goods and services supplied or rendered</b>	<b>168,607</b>
<b>Goods and services are made up of</b>	
Rendering of services – related parties	-
Rendering of services - external parties	168,607
<b>Total goods and services</b>	<b>168,607</b>
<b>Total supplier expenses</b>	<b>168,607</b>

Note 17B: Personal benefits

Direct	
Student assistance	51,651
Assistance to families with children	1,276,116
School education - specific funding	1,040
Indirect	
Assistance to families with children	3,138,001
<b>Total personal benefits</b>	<b>4,466,808</b>

Note 17C: Grants

Public sector	
Australian Government entities (related parties)	35,657
State and Territory Governments	9,179,813
Private sector	
Non-profit organisations	246,514
Multi-jurisdictional sector	6,688,342
Other	413,903
<b>Total grants</b>	<b>16,564,229</b>

Note 17D: Finance costs

Concessional loan discount	592,890
<b>Total finance costs</b>	<b>592,890</b>

Note 17E: Write-down and impairment of assets

Impairment of Unfunded University Superannuation	57,750
Write-down of other receivables	462
Impairment of goods and services and other receivables	2,728
<b>Total write-down and impairment of assets</b>	<b>60,940</b>

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

2014  
 \$'000

**Note 17F: Payments to CAC bodies**

Australian Institute of Aboriginal and Torres Strait Islander Studies	<u>5,360</u>
<b><i>Total payments to CAC bodies</i></b>	<b><u>5,360</u></b>

**Note 17G: Fair value losses**

Losses from remeasuring financial instruments held at fair value through profit or loss	<u>860,240</u>
<b><i>Total fair value losses</i></b>	<b><u>860,240</u></b>

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

**Note 18: Administered Income**

Non-taxation revenue

**Note 18A: Interest**

Other sources	1
Loans	506,839
<b><i>Total interest</i></b>	<b>506,840</b>

**Note 18B: Other revenue**

Education investment fund special account	234,207
Other	55,403
<b><i>Total other revenue</i></b>	<b>289,610</b>

Gains

**Note 18C: Fair value gains**

Unfunded University Superannuation	96,221
<b><i>Total fair value gains</i></b>	<b>96,221</b>

**Note 18D: Reversals of previous asset write-downs and impairment**

Reversal of impairment losses for personal benefits receivables	9,331
<b><i>Total reversals of previous asset write-downs and impairments</i></b>	<b>9,331</b>

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

**Note 19: Administered Fair Value Measurement**

The following tables provide an analysis of assets and liabilities that are measured at fair value. The different levels of the fair value hierarchy are defined below.

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

**Note 19A: Fair value measurements**

**Fair value measurements at 30 June 2014 by hierarchy for assets and liabilities**

	Fair value measurements at the end of the reporting period using			
	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Concessional loans	25,147,866	-	-	25,147,866
Administered investments	2,149,026	-	-	2,149,026
<b>Total financial assets</b>	<b>27,296,892</b>	-	-	<b>27,296,892</b>
<b>Total fair value measurements</b>	<b>27,296,892</b>	-	-	<b>27,296,892</b>

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

**Note 19B: Valuation technique and inputs for Level 2 and Level 3 fair value measurements**

	Category (Level 2 or Level 3)	Fair value \$'000	Valuation technique(s)	Range (weighted average)
<b>Financial assets</b>				
Concessional loans	3	25,147,866	Loan conditions	Principal due
Administered investments	3	2,149,026	Net assets of the entity	N/A

The methods and valuation techniques used for the purpose of measuring fair value of assets and liabilities in 2014 are unchanged from the previous reporting period.

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

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

**Note 19C: Reconciliation for recurring Level 3 fair value measurements**

There has been no transfer between levels during the period

**Recurring Level 3 fair value measurements - reconciliation for assets**

	Financial assets		
	Concessional loans	Administered investments	Total
	2014 \$'000	2014 \$'000	2014 \$'000
Opening balance from restructuring	22,444,317	2,006,106	24,450,423
Total gains/(losses) recognised in net cost of services <sup>1</sup>	(963,888)	-	(963,888)
Total gains/(losses) recognised in Administered Equity	-	142,920	142,920
Issues	4,880,788	-	4,880,788
Settlements	(1,213,351)	-	(1,213,351)
<b>Closing balance</b>	<b>25,147,866</b>	<b>2,149,026</b>	<b>27,296,892</b>

<sup>1</sup>The gains or losses are presented in the Administered Schedule of Comprehensive Income under Notes 17B Personal benefits, 17D Finance costs, 17G Fair value losses, 18A Interest.

