



# Part 5

## Financial statements

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# Department of Employment



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Employment

I have audited the accompanying financial statements of the Department of Employment for the year ended 30 June 2014, which comprise: a Statement by the Chief Executive and Chief Finance Officer; Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; Schedule of Administered Commitments; Schedule of Administered Contingencies; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

### *Chief Executive's Responsibility for the Financial Statements*

The Chief Executive of the Department of Employment is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department of Employment's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department of Employment's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive of the Department of Employment, as well as evaluating the overall presentation of the financial statements.

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

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***Independence***

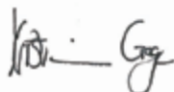
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

***Opinion***

In my opinion, the financial statements of the Department of Employment:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders, including the Department of Employment's financial position as at 30 June 2014 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Kristian Gage  
Acting Executive Director

Delegate of the Auditor-General

Canberra

8 October 2014

**Department of Employment**  
**STATEMENT BY THE CHIEF EXECUTIVE AND CHIEF FINANCE OFFICER**

In our opinion, the attached financial statements for the period ended 30 June 2014 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

  
Signed.....

Renee Leon PSM  
Chief Executive

8/10/14

  
Signed.....

Justine Potter  
Chief Finance Officer

8 October 2014.

**Department of Employment**  
**STATEMENT OF COMPREHENSIVE INCOME**  
*for the period ended 30 June 2014*

	Notes	2014 \$'000
<b>NET COST OF SERVICES</b>		
<b>EXPENSES</b>		
Employee benefits	3A	171,548
Suppliers	3B	91,679
Grants	3C	1,925
Depreciation and amortisation	3D	43,362
Finance costs	3E	35
Write-down and impairment of assets	3F	19,046
Losses from asset sales	3G	1,576
<b>Total expenses</b>		<u>329,171</u>
<b>OWN-SOURCE INCOME</b>		
<b>Own-source revenue</b>		
Sale of goods and rendering of services	4A	13,813
Other Revenue	4B	465
<b>Total own-source revenue</b>		<u>14,278</u>
<b>Gains</b>		
Gains from sale of assets	4C	436
Other gains	4D	821
<b>Total gains</b>		<u>1,257</u>
<b>Total own-source income</b>		<u>15,535</u>
<b>Net cost of services</b>		<u>313,636</u>
Revenue from Government	4E	288,195
<b>Deficit attributable to the Australian Government</b>		<u>(25,441)</u>
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items not subject to subsequent reclassification to net cost of services</b>		
Changes in asset revaluation surplus		<u>3,376</u>
<b>Total other comprehensive income</b>		<u>3,376</u>
<b>Total comprehensive loss</b>		<u>(22,065)</u>

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

**Department of Employment**  
**STATEMENT OF FINANCIAL POSITION**  
*as at 30 June 2014*

	Notes	2014 \$'000
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash and cash equivalents	6A	5,669
Trade and other receivables	6B	73,454
Other financial assets	6C	2,604
<b>Total financial assets</b>		<u>81,727</u>
<b>Non-financial Assets</b>		
Leasehold Improvements	7A/7C	21,017
Infrastructure, plant and equipment	7B/7C	13,102
Intangibles	7D/7E	40,011
Other non-financial assets	7F	16,050
<b>Total non-financial assets</b>		<u>90,180</u>
<b>Total assets</b>		<u><u>171,907</u></u>
<b>LIABILITIES</b>		
<b>Payables</b>		
Suppliers	8A	6,146
Other payables	8B	30,447
<b>Total payables</b>		<u>36,593</u>
<b>Provisions</b>		
Employee provisions	9A	59,560
Other provisions	9B	1,315
<b>Total provisions</b>		<u>60,875</u>
<b>Total liabilities</b>		<u>97,468</u>
<b>Net assets</b>		<u><u>74,439</u></u>
<b>EQUITY</b>		
Contributed equity		96,504
Reserves		3,376
Accumulated deficit		(25,441)
<b>Total equity</b>		<u><u>74,439</u></u>

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

**Department of Employment**  
**STATEMENT OF CHANGES IN EQUITY**  
*for the period ended 30 June 2014*

	Retained earnings 2014 \$'000	Asset revaluation surplus 2014 \$'000	Contributed equity/capital 2014 \$'000	Total equity 2014 \$'000
<b>Opening balance</b>				
Balance carried forward from previous period	-	-	-	-
<b>Adjusted opening balance</b>	-	-	-	-
<b>Comprehensive income</b>				
Other comprehensive income	-	3,376	-	3,376
Deficit for the period	(25,441)	-	-	(25,441)
<b>Total comprehensive income</b>	(25,441)	3,376	-	(22,065)
<b>Contributions by owners</b>				
Equity injection - Appropriation	-	-	2,127	2,127
Departmental capital budget	-	-	21,265	21,265
Restructuring (Note 10)	-	-	73,112	73,112
<b>Sub-total transactions with owners</b>	-	-	96,504	96,504
<b>Closing balance attributable to Australian Government</b>	(25,441)	3,376	96,504	74,439

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

**Department of Employment**  
**CASH FLOW STATEMENT**  
*for the period ended 30 June 2014*

	Notes	2014 \$'000
<b>OPERATING ACTIVITIES</b>		
<b>Cash received</b>		
Appropriations		262,471
Sale of goods and rendering of services		16,405
Net GST received		<u>8,357</u>
<b>Total cash received</b>		<u><b>287,233</b></u>
<b>Cash used</b>		
Employees		165,197
Suppliers		94,897
Grants		1,925
Section 31 receipts transferred to the OPA		<u>84</u>
<b>Total cash used</b>		<u><b>262,103</b></u>
<b>Net cash from operating activities</b>	11	<u><b>25,130</b></u>
<b>INVESTING ACTIVITIES</b>		
<b>Cash received</b>		
Proceeds from sales of leaseholds		<u>439</u>
<b>Total cash received</b>		<u><b>439</b></u>
<b>Cash used</b>		
Purchase of infrastructure, plant and equipment		2,665
Purchase / development of intangibles		19,025
Purchase of leaseholds		<u>205</u>
<b>Total cash used</b>		<u><b>21,895</b></u>
<b>Net cash used by investing activities</b>		<u><b>(21,456)</b></u>
<b>FINANCING ACTIVITIES</b>		
<b>Cash received</b>		
Contributed equity - restructure		<u>1,995</u>
<b>Total cash received</b>		<u><b>1,995</b></u>
<b>Net cash from financing activities</b>		<u><b>1,995</b></u>
<b>Net increase in cash held</b>		<u><b>5,669</b></u>
Cash and cash equivalents at the beginning of the reporting period		<u>-</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	6A	<u><b>5,669</b></u>