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

**Note 20: Administered Financial Assets**

	2014
	\$'000
<b><u>Note 20A: Cash and cash equivalents</u></b>	
Cash on hand or on deposit	-
Special Accounts	91,293
<b>Total cash and cash equivalents</b>	<b>91,293</b>
<b><u>Note 20B: Receivables</u></b>	
<b>Good and services</b>	
Goods and services - related parties	-
Goods and services - external parties	33,921
<b>Total receivables for goods and services</b>	<b>33,921</b>
<b>Advances and loans</b>	
HECS\HELP	25,147,139
Other Loans	727
<b>Total advances and loans</b>	<b>25,147,866</b>
<b>Other receivables</b>	
GST receivable from Australian Taxation Office	13,364
Unfunded University Superannuation	1,622,250
Personal benefits receivable	368,692
<b>Total other receivables</b>	<b>2,004,306</b>
<b>Total trade and other receivables (gross)</b>	<b>27,186,093</b>
<b>Less impairment allowance</b>	
Goods and services	(9,757)
Unfunded University Superannuation	(1,200,250)
Personal benefits	(15,959)
<b>Total impairment allowance</b>	<b>(1,225,966)</b>
<b>Total trade and other receivables (net)</b>	<b>25,960,127</b>
<b>Receivables (net) expected to be recovered</b>	
No more than 12 months	39,887
More than 12 months	25,920,240
<b>Total trade and other receivables (net)</b>	<b>25,960,127</b>



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

	2014	
	\$'000	
<b>Receivables (gross) aged as follows</b>		
Not overdue	27,145,091	
Overdue by		
0 to 30 days	1,421	
31 to 60 days	447	
61 to 90 days	306	
More than 90 days	38,828	
<b>Total receivables (gross)</b>	<u>27,186,093</u>	
<b>The impairment allowance aged as follows</b>		
Not overdue	(1,200,388)	
Overdue by		
0 to 30 days	(43)	
31 to 60 days	(26)	
61 to 90 days	(34)	
More than 90 days	(25,475)	
<b>Total impairment allowance</b>	<u>(1,225,966)</u>	
Goods and services receivables are with entities external to the Australian Government. Credit terms are within 30 days (2012: 30 days).		
<b>Reconciliation of the Impairment Allowance Account:</b>		
<b>Movements in relation to 2014</b>		
	<b>Receivables</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Opening balance from restructuring</b>	<b>(1,188,060)</b>	<b>(1,188,060)</b>
Amounts written off	(462)	(462)
Amounts recovered and reversed	12,873	12,873
Reversal of previous impairment	9,331	9,331
Increase (decrease) recognised in net cost of services	(59,648)	(59,648)
<b>Closing balance</b>	<u><b>(1,225,966)</b></u>	<u><b>(1,225,966)</b></u>

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

2014  
 \$'000

**Note 20C: Other investments**

**Other Investments:**

Australian Institute for Teaching and School Leadership <sup>1</sup>	5,676
Australian Curriculum, Assessment and Reporting Authority <sup>2</sup>	2,448
Australian National University <sup>3</sup>	2,102,437
Australian Institute of Aboriginal and Torres Strait Islander Studies <sup>4</sup>	38,465

**Total other investments** 2,149,026

**Other investments expected to be recovered**

No more than 12 months	-
More than 12 months	2,149,026

**Total other investments** 2,149,026

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

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

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

<sup>3</sup> *Australian National University* – provision of research and teaching services.

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

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

<b>Note 21: Administered Non-Financial Assets</b>	<b>2014</b>
	<b>\$'000</b>
<b><u>Note 21A: Other non-financial assets</u></b>	
Prepayments	<u>523</u>
<b><i>Total other non-financial assets</i></b>	<b><u>523</u></b>
<b>Other non-financial assets expected to be recovered</b>	
No more than 12 months	523
More than 12 months	<u>-</u>
<b><i>Total other non-financial assets</i></b>	<b><u>523</u></b>
No indicators of impairment were found for other non-financial assets.	

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

**Note 22: Administered Payables**

**Note 22A: Suppliers**

Trade creditors and accruals	<u>36,884</u>
<b><i>Total suppliers</i></b>	<b><u>36,884</u></b>

**Suppliers expected to be settled**

Related parties	-
External parties	<u>36,884</u>
<b><i>Total suppliers</i></b>	<b><u>36,884</u></b>

Settlement was usually made within 30 days.

**Note 22B: Personal benefits**

Direct	10,952
Indirect	<u>109,985</u>
<b><i>Total personal benefits</i></b>	<b><u>120,937</u></b>

**Personal benefits expected to be settled**

No more than 12 months	120,937
More than 12 months	-
<b><i>Total personal benefits</i></b>	<b><u>120,937</u></b>

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

	2014 \$'000
<b><u>Note 22C: Grants</u></b>	
<b>Public sector</b>	
Local Governments	-
<b>Private sector</b>	
Non-profit organisations	2,748
Other	21,686
<b><i>Total grants</i></b>	<b>24,434</b>
 <b>Grants expected to be settled</b>	
No more than 12 months	24,434
More than 12 months	-
<b><i>Total grants</i></b>	<b>24,434</b>
Settlement is usually made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.	
 <b><u>Note 22D: Other payables</u></b>	
GST payable	8,692
<b><i>Total other payables</i></b>	<b>8,692</b>
 <b>Other payables expected to be settled</b>	
No more than 12 months	8,692
More than 12 months	-
<b><i>Total other payables</i></b>	<b>8,692</b>

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

**Note 23: Administered Provisions**

	2014
	\$'000
<b><u>Note 23A: Provisions for Personal Benefits</u></b>	
Provisions for personal benefits	801,010
<b>Total other provisions</b>	<b>801,010</b>
<b>Other provisions expected to be settled</b>	
No more than 12 months	801,010
More than 12 months	-
<b>Total other provisions</b>	<b>801,010</b>
<b><u>Note 23B: Provision for Grants</u></b>	
Unfunded University Superannuation	6,867,769
<b>Total provision for grants</b>	<b>6,867,769</b>
<b>Provision for grants expected to be settled</b>	
No more than 12 months	-
More than 12 months	6,867,769
<b>Total provisions for grants</b>	<b>6,867,769</b>

**Reconciliation of movements in provisions**

	Provisions for grants \$'000	Provisions for personal benefits \$'000	Total \$'000
<b>Opening balance from restructuring</b>	6,676,618	624,484	7,301,102
Additional provisions made	-	801,010	801,010
Amounts used	(94,106)	(624,484)	(718,590)
Increase (decrease) in net cost of services	376,492	-	376,492
Unwinding of discount or change in discount rate	(91,235)	-	(91,235)
<b>Total as at 30 June 2014</b>	<b>6,867,769</b>	<b>801,010</b>	<b>7,668,779</b>

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

**Note 24: Administered Cash Flow Reconciliation**

	2014
	\$'000
<b>Reconciliation of cash and cash equivalents as per administered schedule of assets and liabilities to administered cash flow statement</b>	
<b>Cash and cash equivalents as per</b>	
Schedule of administered cash flows	-
Schedule of administered assets and liabilities	-
<b>Discrepancy</b>	<u>-</u>
<b>Reconciliation of net cost of services to net cash from (used by) operating activities</b>	
Net (cost of) contribution by services	(21,817,072)
<b>Adjustments for non-cash items</b>	
Net write down of non-financial assets	60,940
Concessional loan discount	592,890
Fair value losses	860,240
Interest on loans	(408,815)
Other revenues not providing cash	(43,448)
Fair value gains	(96,221)
Unwinding of the discount	(98,024)
<b>Movements in assets and liabilities</b>	
<b>Assets</b>	
(Increase) / decrease in net receivables	(254,092)
(Increase) / decrease in other non-financial assets	3,341
<b>Liabilities</b>	
Increase / (decrease) in supplier payables	(334,601)
Increase / (decrease) in grants payable	10,771
Increase / (decrease) in personal benefits payable	23,837
Increase / (decrease) in other payables	(3,864)
Increase / (decrease) in provisions	372,663
<b>Net cash from (used by) operating activities</b>	<u><u>(21,131,455)</u></u>

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

**Note 25: Administered Contingent Assets and Liabilities**

**Quantifiable Contingencies**

The department does not hold quantifiable contingent assets and liabilities.

**Unquantifiable Contingencies**

At 30 June 2014, the department had no legal claims against it.

**Significant Remote Contingencies**

The department had no significant remote contingencies.



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

**Note 26: Administered Financial Instruments**

2014  
 \$'000

**Note 26A: Categories of financial instruments**

**Financial Assets**

**Available for sale financial assets**

Investments 2,149,026

**Total available-for sale financial assets** 2,149,026

**Loans and receivables**

Cash and cash equivalents -

Goods and services receivable 24,164

**Total loans and receivables** 24,164

**Financial assets at fair value through profit or loss (designated)**

HECS\HELP Loans 25,147,139

Other loans 727

**Total assets at fair value through profit or loss (designated)** 25,147,866

**Total financial assets categorised as financial instruments** 27,321,056

**Financial Liabilities**

**Financial liabilities measured at amortised cost**

Trade creditors and accruals 36,884

Grants payable 24,434

**Total financial liabilities measured at amortised cost** 61,318

**Total financial liabilities** 61,318

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

<b><u>Note 26B: Net gains or losses on financial assets</u></b>	
	<b>2014</b>
	<b>\$'000</b>
<b>Available for sale financial assets</b>	
Gain (loss) recognised in equity	<b>142,920</b>
<b>Net gains (losses) from available-for-sale financial assets</b>	<b>142,920</b>
<b>Loans and receivables</b>	
Interest revenue	<b>381</b>
Write-down and impairment	<b>(3,190)</b>
<b>Net gains (losses) from loans and receivables</b>	<b>(2,809)</b>
<b>Financial assets at fair value through profit or loss (designated)</b>	
Interest revenue	<b>506,459</b>
Unwinding of discount	<b>(592,890)</b>
Fair value gain/(losses)	<b>(860,240)</b>
<b>Net gains (losses) at fair value through profit or loss (designated)</b>	<b>(946,671)</b>
<b>Net gains (losses) on financial assets</b>	<b>(806,560)</b>

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

**Note 26C: Fair value of financial instruments**

	Carrying amount 2014 \$'000	Fair value 2014 \$'000
<b>Financial Assets</b>		
Available for sale		
Investments	2,149,026	2,149,026
Loans and receivables		
Cash at bank and on hand	-	-
Receivables for goods and services	24,164	24,164
Fair value through profit or loss (designated)		
HECS\HELP loans	25,147,139	25,147,139
Other loans	727	727
<b>Total financial assets</b>	<b>27,321,056</b>	<b>27,321,056</b>
<b>Financial Liabilities</b>		
Measured at amortised cost		
Trade creditors and accruals	36,884	36,884
Grants payable	24,434	24,434
<b>Total financial liabilities</b>	<b>61,318</b>	<b>61,318</b>

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

**Note 26D: Credit risk**

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

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

**Maximum exposure to credit risk (excluding any collateral or credit enhancements)**

	<b>2014</b>
	<b>\$'000</b>
<b>Financial assets carried at amount not best representing maximum exposure to credit risk</b>	
Available for sale	
Investments	2,149,026
Loan and receivables financial assets	
Cash at bank and on hand	-
Goods and services receivables	33,921
Fair value through profit or loss (designated)	
HECS\HELP loans	25,147,139
Other loans	727
<b>Total financial assets carried at amount not best representing maximum exposure to credit risk</b>	<b>27,330,813</b>

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

Goods and services receivables \$9.757 million in 2014.