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



**Department of Employment**  
**SCHEDULE OF COMMITMENTS**  
*as at 30 June 2014*

	2014
	\$'000
<b>BY TYPE</b>	
<b>Commitments receivable</b>	
Sublease rental income <sup>1</sup>	(10,424)
Net GST recoverable on commitments	(10,694)
<b>Total commitments receivable</b>	<u>(21,118)</u>
<b>Commitments payable</b>	
<b>Other commitments</b>	
Operating leases <sup>1</sup>	81,028
IT commitments <sup>2</sup>	27,164
Research and development	30
Other <sup>3</sup>	22,628
<b>Total other commitments</b>	<u>130,850</u>
<b>Net commitments by type</b>	<u><u>109,732</u></u>
<b>BY MATURITY</b>	
<b>Commitments receivable</b>	
<b>Operating lease income</b>	
Within one year	(4,374)
Between one to five years	(4,924)
More than five years	(1,126)
<b>Total operating lease income</b>	<u>(10,424)</u>
<b>Other commitments receivable</b>	
Within one year	(5,209)
Between one to five years	(4,931)
More than five years	(554)
<b>Total other commitments receivable</b>	<u>(10,694)</u>
<b>Total commitments receivable</b>	<u>(21,118)</u>
<b>Commitments payable</b>	
<b>Operating lease commitments<sup>1</sup></b>	
Within one year	30,360
Between one to five years	43,442
More than five years	7,226
<b>Total operating lease commitments</b>	<u>81,028</u>
<b>IT commitments<sup>2</sup></b>	
Within one year	13,680
Between one to five years	13,484
<b>Total IT commitments</b>	<u>27,164</u>
<b>Research and development commitments</b>	
Within one year	30
<b>Total research and development commitments</b>	<u>30</u>

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

**Department of Employment**  
**SCHEDULE OF COMMITMENTS**  
*as at 30 June 2014*

	<b>2014</b>
	<b>\$'000</b>
<b>Other commitments<sup>3</sup></b>	
Within one year	19,665
Between one to five years	2,963
<b>Total other commitments</b>	<b>22,628</b>
<b>Total commitments payable</b>	<b>130,850</b>
<b>Net commitments by maturity</b>	<b>109,732</b>

Note: Commitments are GST inclusive where relevant.

<sup>1</sup> Operating leases included are effectively non-cancellable and comprise:

<b>Nature of lease</b>	<b>General description of leasing arrangement</b>
Leases for office accommodation	Lease payments are subject to periodic market value or indexed increases.
Sub lease revenue for office accommodation	Vacant office space is sub leased where possible. The total of future minimum lease payments expected to be received over the next five years is \$9.3 million including GST.
Agreement for provision of motor vehicles to senior executive officers	No contingent rentals exist. There are no renewal or purchase options available to the department.

<sup>2</sup> IT commitments include contracts for data services, IT software licensing and hardware maintenance agreements.

<sup>3</sup> Other commitments include a range of contracts such as fees for provision of services.

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

**Department of Employment**  
**SCHEDULE OF CONTINGENCIES**  
*as at 30 June 2014*

	2014 \$'000
<b>Contingent liabilities</b>	
Claims for damages or costs	<u>180</u>
<b>Total contingent liabilities</b>	<u>180</u>
<b><i>Net contingent liabilities</i></b>	<u><u>(180)</u></u>

Details of each class of contingent liabilities and contingent assets listed above are disclosed in Note 12: Contingent Assets and Liabilities, along with information on significant remote contingencies and contingencies that cannot be quantified.

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

**Department of Employment**  
**ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME**  
*for the period ended 30 June 2014*

	Notes	2014 \$'000
<b>NET COST OF SERVICES</b>		
<b>EXPENSES</b>		
Suppliers	17A	1,333,586
Subsidies	17B	161,784
Personal benefits	17C	212,836
Grants	17D	37,279
Write-down and impairment of assets	17E	203
Payment to CAC Act bodies	17F	1,433
<b>Total expenses</b>		<b>1,747,121</b>
<b>INCOME</b>		
<b>Revenue</b>		
<b>Taxation revenue</b>		
Other taxes	18A	133,578
<b>Total taxation revenue</b>		<b>133,578</b>
<b>Non-taxation revenue</b>		
Interest	18B	6
Commonwealth asset recoveries	18C	16,778
Other revenue	18D	3,969
<b>Total non-taxation revenue</b>		<b>20,753</b>
<b>Total revenue</b>		<b>154,331</b>
<b>Gains</b>		
Reversals of previous asset write-downs and impairment	18E	155
<b>Total gains</b>		<b>155</b>
<b>Total income</b>		<b>154,486</b>
<b>Net cost of services</b>		<b>(1,592,635)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items not subject to subsequent reclassification to net cost of services</b>		
Changes in asset revaluation surplus		28,752
<b>Total other comprehensive income</b>		<b>28,752</b>
<b>Total comprehensive loss</b>		<b>(1,563,883)</b>

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

**Department of Employment**  
**ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES**  
*as at 30 June 2014*

	Notes	2014 \$'000
<b>ASSETS</b>		
<b>Financial assets</b>		
Cash and cash equivalents	20A	-
Trade and other receivables	20B	23,340
Other investments	20C	145,477
<b>Total financial assets</b>		<b>168,817</b>
<b>Non-financial assets</b>		
Other non-financial assets	21A	4,968
<b>Total non-financial assets</b>		<b>4,968</b>
<b>Total assets administered on behalf of Government</b>		<b>173,785</b>
<b>LIABILITIES</b>		
<b>Payables</b>		
Suppliers	22A	21,641
Subsidies	22B	14,810
Personal benefits	22C	9,441
Grants	22D	459
Other payables	22E	2,784,003
<b>Total payables</b>		<b>2,830,354</b>
<b>Total liabilities administered on behalf of Government</b>		<b>2,830,354</b>
<b>Net liabilities</b>		<b>(2,656,569)</b>

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

**Department of Employment  
ADMINISTERED RECONCILIATION SCHEDULE**

	2014 \$'000
<b>Opening assets less liabilities as at 19 September 2013</b>	-
<b>Adjusted opening assets less liabilities</b>	-
<b>Net cost of services</b>	
Income	154,486
<b>Expenses</b>	
Payments to Non-CAC Act bodies	(1,745,688)
Payments to CAC Act bodies	(1,433)
<b>Other comprehensive income</b>	
Revaluations transferred to reserves	28,752
<b>Transfers (to)/from the Australian Government</b>	
<b>Appropriation transfers from Official Public Account</b>	
Administered assets and liabilities appropriations	80
Annual appropriations	
Payments to Non-CAC Act bodies	1,439,078
Payments to CAC Act bodies	1,433
Special appropriations (unlimited)	
Payments to Non-CAC Act bodies	322,003
<b>Appropriation transfers to Official Public Account</b>	
Transfers to Official Public Account	(152,610)
Restructuring	(2,702,670)
<b>Closing assets less liabilities as at 30 June</b>	<b>(2,656,569)</b>

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

**Department of Employment**  
**ADMINISTERED CASH FLOW STATEMENT**  
*for the period ended 30 June 2014*

	Notes	2014 \$'000
<b>OPERATING ACTIVITIES</b>		
<b>Cash received</b>		
Interest		6
Net GST received		144,261
Levies		127,622
Other		20,747
<b>Total cash received</b>		<u>292,636</u>
<b>Cash used</b>		
Suppliers		1,482,956
Subsidies		154,999
Personal benefits		205,671
Grants		55,743
Payments to CAC Act bodies		1,433
<b>Total cash used</b>		<u>1,900,802</u>
<b>Net cash flows used by operating activities</b>	23	<u>(1,608,166)</u>
<b>Net decrease in cash held</b>		<u>(1,608,166)</u>
Cash and cash equivalents at the beginning of the reporting period		-
<b>Cash from the Official Public Account for</b>		
- Appropriations		1,762,594
- GST appropriations		43,205
		<u>1,805,799</u>
<b>Cash to the Official Public Account for</b>		
- Appropriations		(152,610)
- Return of GST appropriations		(45,023)
		<u>(197,633)</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	20A	<u>-</u>

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

**Department of Employment**  
**SCHEDULE OF ADMINISTERED COMMITMENTS**  
*as at 30 June 2014*

	2014
	\$'000
<b>BY TYPE</b>	
<b>Commitments receivable</b>	
Net GST recoverable on commitments	(145,685)
<b>Total commitments receivable</b>	<u>(145,685)</u>
<b>Commitments payable</b>	
<b>Other commitments</b>	
Employment programs	1,592,246
Goods and services	3,519
Grants	6,770
<b>Total other commitments</b>	<u>1,602,535</u>
<b>Net commitments by type</b>	<u><u>1,456,850</u></u>
<b>BY MATURITY</b>	
<b>Commitments receivable</b>	
Within one year	(144,861)
Between one to five years	(824)
<b>Total commitments receivable</b>	<u>(145,685)</u>
<b>Commitments payable</b>	
<b>Other Commitments</b>	
Within one year	1,593,469
Between one to five years	9,066
<b>Total other commitments</b>	<u>1,602,535</u>
<b>Net commitments by maturity</b>	<u><u>1,456,850</u></u>
<p>Note: All commitments are GST inclusive where relevant.  The value of commitments is determined based on expected value of services contracted, but yet to be performed under the agreement.</p>	

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



**Department of Employment**  
**SCHEDULE OF ADMINISTERED CONTINGENCIES**  
*as at 30 June 2014*

	2014 \$'000
<b>Contingent assets</b>	
Claims for damages or costs	22,724
<b>Total contingent assets</b>	<u>22,724</u>
<b>Contingent liabilities</b>	
Claims for damages or costs	114,469
<b>Total contingent liabilities</b>	<u>114,469</u>
<b><i>Net contingent liabilities</i></b>	<u><u>(91,745)</u></u>

Details of each class of contingent assets and liabilities in the above table are disclosed in Note 24: Administered - Contingent Assets and Liabilities, along with information on significant remote contingencies and contingencies that cannot be quantified.

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

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

- Note 1: Summary of Significant Accounting Policies
- Note 2: Events After the Reporting Period
- Note 3: Expenses
- Note 4: Income
- Note 5: Fair Value Measurement
- Note 6: Financial Assets
- Note 7: Non-Financial Assets
- Note 8: Payables
- Note 9: Provisions
- Note 10: Restructuring
- Note 11: Cash Flow Reconciliation
- Note 12: Contingent Assets and Liabilities
- Note 13: Senior Executive Remuneration
- Note 14: Remuneration of Auditors
- Note 15: Financial Instruments
- Note 16: Financial Assets Reconciliation
- Note 17: Administered - Expenses
- Note 18: Administered - Income
- Note 19: Administered - Fair Value Measurement
- Note 20: Administered - Financial Assets
- Note 21: Administered - Non-Financial Assets
- Note 22: Administered - Payables
- Note 23: Administered - Cash Flow Reconciliation
- Note 24: Administered - Contingent Assets and Liabilities
- Note 25: Administered - Financial Instruments
- Note 26: Administered - Financial Assets Reconciliation
- Note 27: Appropriations
- Note 28: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund
- Note 29: Compensation and Debt Relief
- Note 30: Reporting of Outcomes
- Note 31: Net Cash Appropriation Arrangements

## Department of Employment

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

#### Note 1: Summary of Significant Accounting Policies

##### 1.1 Objectives of Employment

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

The department provides advice to the Government and administers programs to achieve the Government's objectives for employment and workplace relations. 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: Employment

Outcome 2: Workplace Relations

The department was created following the abolition of the Department of Education, Employment and Workplace Relations on 18 September 2013. Accordingly, the reporting period is from 19 September 2013. No comparatives are provided to these statements.

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

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

The department conducts the following administered activities on behalf of the Government:

- Fostering a productive and competitive labour market through employment policies and programmes that assist job seekers into work, meet employer needs and increase Australia's workforce participation.
- Facilitating jobs growth through policies that promote fair, productive and safe workplaces.

##### 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 2011; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

Unless an alternative treatment is specifically required by an accounting standard or the 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.

## Department of Employment

### 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 made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- the fair value of leasehold improvements and infrastructure, plant and equipment has been taken to be the market value of similar items as determined by an independent valuer; and
- the liability for long service leave has been estimated using an actuarial assessment is based on the FMO requirements. This takes into account expected salary growth, attrition and future discounting using the government bond rates.

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

#### 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.

The following new standards, amended standards or interpretations 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.

AASB 13	Fair Value Measurement – December 2012 (Principal) – this resulted in an increased level of disclosure for items carried at fair value.
AASB 119	Employee Benefits - September 2011 (Principal) – this resulted in an increased level of disclosure.

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

##### Future Australian Accounting Standard Requirements

The following new standards, revised standards, interpretations and amending standards were issued by the Australian Accounting Standards Board prior to the sign-off date and apply to future reporting periods, they are not expected to have a financial impact on the department:

AASB 1055	Budgetary Reporting - March 2013 (Principal) – this new requirement will require the department to explain significant variances between budget and actual expenditure
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#### 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; and
- it is probable that the economic benefits associated with the transaction will flow to the department.

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

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

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

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

## Department of Employment

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

#### Resources received free of charge

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

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

#### 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**

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.

#### **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 twelve months of the end of reporting period are measured at their nominal amounts.

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

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

##### Leave

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

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

The liability for long service leave has been determined by reference to the work of an actuary conducted 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.

## Department of Employment

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

#### 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

Under the *Superannuation Legislation Amendment (Choice of Funds) Act 2004*, staff of the department are able to become a member of any complying superannuation fund. A complying superannuation fund is one that meets the requirements under the *Income Tax Assessment Act (1997)* and the *Superannuation Industry (Supervision) Act 1993*.

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

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

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

#### 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 measurements**

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

#### **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; and
- cash in special accounts.

## Department of Employment

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

#### 1.12 Financial Assets

The department classifies its financial assets in the following categories:

- available-for-sale financial assets; and
- 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.

##### 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 through surplus or deficit 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.

##### 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.

## Department of Employment

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

#### 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.

#### **1.15 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.

#### **1.16 Property, Plant and Equipment**

##### Asset recognition threshold

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

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

##### Revaluations

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

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

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



## Department of Employment

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

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 assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

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

#### Depreciation

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

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

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

<b>Asset Class</b>	<b>2014</b>
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 of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the department were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

#### Derecognition

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

#### Assets not previously recognised

Equipment was brought to account as part of Leasehold Improvements (\$380,000) and infrastructure, plant and equipment (\$309,000) for the first time as at 30 June 2014 due to the sharing of assets between the department and the Department of Education.

#### **1.17 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.

## Department of Employment

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

#### 1.18 Taxation

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

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

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

#### 1.19 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 the funds as directed.

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

##### 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.

Administered receivables, including those relating to personal benefit overpayments, represent debts owed to the department by past and present customers.

##### 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 and subsidies

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

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

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

## Department of Employment

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

larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

#### Personal Benefits

The department administers personal benefit programs on behalf of the government that provide entitlements to individuals. Payments are determined in accordance with provisions of the *Fair Entitlements Guarantee Act 2012*.