In relation to the entity's gross credit risk and the financial effect in respect of the amount that best represents the maximum exposure to credit risk there is no collateral held however in 2014: two limited and five unlimited indemnities have been given in respect of venue hire between the Commonwealth and third parties.

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

<b>Credit quality of financial assets not past due or individually determined as impaired</b>					
	<b>Not past due nor impaired</b>				<b>Past due or impaired</b>
	<b>2014</b>				<b>2014</b>
	<b>\$'000</b>				<b>\$'000</b>
Available for sale					
Investments				2,149,026	-
Loans and receivables					
Cash at bank and on hand				-	-
Goods and services receivables				20,038	13,883
Fair value through profit or loss (designated)					
HECS\HELP loans				25,147,139	-
Other loans				727	-
<b>Total</b>				<b>27,316,930</b>	<b>13,883</b>
<b>Ageing of financial assets that were past due but not impaired for 2014</b>					
	<b>0 to 30</b>	<b>31 to 60</b>	<b>61 to 90</b>	<b>90+</b>	<b>Total</b>
	<b>days</b>	<b>days</b>	<b>days</b>	<b>days</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Goods and services and other receivables	1,250	345	169	2,362	4,126
<b>Total</b>	<b>1,250</b>	<b>345</b>	<b>169</b>	<b>2,362</b>	<b>4,126</b>

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

**Note 26E: Liquidity risk**

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

**Maturities for non-derivative financial liabilities 2014**

	On demand \$'000	Within 1 year \$'000	Between 1 to 2 years \$'000	Between 2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Financial Liabilities</b>						
Measured at amortised cost						
Trade creditors and accruals	-	36,884	-	-	-	36,884
Grants payable	-	24,434	-	-	-	24,434
<b>Total</b>	-	61,318	-	-	-	61,318

**Note 26F: Market risk**

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

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

<b>Note 26G: Concessional loans</b>		2014
		\$'000
<b>HECS\HELP loans</b>		
Nominal value		33,813,381
Less: Unexpired discount		(451,311)
Impairment		(8,214,931)
Carrying amount		25,147,139
<b>Child Care loans</b>		
Nominal value		884
Less: Unexpired discount		-
Impairment		-
Principal repayment		(157)
Carrying amount		727
<b>Total Concessional loans</b>		25,147,866
 <b>Note 27: Administered Financial Assets Reconciliation</b>		
		2014
		\$'000
	<b>Notes</b>	
<b>Total financial assets as per administered schedule of assets and liabilities</b>		28,200,446
Less: non-financial instrument components		
GST receivable from Australian Taxation Office		13,364
Personal benefits receivable (net)		352,733
Unfunded University Superannuation (net)		422,000
Special accounts		91,293
Total non-financial instrument components		879,390
<b>Total financial assets as per administered financial instruments note</b>	<b>26A</b>	<b>27,321,056</b>

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

**Note 28: Unfunded Superannuation Provision for Australian Universities**

Funding responsibility for universities has varied from time to time between the Commonwealth and the states. A number of universities have employees or former employees who are members of state superannuation schemes which are unfunded or partly funded. Accordingly, there are cost sharing arrangements for these schemes in place between the Commonwealth and the states. The Commonwealth recognises the amount payable to universities for these entitlements in full. The Commonwealth is then reimbursed by the states for their share of the costs.

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

The liability comprises a provision for the total amount of funding expected to be paid by the Commonwealth to the universities in order for them to meet their outstanding employer contribution obligations to the various state superannuation schemes to which some of their employees belong. The provision is recognised in accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*, which requires the recognition of a provision where it is probable that a future sacrifice of economic benefit will be required and where the provision can be measured reliably, as a best estimate of the expenditure required to settle the present obligation at reporting date.

The receivable comprises the contributions due and payable by the states to the Commonwealth under the cost sharing arrangement – representing the state's share of the outstanding superannuation entitlement as at reporting date.

The Australian Government Actuary (AGA) provides an estimate of both the liability and receivable, based on data and calculations provided by each university's respective actuary. Both the AGA and the department apply the provisions of *AASB 119 Employee Benefits* in measuring the liability at reporting date. In accordance with the generally accepted accounting principles, the Financial Statements have recognised a liability for the total unfunded university superannuation of \$6.868 billion. A gross receivable, representing the estimated reimbursement from the states of \$1.622 billion and an impairment allowance of \$1.200 billion has also been recognised.