#### Payments to CAC Act bodies

Payments to Comcare 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 of the appropriation note.

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

**Note 3: Expenses**

2014

\$'000

**Note 3A: Employee Benefits**

Wages and salaries	113,789
Superannuation	
Defined contribution plans	9,929
Defined benefit plans	16,899
Leave and other entitlements	23,025
Separations and redundancies	6,546
Other employee expenses	1,360
<b>Total employee benefits</b>	<b>171,548</b>

**Note 3B: Suppliers**

**Goods and services supplied or rendered**

Consultants	10,828
Contractors	1,795
Travel	2,165
IT services	23,467
Property	6,510
Resources provided free of charge <sup>1</sup>	7,403
Other	7,210
<b>Total goods and services supplied or rendered</b>	<b>59,378</b>

**Goods supplied in connection with**

Related parties	84
External parties	3,536
<b>Total goods supplied</b>	<b>3,620</b>

**Services rendered in connection with**

Related parties	11,663
External parties	44,095
<b>Total services rendered</b>	<b>55,758</b>
<b>Total goods and services supplied or rendered</b>	<b>59,378</b>

**Other suppliers**

**Operating lease rentals in connection with**

External parties	
Minimum lease repayments	30,174
Workers compensation expenses	2,127
<b>Total other suppliers</b>	<b>32,301</b>
<b>Total suppliers</b>	<b>91,679</b>

<sup>1</sup> Resources provided free of charge represents services provided to the Department of Education over the reporting period in a transitional arrangement due to the Machinery of Government changes of 18 September 2013 and ANAO audit fees.

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

	2014
	\$'000
<b><u>Note 3C: Grants</u></b>	
Private sector	
Non-profit organisations	1,139
Other	786
<b><i>Total grants</i></b>	<b><u>1,925</u></b>
<b><u>Note 3D: Depreciation and Amortisation</u></b>	
<b>Depreciation</b>	
Leasehold improvements	6,753
Infrastructure, plant and equipment	5,602
<b>Total depreciation</b>	<b><u>12,355</u></b>
<b>Amortisation</b>	
Intangibles	31,007
<b>Total amortisation</b>	<b><u>31,007</u></b>
<b><i>Total depreciation and amortisation</i></b>	<b><u>43,362</u></b>
<b><u>Note 3E: Finance Costs</u></b>	
Unwinding of discount on provision for restoration	35
<b><i>Total finance costs</i></b>	<b><u>35</u></b>
<b><u>Note 3F: Write-Down and Impairment of Assets</u></b>	
<b>Asset write-downs and impairments from:</b>	
Write-off of receivables - goods and services	13
Impairment of receivables - goods and services	10
Impairment of leasehold improvements	159
Write-off of infrastructure, plant and equipment	75
Impairment of infrastructure, plant and equipment	2,878
Write-off of intangibles	33
Impairment of intangibles	15,878
<b><i>Total write-down and impairment of assets</i></b>	<b><u>19,046</u></b>
<b><u>Note 3G: Losses from Asset Sales</u></b>	
<b>Leasehold Improvements</b>	
Carrying value of assets sold	1,351
<b>Infrastructure, plant and equipment</b>	
Proceeds from sale	(5)
Carrying value of assets sold	230
<b><i>Total losses from asset sales</i></b>	<b><u>1,576</u></b>

**Department of Employment**  
**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**

**Sales of goods in connection with**

External parties	5
<b>Total sale of goods</b>	<b>5</b>

**Rendering of services in connection with**

Related parties	8,911
External parties	4,897
<b>Total rendering of services</b>	<b>13,808</b>
<b>Total sale of goods and rendering of services</b>	<b>13,813</b>

**Note 4B: Other Revenue**

Resources received free of charge	465
<b>Total other revenue</b>	<b>465</b>

**GAINS**

**Note 4C: Gains from Sale of Assets**

**Leasehold Improvements**

Proceeds from sale	436
Carrying value of assets sold	-
<b>Total gains from sale of assets</b>	<b>436</b>

**Note 4D: Other Gains**

First time recognition of assets – infrastructure, plant and equipment	689
Other	132
<b>Total other gains</b>	<b>821</b>

**REVENUE FROM GOVERNMENT**

**Note 4E: Revenue from Government**

Appropriations	
Departmental appropriations	288,195
<b>Total revenue from Government</b>	<b>288,195</b>

**Department of Employment**  
**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 entity can access at measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

**Note 5A: Fair Value Measurements**

**Fair value measurements at the end of the reporting period by hierarchy for non-financial assets as at 30 June 2014**

	Fair value measurements at the end of the reporting period using			
	Fair value \$'000	Level 1 inputs \$'000	Level 2 inputs \$'000	Level 3 inputs \$'000
<b>Non-financial assets</b>				
Leasehold Improvements	21,017		409	20,608
Infrastructure, plant and equipment	13,102		4,534	8,568
<b>Total non-financial assets</b>	<b>34,119</b>	-	<b>4,943</b>	<b>29,176</b>
<b>Total fair value measurements of assets in the Statement of Financial Position</b>	<b>34,119</b>	-	<b>4,943</b>	<b>29,176</b>

The Department has a number of assets and liabilities not measured at fair value in the Statement of Financial Position. The carrying amounts of these assets and liabilities are considered to be a reasonable approximation of their fair value.

**Fair value measurement - highest and best use**

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

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

**Note 5B: Valuation Technique and Inputs for Level 2 and Level 3 Fair Value Measurements**

**Level 2 and 3 fair value measurements – valuation technique and the inputs used for assets as at 30 June 2014**

	Category (Level 2 or 3)	Fair Value \$'000	Valuation technique(s) <sup>1</sup>	Inputs used	Range (weighted average) <sup>2</sup>
<b>Non-financial assets</b>					
Leasehold improvements	2	409	Replacement Cost	Replacement cost new (price per square metre)	
Leasehold improvements	3	20,608	Depreciated Replacement Cost	Replacement cost new (price per square metre)  Useful life (consumed economic benefit/obsolescence of asset)	4.3% - 48.0% (13.4%) per annum
Infrastructure, plant and equipment (AUC)	2	101	Replacement Cost	Replacement cost new (price per square metre)	
Infrastructure, plant and equipment	2	4,433	Market approach	Adjusted market transactions	
Infrastructure, plant and equipment	3	7,951	Depreciated Replacement Cost	Replacement cost new (size, capacity, use, configuration, style, type) Useful life Useful life (consumed economic benefit/obsolescence of asset)	6.7% - 33.33% (16.5%) per annum
Infrastructure, plant and equipment (Library Collection)	3	617	Depreciated Replacement Cost	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

1. There have been no changes to valuation techniques.

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

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

Australian Valuation Solutions (AVS) provided a comprehensive valuation of all leasehold improvements as at 30 June 2014. The department has a policy of testing the currency of the valuation of various asset classes at least once every 12 months and to obtain a comprehensive valuation at least once every three years. AVS provided written assurance to the department that the models developed comply with AASB 13.

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.