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

**Note 29: Appropriations**

**Note 29A: Annual Appropriations ('Recoverable GST exclusive')**

	2014 Appropriations						Total appropriation \$'000	Appropriation applied in 2014 (current and prior years) \$'000	Variance \$'000
	Appropriation Act			FMA Act					
	Annual Appropriation \$'000	Appropriations reduced <sup>1</sup> \$'000	AFM <sup>2</sup> \$'000	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000			
<b>DEPARTMENTAL</b>									
<b>Ordinary annual services</b>	-	-	-	-	13,108	227,527	240,635	220,402	20,233
<b>Other services</b>									
Equity	13,636	-	-	-	-	1,475	15,111	8,861	6,250
<b>Total departmental</b>	<b>13,636</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,108</b>	<b>229,002</b>	<b>255,746</b>	<b>229,263</b>	<b>26,483</b>
<b>ADMINISTERED</b>									
<b>Ordinary annual services</b>									
Administered items	180,183	(76,493)	-	3,250	-	697,145	804,085	734,179	69,906
Payments to CAC Act bodies <sup>3</sup>	5,360	-	-	-	-	-	5,360	5,360	-
<b>Other services</b>									
States, ACT, NT and local government	-	-	-	-	-	41,092	41,092	38,554	2,538
Administered assets and liabilities	2,897	(2,897)	-	-	-	-	-	-	-
<b>Total administered</b>	<b>188,440</b>	<b>(79,390)</b>	<b>-</b>	<b>3,250</b>	<b>-</b>	<b>738,237</b>	<b>850,537</b>	<b>778,093</b>	<b>72,444</b>

Notes:

<sup>1</sup> Appropriations reduced under Appropriation Acts (No. 1, 3 & 5) 2013–14: sections 10,11 and 12 and under Appropriation Acts (No. 2, 4 & 6) 2013–14: sections 12, 13 and 14. Departmental appropriations do not lapse at financial year end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament.

As with departmental appropriations, the responsible Minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of the Appropriations Acts (Nos 1, 3 & 5) 2013–14 and section 12 of Appropriation Acts (No. 2, 4 & 6) 2013–14, the appropriation is taken to be reduced to the required amount specified in Table F of this note once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's determination which is disallowable by Parliament. In 2013–14 there was no reduction in administered appropriations.

<sup>2</sup> Advance to the Finance Minister (AFM) – Appropriation Acts (No. 1, 3 & 5) 2013–14: section 13 and Appropriation Acts (No. 2, 4 & 6) 2013–14: section 15

<sup>3</sup> The Department of the Prime Minister and Cabinet made payments to the Australian Institute of Aboriginal and Torres Strait Islander Studies on behalf of the Department of Education. The administered variances reflect the creditor balances at 30 June 2014.

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

**Note 29B: Departmental and Administered Capital Budgets ('Recoverable GST exclusive')**

	2014 Capital Budget Appropriations			Capital Budget Appropriations applied in 2014			Variance \$'000	
	Appropriation Act		FMA Act	Total Capital Budget Appropriations \$'001	Payments for non-financial assets <sup>3</sup> \$'000	Payments for other purposes \$'000		Total payments \$'000
	Annual Capital Budget \$'000	Appropriations reduced <sup>2</sup> \$'000	Section 32 \$'000					
<b>DEPARTMENTAL</b> Ordinary annual services Capital Budget <sup>1</sup>	-	-	20,164	20,164	16,226	-	16,226	3,938

Notes:

<sup>1</sup> 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 Table A: Annual appropriations.

<sup>2</sup> Appropriations reduced under Appropriation Acts (No. 1, 3 & 5) 2013–14: sections 10, 11, 12 and 15 or via a determination by the Finance Minister.

<sup>3</sup> Payments made on non-financial assets include purchase of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

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

**Note 29C: Unspent Annual Appropriations ('Recoverable GST exclusive')**

	<b>2014</b>
	<b>\$'000</b>
<b>Departmental</b>	
Appropriation Act (No. 1) 2013-14	<u>27,935</u>
<b>Total departmental</b>	<u>27,935</u>
<b>Administered</b>	
Appropriation Act (No.1) 2013-14	28,216
Appropriation Act (No.3) 2013-14	125,302
Appropriation Act (No. 2) 2013-14	2,538
Appropriation Act (No. 4) 2013-14	<u>2,897</u>
<b>Total administered</b>	<u>158,953</u>

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

**Note 29D: Special Appropriations ('Recoverable GST exclusive')**

<b>Authority</b>	<b>Type</b>	<b>Purpose</b>	<b>Appropriation applied</b>
			<b>2014 \$'000</b>
A New Tax System (Family Assistance) (Administration) Act 1999 (Administered)	Unlimited Amount	An Act to enable the payment of family assistance to support families	<b>4,248,003</b>
Australian Education Act 2013 - (Administered)	Unlimited Amount	An Act to grant financial assistance to the states for primary and secondary education and for related purposes	<b>6,724,976</b>
Schools Assistance Act 2008 - Section 167 (Administered)	Unlimited Amount	An Act to grant financial assistance to the states for 2005 to 2008 for primary and secondary education, and for related purposes	<b>2,401,002</b>
Higher Education Support Act 2003 - Section 164-25 (Administered)	Unlimited Amount	An Act to grant financial assistance to support the higher education system for individuals and universities	<b>11,817,312</b>
<b>Total special appropriations applied</b>			<b>25,191,293</b>