## Department of Employment

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

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

#### Leasehold improvements, infrastructure, plant and equipment - depreciated replacement cost

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 judgement 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, infrastructure, plant and equipment - depreciated replacement cost valuation

The significant unobservable inputs used in the fair value measurement of the department's leasehold improvements and infrastructure, 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 during the period. The department's policy for determining when transfers between levels are deemed to have occurred can be found in Note 1.

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

	Non-financial assets		
	Leasehold improvements	Infrastructure, plant and equipment	Total
	2014 \$'000	2014 \$'000	2014 \$'000
<b>Opening balance</b>	<b>24,946</b>	<b>12,966</b>	<b>37,912</b>
Total losses recognised in net cost of services <sup>1</sup>	(6,870)	(6,025)	(12,895)
Total gains recognised in comprehensive income	3,376	-	3,376
Purchases	507	1,728	2,235
Disposals	(1,351)	(101)	(1,452)
<b>Closing balance</b>	<b>20,608</b>	<b>8,568</b>	<b>29,176</b>

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

**Department of Employment**  
**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	5,669
<b>Total cash and cash equivalents</b>	<b>5,669</b>

**Note 6B: Trade and Other Receivables**

**Good and services receivables in connection with**

Related parties	5,763
External parties	1,296
<b>Total receivables for goods and services</b>	<b>7,059</b>

**Appropriations receivables**

For existing programs	65,080
<b>Total appropriations receivable</b>	<b>65,080</b>

**Other receivables**

GST receivable from the Australian Taxation Office	1,325
<b>Total other receivables</b>	<b>1,325</b>
<b>Total trade and other receivables (gross)</b>	<b>73,464</b>

**Less impairment allowance account**

Goods and services	(10)
<b>Total impairment allowance account</b>	<b>(10)</b>
<b>Total trade and other receivables (net)</b>	<b>73,454</b>

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

No more than 12 months	72,677
More than 12 months	777
<b>Total trade and other receivables (net)</b>	<b>73,454</b>

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

Not overdue	72,068
Overdue by	
0 to 30 days	232
31 to 60 days	153
61 to 90 days	218
More than 90 days	793
<b>Total trade and other receivables (gross)</b>	<b>73,464</b>

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

**Impairment allowance account aged as follows**

Not overdue	-
Overdue by:	
0 to 30 days	-
31 to 60 days	-
61 to 90 days	-
More than 90 days	(10)
<b>Total impairment allowance</b>	<b>(10)</b>

Credit terms are net 30 days.

**Reconciliation of the Impairment Allowance**

**Movements in relation to 2014**

	Goods and services \$'000	Total \$'000
<b>Opening balance</b>	-	-
Decrease recognised in net cost of services	(10)	(10)
<b>Closing balance</b>	<b>(10)</b>	<b>(10)</b>

2014  
\$'000

**Note 6C: Other Financial Assets**

Accrued revenue	2,604
<b>Total other financial assets</b>	<b>2,604</b>

**Other financial assets expected to be recovered in**

No more than 12 months	2,604
<b>Total other financial assets</b>	<b>2,604</b>

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

**Note 7: Non-Financial Assets**

	2014 \$'000
<b><u>Note 7A: Leasehold Improvements</u></b>	
<b>Leasehold improvements</b>	
Work in progress	409
At valuation	21,190
Accumulated impairment losses	<u>(582)</u>
<b>Total leasehold improvements</b>	<u>21,017</u>
<b><i>Total leasehold Improvements</i></b>	<u><u>21,017</u></u>

There are 4 leased properties that the department manages which are due to be vacated within the next 12 months that have leasehold improvement assets. The total net book value of the leasehold improvements, including restoration for these properties, was \$0.338 million as at 30 June 2014.

An impairment loss of \$0.159 million was recognised for 5 properties associated with surplus lease space in 2013-14.

**Note 7B: Infrastructure, Plant and Equipment**

Fair value	21,582
Accumulated depreciation	(5,602)
Accumulated impairment	<u>(2,878)</u>
<b><i>Total infrastructure, plant and equipment</i></b>	<u><u>13,102</u></u>

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

**Revaluations of non-financial assets**

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

Revaluation increments for leasehold improvements were credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position; no increments were expensed.

**Department of Employment  
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)**

	Leasehold improvements \$'000	Infrastructure, plant & equipment \$'000	Total \$'000
<b>As at 19 September 2013</b>			
Gross book value	25,283	18,267	43,550
<b>Net book value 19 September 2013<sup>1</sup></b>	<b>25,283</b>	<b>18,267</b>	<b>43,550</b>
<b>Additions</b>			
Purchase	360	3,367	3,727
First time recognition	380	309	689
Reclassification	-	(28)	(28)
Revaluations recognised in other comprehensive income	3,376	-	3,376
Impairments recognised in net cost of services	(159)	(2,878)	(3,037)
Depreciation expense	(6,753)	(5,602)	(12,355)
Disposals			
Restructuring (Note 10)	(119)	(28)	(147)
Other	(1,351)	(230)	(1,581)
Write-offs	-	(75)	(75)
<b>Total as at 30 June 2014</b>	<b>21,017</b>	<b>13,102</b>	<b>34,119</b>
<b>Total as at 30 June 2014 represented by</b>			
Gross book value	21,599	21,582	43,181
Accumulated depreciation and impairment	(582)	(8,480)	(9,062)
<b>Total as at 30 June 2014</b>	<b>21,017</b>	<b>13,102</b>	<b>34,119</b>

<sup>1</sup> Opening balances represent the balances transferred as a result of the 18 September 2013 restructure (Refer Note 10).

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

	2014 \$'000
<b><u>Note 7D: Intangibles</u></b>	
<b>Computer software</b>	
Internally developed – in progress	1,504
Internally developed – in use	84,686
Purchased	706
Accumulated amortisation - internally developed	(30,920)
Accumulated amortisation - purchased	(87)
Accumulated impairment - internally developed	(15,824)
Accumulated impairment - purchased	(54)
<b>Total computer software</b>	<b>40,011</b>
<b>Total intangibles</b>	<b>40,011</b>

Indicators of impairment to the value of \$15.8 million has been identified for internally developed software and \$0.033 million of purchased software was written off. There were no write offs of internally developed software.

The impaired assets are expected to be disposed of in the next 12 months no other material amounts expected to be disposed.

**Department of Employment  
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	67,102	184	67,286
<b>Net book value 19 September 2013<sup>1</sup></b>	<b>67,102</b>	<b>184</b>	<b>67,286</b>
<b>Additions</b>			
Purchase	-	527	527
Internally developed	19,088	-	19,088
Impairments recognised in net cost of services	(15,824)	(54)	(15,878)
Amortisation	(30,920)	(87)	(31,007)
Reclassification	-	28	28
Disposals	-	-	-
Write-offs	-	(33)	(33)
<b>Total as at 30 June 2014</b>	<b>39,446</b>	<b>565</b>	<b>40,011</b>
<b>Total as at 30 June 2014 represented by</b>			
Gross book value	86,190	706	86,896
Accumulated amortisation and impairment	(46,744)	(141)	(46,885)
<b>Total as at 30 June 2014</b>	<b>39,446</b>	<b>565</b>	<b>40,011</b>

<sup>1</sup> Opening balances represent the balances transferred as a result of the 18 September 2013 restructure (Refer Note 10).