**Department of Education**

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

**Note 29E: Disclosure by Agent in Relation to Annual and Special Appropriations ('Recoverable GST exclusive')**

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	<b>Department of Prime Minister and Cabinet</b>	<b>Department of Foreign Affairs and Trade</b>	<b>Department of Social Services</b>
<b>2014</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Total receipts	<b>92,471</b>	<b>3,688</b>	<b>300</b>
Total payments	<b>92,471</b>	<b>3,688</b>	<b>300</b>

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

**Note 29F: Reduction in Administered Items ('Recoverable GST exclusive')**

<b>2014</b>	<b>Amount required - by Appropriation Act<sup>3</sup></b>		<b>Total amount required<sup>3</sup></b>	<b>Total amount appropriated<sup>4</sup></b>	<b>Total reduction<sup>5</sup></b>
<b>Ordinary Annual Services</b>	<b>Act (No.1)</b>	<b>Act (No.3)</b>			
Outcome 1	337,772,000.00	62,976,637.83	400,748,637.83	441,288,000.00	40,539,362.17
Outcome 2	266,772,000.00	39,096,058.80	305,868,058.80	341,822,000.00	35,953,941.20
Outcome 3	58,104,000.00	1,617,000.00	59,721,000.00	59,721,000.00	-
Outcome 4	34,497,000.00	-	34,497,000.00	34,497,000.00	-
<b>Other services</b>	<b>Act (No.2)</b>	<b>Act (No.4)</b>			
<b>Specific payments to States, ACT, NT and Local government</b>					
Outcome 2	41,091,901.40	-	41,091,901.40	41,092,000.00	98.60
<b>Administered assets and liabilities</b>					
Outcome 2	-	-	-	2,897,000.00	2,897,000.00

Notes:

<sup>1</sup> Numbers in this section are disclosed to the cent.

<sup>2</sup> Administered items for 2014 were reduced to these amounts when these financial statements were tabled in Parliament as part of the department's 2014 annual report. This reduction is effective in 2015, but the amounts are reflected in Table A in the 2014 financial statements in the column 'Appropriations reduced' as they are adjustments to 2014 appropriations.

<sup>3</sup> Amount required as per Appropriation Act (Act 1 s. 11; Act 2 s. 12).

<sup>4</sup> Total amount appropriated in 2014.

<sup>5</sup> Total reduction effective in 2015.

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

Note 30: Special Accounts

Note 30A: Special Accounts ('Recoverable GST exclusive')

	Education Investment Fund - Research Portfolio Special Account <sup>1</sup>	Education Investment Fund - Education Portfolio Special Account <sup>2</sup>	National Youth Affairs Research Scheme <sup>3</sup>
	2014	2014	2014
	\$'000	\$'000	\$'000
<b>Balance brought forward from previous period</b>	-	-	-
<b>Increases</b>			
Appropriation credited to special account	92,985	141,222	-
Transfer through restructuring	-	-	251
<b>Total increases</b>	92,985	141,222	251
<b>Available for payments</b>	92,985	141,222	251
<b>Decreases</b>			
<b>Departmental</b>			
Transfer to the Official Public Account (OPA)	-	-	-
Other Payments	-	-	-
<b>Total Departmental</b>	-	-	-
<b>Administered</b>			
Payments made	(92,985)	(141,222)	-
Transfer through restructuring	-	-	-
<b>Total Administered</b>	(92,985)	(141,222)	-
<b>Total decreases</b>	(92,985)	(141,222)	-
<b>Total balance carried to the next period</b>	-	-	251

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

Note 30A: Special Accounts ('Recoverable GST exclusive')

	Early Years Quality Fund <sup>4</sup>	Overseas Student Tuition Fund <sup>5</sup>	Services for Other Entities and Trust Money <sup>6</sup>
	2014	2014	2014
	\$'000	\$'000	\$'000
<b>Balance brought forward from previous period</b>	-	-	-
<b>Increases</b>			
Appropriations credited to special account	-	-	-
Costs recovered	-	6,518	6,852
Transfer through restructuring	135,000	5,847	4,042
<b>Total increases</b>	<b>135,000</b>	<b>12,365</b>	<b>10,894</b>
<b>Available for payments</b>	<b>135,000</b>	<b>12,365</b>	<b>10,894</b>
<b>Decreases</b>			
<b>Departmental</b>			
Transfer to the Official Public Account (OPA)	-	-	-
Other Payments	-	-	-
<b>Total Departmental</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Administered</b>			
Payments made	(62,703)	(208)	(4,001)
Transfer through restructuring	-	-	(305)
<b>Total Administered</b>	<b>(62,703)</b>	<b>(208)</b>	<b>(4,306)</b>
<b>Total decreases</b>	<b>(62,703)</b>	<b>(208)</b>	<b>(4,306)</b>
<b>Total balance carried to the next period</b>	<b>72,297</b>	<b>12,157</b>	<b>6,588</b>



## Department of Education

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

<sup>1</sup> Education Investment Fund – Research Portfolio Special Account

Appropriation: *Financial Management and Accountability Act 1997*; section 21

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

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

<sup>2</sup> Education Investment Fund – Education Portfolio Special Account

Appropriation: *Financial Management and Accountability Act 1997*; section 21

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

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

<sup>3</sup> National Youth Affairs Research Scheme Special Account

Appropriation: *Financial Management and Accountability Act 1997*; section 20

Establishing Instrument: *Financial Management and Accountability Determination 2006/45* on 22 August 2006.