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

	2014 \$'000
<b><u>Note 7F: Other Non-Financial Assets</u></b>	
Prepayments	<u>16,050</u>
<b>Total other non-financial assets</b>	<u>16,050</u>
<b>Other non-financial assets expected to be recovered in</b>	
No more than 12 months	13,743
More than 12 months	<u>2,307</u>
<b>Total other non-financial assets</b>	<u><u>16,050</u></u>

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



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

**Note 8: Payables**

2014

\$'000

**Note 8A: Suppliers**

Trade creditors and accruals	3,403
Operating lease rentals	2,743
<b>Total suppliers</b>	<b>6,146</b>

**Suppliers expected to be settled**

No more than 12 months	4,047
More than 12 months	2,099
<b>Total suppliers</b>	<b>6,146</b>

**Suppliers in connection with**

Related parties	745
External parties	5,401
<b>Total suppliers</b>	<b>6,146</b>

Settlement is usually made within 30 days.

**Note 8B: Other Payables**

Salaries and wages	5,176
Superannuation	976
Separations and redundancies	5,242
Other employee benefits	210
Lease incentive	6,548
Unearned income	2,545
Accrued expenses	8,468
Surplus lease space	1,282
<b>Total other payables</b>	<b>30,447</b>

**Other payables expected to be settled**

No more than 12 months	25,761
More than 12 months	4,686
<b>Total other payables</b>	<b>30,447</b>

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

**Note 9: Provisions**

2014

\$'000

**Note 9A: Employee Provisions**

Leave	59,560
<b>Total employee provisions</b>	<b>59,560</b>

**Employee provisions expected to be settled**

No more than 12 months	18,239
More than 12 months	41,321
<b>Total employee provisions</b>	<b>59,560</b>

**Note 9B: Other Provisions**

Provision for restoration	1,315
<b>Total other provisions</b>	<b>1,315</b>

**Other provisions expected to be settled**

No more than 12 months	315
More than 12 months	1,000
<b>Total other provisions</b>	<b>1,315</b>

	Provision for restoration \$'000	Total \$'000
<b>As at 19 September 2013</b>	<b>1,526</b>	<b>1,526</b>
Additional provisions made	2	2
Amounts reversed	(178)	(178)
Unwinding of discount or change in discount rate	(35)	(35)
<b>Total as at 30 June 2014</b>	<b>1,315</b>	<b>1,315</b>

The department currently has 5 agreements for the leasing of premises which have provisions requiring the department to restore the premises to their original condition at the conclusion of the lease. The department has made a provision to reflect the present value of this obligation.

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

**Note 10: Restructuring**

**Note 10A: Departmental Restructuring**

	2014			
	Employment and Workplace Relations Functions Department of Education, Employment and Workplace Relations <sup>1</sup>	State Network and Corporate Functions Department of Education <sup>2</sup>	Indigenous Functions Department of the Prime Minister and Cabinet <sup>3</sup>	Disability Employment Functions Department of Social Services <sup>4</sup>
	\$'000	\$'000	\$'000	\$'000
<b>FUNCTIONS ASSUMED</b>				
<b>Assets recognised</b>				
Cash and cash equivalents	1,995	-	-	-
Trade and other receivables	21,858	-	-	-
Other financial assets	3,948	-	-	-
Leasehold Improvements	25,283	-	-	-
Infrastructure, plant and equipment	18,267	-	-	-
Intangibles	67,286	-	-	-
Other non-financial assets	18,893	-	-	-
<b>Total assets recognised</b>	<b>157,530</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities recognised</b>				
Suppliers	(5,194)	-	-	-
Other payables	(17,344)	-	-	-
Employee provisions	(71,176)	(14,277)	-	-
Other provisions	(1,526)	-	-	-
<b>Total liabilities recognised</b>	<b>(95,240)</b>	<b>(14,277)</b>	<b>-</b>	<b>-</b>
<b>Net assets recognised</b>	<b>62,290</b>	<b>(14,277)</b>	<b>-</b>	<b>-</b>
<b>Income assumed</b>				
Recognised by the receiving entity	303,685	-	-	-
Recognised by the losing entity	41,538	-	-	-
<b>Total income assumed</b>	<b>345,223</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenses assumed</b>				
Recognised by the receiving entity	(329,126)	-	-	-
Recognised by the losing entity	(83,340)	-	-	-
<b>Total expenses assumed</b>	<b>(412,466)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUNCTIONS RELINQUISHED</b>				
<b>Assets relinquished</b>				
Leasehold Improvements	-	-	119	-
Infrastructure, plant and equipment	-	-	27	1
<b>Total assets relinquished</b>	<b>-</b>	<b>-</b>	<b>146</b>	<b>1</b>
<b>Liabilities relinquished</b>				
Employee provisions	-	(6,504)	(9,970)	(8,772)
<b>Total liabilities relinquished</b>	<b>-</b>	<b>(6,504)</b>	<b>(9,970)</b>	<b>(8,772)</b>
<b>Net liabilities relinquished</b>	<b>-</b>	<b>(6,504)</b>	<b>(9,824)</b>	<b>(8,771)</b>

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

**Notes**

1. The employment and workplace relation functions were assumed from the Department of Education, Employment and Workplace Relations (DEEWR) as a result of the Administrative Arrangement Orders on 18 September 2013.
2. Responsibility for corporate and state network functions in relation to the former DEEWR were acquired/relinquished from/to the Department of Education on 28 February 2014. The transfer of staff followed the transfer of function resulting from the Administrative Arrangement Orders on 18 September 2013.
3. Indigenous functions were relinquished to the Department of the Prime Minister and Cabinet (PM&C) during 2013-14 as a result of Administrative Arrangements Orders on 18 September 2013.
4. The disability and income support functions were relinquished to the Department of Social Services (DSS) during 2013-14 as a result of Administrative Arrangements Orders on 18 September 2013.
5. The net assets assumed from DEEWR and Education was \$48,013,000 and net liabilities relinquished to Education, PM&C and DSS was \$25,099,000.
6. In respect of functions assumed/relinquished, the net book values of assets and liabilities were transferred/received for no consideration.

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

<b>Note 10B: Administered Restructuring</b>			
	<b>2014</b>		
	<b>Employment and Workplace Relations Functions</b>	<b>Indigenous Functions</b>	<b>Disability Employment Functions</b>
	<b>Department of Education, Employment and Workplace Relations<sup>1</sup></b>	<b>Department of the Prime Minister and Cabinet<sup>2</sup></b>	<b>Department of Social Services<sup>3</sup></b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>FUNCTIONS ASSUMED</b>			
<b>Assets recognised</b>			
Cash on hand	78	-	-
Trade and other receivables	17,357	-	-
Other non-financial assets	2,329	-	-
Investments	116,725	-	-
<b>Total assets recognised</b>	<b>136,489</b>	<b>-</b>	<b>-</b>
<b>Liabilities recognised</b>			
Payables	(2,840,851)	-	-
<b>Total liabilities recognised</b>	<b>(2,840,851)</b>	<b>-</b>	<b>-</b>
<b>Net liabilities recognised</b>	<b>(2,704,362)</b>	<b>-</b>	<b>-</b>
<b>FUNCTIONS RELINQUISHED</b>			
<b>Assets relinquished</b>			
Trade and other receivables	-	63	2,801
<b>Total assets relinquished</b>	<b>-</b>	<b>63</b>	<b>2,801</b>
<b>Liabilities relinquished</b>			
Payables	-	(4,556)	-
<b>Total liabilities relinquished</b>	<b>-</b>	<b>(4,556)</b>	<b>-</b>
<b>Net (liabilities)/assets relinquished</b>	<b>-</b>	<b>(4,493)</b>	<b>2,801</b>
<b>Expenses</b>			
Recognised by gaining entity	1,321,024	-	-
Recognised by losing entity	345,604	-	-
<b>Total expenses</b>	<b>1,666,628</b>	<b>-</b>	<b>-</b>
<b>Income</b>			
Recognised by gaining entity	153,802	-	-
Recognised by losing entity	24,266	-	-
<b>Total income</b>	<b>178,068</b>	<b>-</b>	<b>-</b>

## **Department of Employment**

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

#### **Notes**

1. The employment and workplace relations functions were assumed from the former DEEWR on 18 September 2013 as a result of the Administrative Arrangement Orders.
2. Indigenous functions were relinquished to PM&C during 2013-14 as a result of the Administrative Arrangement Orders on 18 September 2013.
3. Disability employment functions were relinquished to the DSS during 2013-14 due to the Administrative Arrangement Order of 18 September 2013.
4. The net liabilities assumed from DEEWR were \$2,704,362,000, net liabilities relinquished to PM&C were \$4,493,000 and net assets relinquished to DSS were \$2,801,000.
5. In respect of functions assumed/relinquished, the net book values of assets and liabilities were transferred/received for no consideration.

**Department of Employment**  
**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	5,669
Statement of Financial Position	<u>5,669</u>
<b>Discrepancy</b>	<u>-</u>
<b>Reconciliation of net cost of services to net cash from (used by) operating activities</b>	
Net cost of services	(313,636)
Revenue from Government	288,195
<b>Adjustments for non-cash items</b>	
First time recognition of non-financial assets	(689)
Depreciation / amortisation	43,362
Net write-down and impairment of non-financial assets	19,023
Net losses from sale of assets	1,140
Finance costs - unwinding of discount on provision for restoration	35
Restructure	(39,572)
<b>Movements in assets and liabilities</b>	
<b>Assets</b>	
Decrease / (increase) in net receivables	(50,062)
Decrease / (increase) in accrued revenue	(2,604)
Decrease / (increase) in prepayments	(16,050)
<b>Liabilities</b>	
Increase / (decrease) in employee provisions	59,560
Increase / (decrease) in supplier payables	4,701
Increase / (decrease) in other provisions	1,315
Increase / (decrease) in other payables	<u>30,412</u>
<b>Net cash from operating activities</b>	<u><u>25,130</u></u>

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

**Note 12: Contingent Assets and Liabilities**

	Claims for Damages and Costs	Total
	2014	2014
	\$'000	\$'000
<b>Contingent liabilities</b>		
Balance from previous period	-	-
New contingent liabilities recognised	244	244
Re-measurement	(64)	(64)
<b>Total contingent liabilities</b>	<u>180</u>	<u>180</u>
<b>Net contingent assets (liabilities)</b>	<u>(180)</u>	<u>(180)</u>

Quantifiable Contingencies

The Schedule of Contingencies reports contingent liabilities in respect of claims for damages of \$0.180 million.

The department had no contingent assets in respect of claims for damages.

The amounts included in the schedule represent an estimate of the department's contingent assets and liabilities based on wide ranging legal cases.

Unquantifiable Contingencies

As at 30 June 2014, the department had no contingent liabilities likely to be paid in respect of damages and claims that are not quantifiable.

Significant Remote Contingencies

The department has 1 contingent asset where the likelihood of receipt is remote. This contingent asset is not included in the Schedule of Contingencies.

In addition to the unquantifiable contingencies listed above, 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 for 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.

There are no remote contingent liabilities in 2013-14.



**Department of Employment**  
**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	4,855
Other <sup>3</sup>	822
<b><i>Total short-term employee benefits</i></b>	<u>5,677</u>
<b>Post-employment benefits</b>	
Superannuation	953
<b><i>Total post-employment benefits</i></b>	<u>953</u>
<b>Other long-term employee benefits</b>	
Annual leave accrued	226
Long-service leave	317
<b><i>Total other long-term employee benefits</i></b>	<u>543</u>
<b>Termination benefits</b>	
Separation and redundancy payments	-
<b><i>Total termination benefits</i></b>	<u>-</u>
<b><i>Total senior executive remuneration expenses</i></b>	<u><u>7,173</u></u>

Notes

- Note 13A was prepared on an accrual basis.
- Note 13A excludes acting arrangements and part-year service where total remuneration expensed as a senior executive for the reporting period was less than \$195,000.
- Other includes motor vehicle allowances, other allowances and reportable fringe benefits.

**Department of Employment  
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 paid to substantive senior executives in 2014	Substantive Senior Executives					Total
Average annual reportable remuneration <sup>1</sup>	No.	Reportable salary <sup>2</sup>	Contributed superannuation <sup>3</sup>	Reportable allowances <sup>4</sup>	Bonus paid <sup>5</sup>	reportable remuneration
		\$	\$	\$	\$	\$
Total reportable remuneration (including part-time arrangements):						
Less than \$195,000	58	102,838	18,051	44	-	120,933
\$195,000 to \$224,999	4	181,306	33,087	-	-	214,393
\$225,000 to \$254,999	8	202,202	35,729	-	-	237,931
\$255,000 to \$284,999	2	235,662	39,352	-	-	275,014
\$285,000 to \$314,999	1	241,677	44,050	-	-	285,727
\$465,000 to \$494,999	1	413,646	52,345	-	-	465,991
<b>Total number of substantive senior executives</b>	<b>74</b>					

Notes:

1. 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.
2. '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' for tax purposes);
  - c) reportable employee superannuation contributions; and
  - d) exempt foreign employment income.
3. The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.
4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
5. '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**

There were no other highly paid staff during the reporting period.

**Department of Employment**  
**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.

**Fair value of services received**

Financial statement audit services	465
<b>Total fair value of services received</b>	<b>465</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	5,669
Goods and services receivables	7,059
<b>Total loans and receivables</b>	<b>12,728</b>

<b>Total financial assets</b>	<b>12,728</b>
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**Financial Liabilities**

**Financial liabilities measured at amortised cost**

Trade creditors	3,403
<b>Total financial liabilities measured at amortised cost</b>	<b>3,403</b>

<b>Total financial liabilities</b>	<b>3,403</b>
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**Note 15B: Net Gains or Losses on Financial Assets**

**Loans and receivables**

Write off - goods and services	(13)
Impairment of receivables - goods and services	(10)
<b>Net losses on loans and receivables</b>	<b>(23)</b>

<b>Net losses on financial assets</b>	<b>(23)</b>
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The net expenses from financial assets not at fair value through profit and loss is \$23,000.

**Department of Employment**  
**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	5,669	5,669
Goods and services receivables	7,049	7,059
<b>Total Financial Assets</b>	<b>12,718</b>	<b>12,728</b>
<b>Financial Liabilities</b>		
Trade creditors	3,403	3,403
<b>Total Financial Liabilities</b>	<b>3,403</b>	<b>3,403</b>

**Note 15D: Credit Risk**

The department is exposed to minimal credit risk as loans and receivables were cash, cash on deposit and trade receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount was equal to the total amount of trade receivables in 2014: \$7,059,000. The department assessed the risk of the default on payment and allocated \$10,000 in 2014 to an impairment allowance account.