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

<sup>4</sup> Early Years Quality Fund Special Account

Appropriation: *Financial Management and Accountability Act 1997*; section 21

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

Purpose: For the administration of the Early Years Quality Fund (EYQF). The EYQF will provide \$300 million over two years to assist long day care services to offset the costs of employing higher qualified staff who are required as part of the National Quality Framework for Early Childhood Education and Care from 1 January 2014.

<sup>5</sup> Overseas Student Tuition Fund Special Account

Appropriation: *Financial Management and Accountability Act*; section 21

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

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

<sup>6</sup> Services for Other Entities and Trust Moneys Special Account

Appropriation: *Financial Management and Accountability Act 1997*; section 20

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

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

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

**Note 31: Compensation and Debt Relief**

	<b>2014</b>
	<b>\$</b>
<b>Departmental</b>	
No 'Act of Grace payments' were expensed during the reporting period	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> .	-
No ex-gratia payments were provided for during the reporting period.	-
No payment was provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period.	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the <i>Public Service Act 1999</i> (PS Act) during the reporting period.	-

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

<b>Administered</b>	<b>2014</b>
	<b>\$'000</b>
1 'Act of Grace' payments were expensed during the reporting period.	<u>15</u>
4,780 waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> .	<u>156,294</u>
103,326 waivers of amounts owing to the Australian Government were made pursuant to the <i>A New Tax System (Family Assistance) (Administration) Act 1999</i> .	<u>2,185</u>
No ex-gratia payments were provided for during the reporting period.	<u>-</u>
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period.	<u>-</u>
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the <i>Public Service Act 1999</i> during the reporting period.	<u>-</u>
<p>The High Court in <i>Williams v Commonwealth [2014] HCA 23</i> held that payments made under the National Schools Chaplaincy and Student Welfare programme were invalid on the grounds that they were not supported by a Commonwealth constitutional head of power. Consequently, the payments so made became debts owed to the Commonwealth. However, the Minister for Finance, the Hon Mathias Cormann, after considering all relevant matters waived those debts under s34(1)(a) of the <i>Financial Management and Accountability Act 1997</i> on 19 June 2014. The amount waived was \$156.121 million, this included \$87.945 million spent by the former Department of Education, Employment and Workplace Relations.</p>	

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

**Note 32: Reporting of Outcomes**

The department has three outcomes and details of each outcome are provided in the front of the 2013–14 Annual Report. The department uses a cost allocation model to determine the attribution of its shared items.

**Note 32A: Net cost of outcome delivery**

	Outcome 1	Outcome 2	Outcome 3	Payment to CAC Act Agency	Not attributed <sup>1</sup>
	2014	2014	2014	2014	2014
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Departmental</b>					
Expenses	62,212	102,149	80,693	-	-
Own-source income	5,316	8,626	12,472	-	-
<b>Administered</b>					
Expenses	4,790,056	9,461,185	8,462,473	5,360	-
Own-source income	11,325	9,531	881,146	-	-
<b>Net cost/(contribution) of outcome delivery</b>	<b>4,835,627</b>	<b>9,545,177</b>	<b>7,649,548</b>	<b>5,360</b>	<b>-</b>

Outcomes 1 to 3 are described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome. Refer to Appendix 2 of this annual report for the Agency resource statement and resources for outcomes.

<sup>1</sup> Some administered own-source income is not related to programs and outcomes. They are included here so the total agrees to the schedule of comprehensive income.

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

**Note 32B: Major classes of departmental expenses, income, assets and liabilities by outcome**

	Outcome 1	Outcome 2	Outcome 3	Not attributed <sup>1</sup>	Total
	2014	2014	2014	2014	2014
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses</b>					
Employee benefits	38,228	62,777	53,617	-	154,622
Suppliers	18,662	30,634	19,612	-	68,908
Depreciation	5,021	8,245	7,042	-	20,308
Other	301	493	422	-	1,216
<b>Total expenses</b>	<b>62,212</b>	<b>102,149</b>	<b>80,693</b>	<b>-</b>	<b>245,054</b>
<b>Own-Source Income</b>					
User charges	4,276	7,188	6,603	-	18,067
Income from government	49,744	84,103	62,255	-	196,102
Other	1,040	1,438	5,869	-	8,347
<b>Total own-source income</b>	<b>55,060</b>	<b>92,729</b>	<b>74,727</b>	<b>-</b>	<b>222,516</b>
<b>Assets</b>					
Cash and cash equivalents	-	-	-	8,429	8,429
Trade and other receivables	8,596	14,116	12,057	-	34,769
Other financial assets	2,500	4,106	3,507	-	10,113
Land and buildings	13,141	22,185	15,541	-	50,867
Infrastructure, plant and equipment	2,966	5,007	3,481	-	11,454
Intangibles	16,466	27,797	19,287	-	63,550
Other non-financial assets	2,126	3,491	2,982	-	8,599
<b>Total assets</b>	<b>45,795</b>	<b>76,702</b>	<b>56,855</b>	<b>8,429</b>	<b>187,781</b>
<b>Liabilities</b>					
Suppliers	3,740	6,272	4,588	-	14,600
Other payables	9,806	16,575	11,371	-	37,752
Employee provisions	15,819	26,704	18,529	-	61,052
Other provisions	349	588	408	-	1,345
<b>Total liabilities</b>	<b>29,714</b>	<b>50,139</b>	<b>34,896</b>	<b>-</b>	<b>114,749</b>

Outcomes 1 to 3 are described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome. Refer to Appendix 2 of this annual report for the Agency resource statement and resources for outcomes.

<sup>1</sup> Assets and liabilities that could not be reliably attributed to outcomes.

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

**Note 32C: Major classes of administered expenses, income, assets, and liabilities by outcomes**

	Outcome 1	Outcome 2	Outcome 3	Payment to CAC Act Agency	Not attributed <sup>1</sup>	Total
	2014	2014	2014	2014	2014	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses</b>						
Personal benefits	4,414,117	1,040	51,651	-	-	4,466,808
Grants	332,604	9,335,885	6,895,740	-	-	16,564,229
Suppliers	40,957	123,352	4,298	-	-	168,607
Other	2,378	908	1,510,784	5,360	-	1,519,430
<b>Total expenses</b>	<b>4,790,056</b>	<b>9,461,185</b>	<b>8,462,473</b>	<b>5,360</b>	<b>-</b>	<b>22,719,074</b>
<b>Income</b>						
Interest	380	-	506,460	-	-	506,840
Non taxation revenue - Other	2,239	8,905	278,466	-	-	289,610
Gains	8,706	626	96,220	-	-	105,552
<b>Total income</b>	<b>11,325</b>	<b>9,531</b>	<b>881,146</b>	<b>-</b>	<b>-</b>	<b>902,002</b>
<b>Assets</b>						
Cash and cash equivalents	63,205	4,766	23,322	-	-	91,293
Receivables	356,288	7,960	25,595,879	-	-	25,960,127
Investments	-	8,124	2,140,902	-	-	2,149,026
Other non-financial assets	-	523	-	-	-	523
<b>Total assets</b>	<b>419,493</b>	<b>21,373</b>	<b>27,760,103</b>	<b>-</b>	<b>-</b>	<b>28,200,969</b>
<b>Liabilities</b>						
Suppliers	2,689	15,252	18,943	-	-	36,884
Personal benefits	120,937	-	-	-	-	120,937
Grants	9,480	12,795	2,159	-	-	24,434
Other payables	2,592	4,499	1,601	-	-	8,692
Provision for personal benefits	801,010	-	-	-	-	801,010
Provision for grants	-	-	6,867,769	-	-	6,867,769
<b>Total liabilities</b>	<b>936,708</b>	<b>32,546</b>	<b>6,890,472</b>	<b>-</b>	<b>-</b>	<b>7,859,726</b>

Outcomes 1 to 3 are described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome. Refer to Appendix 2 of this annual report for the Agency resource statement and resources for outcomes.

<sup>1</sup> Assets, liabilities and income that could not be reliably attributed to outcomes.

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

**Note 33: Cost Recovery Summary**

	2014 \$'000
<b>Amounts applied</b>	
Departmental	
Annual appropriations	1,191
<b>Total amounts applied</b>	<u>1,191</u>
<b>Expenses</b>	
Departmental	1,191
<b>Total expenses</b>	<u>1,191</u>
<b>Revenue</b>	
Administered	6,224
<b>Total revenue</b>	<u>6,224</u>
<b>Receivables</b>	
Not overdue	15
Overdue by	
0 to 30 days	8
31 to 60 days	-
61 to 90 days	-
More than 90 days	58
<b>Total receivables</b>	<u>80</u>

Cost recovered activities:

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

The following entities are involved in the delivery of these activities: Department of Education, Australian Skills Quality Authority and the Tertiary Education Quality and Standards Agency. The Commonwealth also recovers the cost of administering the functions of the Overseas Students Ombudsman under the Ombudsman Act 1976. This function transferred from the Department of Industry as part of the Administrative Arrangement Orders of the 18 September 2013.

Documentation (Cost Recovery Impact Statement) for the above activity is available at [www.education.gov.au](http://www.education.gov.au).

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

**Note 34: Net Cash Appropriation Arrangements**

	2014 \$'000
<i><b>Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations<sup>1</sup></b></i>	<b>(1,797)</b>
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<u><b>(20,308)</b></u>
<i><b>Total comprehensive income (loss) - as per the Statement of Comprehensive Income</b></i>	<u><u><b>(22,105)</b></u></u>

<sup>1</sup> 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.

**Note 35: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund**

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

The department monitors its level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible. The department used the assessment process identified in Finance's guidance paper to determine the risk of potential section 83 breaches.

The department identified 10 appropriations involving statutory conditions for payment, comprising:

- four special appropriations and
- six special accounts

The work conducted during the 2013–14 financial year identified one payment of \$125,200 that was considered a potential breach of the *Schools Assistance Act 2008*. Included in the amount is an overpayment of \$3,407 that is subject to legal advice about recovery options. The programme area will continue to monitor its compliance with section 83 of the Constitution to reduce the risk of over payment. Internal control processes will be reviewed.

The department will continue to monitor its level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible, and were possible legislative amendments and system changes will continue to be progressed.