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

Maximum exposure to credit risk (excluding any collateral or credit enhancements)	2014 \$'000
<b>Financial assets</b>	
Cash and cash equivalents	5,669
Goods and services receivables	7,059
<b>Total</b>	<b>12,728</b>

In relation to the department's gross credit risk there is no collateral held however in 2014, 11 limited indemnities were given in respect of venue hire between the Commonwealth and third parties.

Credit quality of financial instruments 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	5,669	-
Goods and services receivables	5,663	1,396
<b>Total</b>	<b>11,332</b>	<b>1,396</b>

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

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Goods and services receivables	232	153	218	783	1,386
<b>Total</b>	<b>232</b>	<b>153</b>	<b>218</b>	<b>783</b>	<b>1,386</b>

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

**Note 15E: Liquidity Risk**

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

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

	On demand	Within one year	Between one to two years	Between two and five years	More than five years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade creditors	-	3,403	-	-	-	3,403
<b>Total</b>	-	3,403	-	-	-	3,403

**Note 15F: Market Risk**

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

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

**Note 16: Financial Assets Reconciliation**

		2014 \$'000
<b><u>Financial assets</u></b>	<b>Notes</b>	
<i>Total financial assets as per Statement of Financial Position</i>		<b>81,727</b>
<b>Less: non-financial instrument components</b>		
Appropriations receivable	6B	<b>65,080</b>
GST receivable from the ATO	6B	<b>1,325</b>
Impairment allowance	6B	<b>(10)</b>
Accrued revenue	6C	<b>2,604</b>
<b>Total non-financial instrument components</b>		<b>68,999</b>
<b><i>Total financial assets as per financial instruments note</i></b>	<b>15A</b>	<b>12,728</b>

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

**Note 17: Administered - Expenses**

<u>Note 17A: Suppliers</u>	2014 \$'000
<b>Services rendered</b>	
Labour market assistance to job seekers and industry	940,845
Assistance to people with disabilities	384,767
Other	7,974
<b>Total services rendered</b>	<u>1,333,586</u>
<b>Services rendered in connection with</b>	
Related parties	73,240
External parties	1,260,346
<b>Total services rendered</b>	<u>1,333,586</u>
<b>Total suppliers</b>	<u><u>1,333,586</u></u>
 <u>Note 17B: Subsidies</u>	
<b>Subsidies in connection with</b>	
Related parties	
Industrial relations	133,578
External parties	
Labour market assistance to job seekers and industry	19,916
Assistance to people with disabilities	8,290
<b>Total subsidies</b>	<u><u>161,784</u></u>

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

	2014
	\$'000
<b><u>Note 17C: Personal Benefits</u></b>	
<b>Direct</b>	
Labour market assistance to job seekers and industry	56,823
<b>Indirect</b>	
Industrial relations	156,013
<b>Total personal benefits</b>	<u>212,836</u>
<b><u>Note 17D: Grants</u></b>	
<b>Public sector</b>	
Australian Government entities (related parties)	30,812
<b>Private sector</b>	
Non-profit organisations	1,521
Other	4,946
<b>Total grants</b>	<u>37,279</u>
<b><u>Note 17E: Write-Down and Impairment of Assets</u></b>	
Write-off of receivables - other	203
<b>Total write-down and impairment of assets</b>	<u>203</u>
<b><u>Note 17F: Payments to CAC Act bodies</u></b>	
Comcare	1,433
<b>Total payments to CAC Act bodies</b>	<u>1,433</u>



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

<b>Note 18: Administered - Income</b>	<b>2014</b>
	<b>\$'000</b>
<b>Revenue</b>	
<b>Taxation revenue</b>	
<b><u>Note 18A: Other Taxes</u></b>	
Levies (other than agricultural)	<u>133,578</u>
<b><i>Total other taxes</i></b>	<b><u>133,578</u></b>
<b>Non-taxation revenue</b>	
<b><u>Note 18B: Interest</u></b>	
Interest	<u>6</u>
<b><i>Total interest</i></b>	<b><u>6</u></b>
<b><u>Note 18C: Commonwealth Asset Recoveries</u></b>	
General Employee Entitlements and Redundancy Scheme (GEERS) and Fair Entitlement Guarantee (FEG) recoveries	<u>16,778</u>
<b><i>Total Commonwealth asset recoveries</i></b>	<b><u>16,778</u></b>
<b><u>Note 18D: Other Revenue</u></b>	
Other	<u>3,969</u>
<b><i>Total other revenue</i></b>	<b><u>3,969</u></b>
<b>Gains</b>	
<b><u>Note 18E: Reversals of Previous Asset Write-Downs</u></b>	
Reversals of impairment losses for goods and services receivables	<u>155</u>
<b><i>Total reversals of previous asset write-downs and impairments</i></b>	<b><u>155</u></b>

**Department of Employment**  
**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 entity can access at measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

**Note 19A: Fair Value Measurements**

**Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2014**

	Fair value measurements at the end of the reporting period using			
	Fair value \$'000	Level 1 inputs \$'000	Level 2 inputs \$'000	Level 3 inputs \$'000
<b>Financial assets</b>				
Administered investments	145,477	-	-	145,477
<b>Total financial assets</b>	145,477	-	-	145,477
<b>Total fair value measurements of assets in the Administered Schedule of Assets and Liabilities</b>	145,477	-	-	145,477

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

**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)	Inputs used	Range (weighted average)
<b>Financial assets</b>					
Administered investments	3	145,477	Net assets of the entity	Net Assets	

The department's administered investments are classified as available-for-sale financial assets and are measured at their fair value as at 30 June 2014. Fair value is assessed as the Australian Government's proportional interest in the net assets of the entity at balance date. The methods and valuation techniques used for the purpose of measuring fair value of assets and liabilities in 2014 are unchanged from the methods and valuation techniques used by the former DEEWR who transferred the asset to the department.

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

**Note 19C: Reconciliation For Recurring Level 3 Fair Value Measurements**

There have been no transfers between levels during the period.

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

	<b>Financial assets</b>	
	<b>Administered</b>	
	<b>investments</b>	<b>Total</b>
	<b>2014</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Restructured amount</b>	<b>116,725</b>	<b>116,725</b>
Total gains recognised in administered equity	<b>28,752</b>	<b>28,752</b>
<b>Closing balance</b>	<b>145,477</b>	<b>145,477</b>

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

<b>Note 20: Administered - Financial Assets</b>	<b>2014</b>
	<b>\$'000</b>
<b><u>Note 20A: Cash and Cash Equivalents</u></b>	
Cash on hand or on deposit	-
<b><i>Total cash and cash equivalents</i></b>	<b>-</b>
<b><u>Note 20B: Receivables</u></b>	
<b>Taxation receivables in connection with</b>	
Related parties	13,207
<b>Total taxation receivables</b>	<b>13,207</b>
<b>Taxation receivables aged as follows</b>	
Not overdue	13,207
<b>Total taxation receivables</b>	<b>13,207</b>
<b>Goods and services receivables in connection with</b>	
External parties	543
<b>Total goods and services receivables</b>	<b>543</b>
<b>Other receivables</b>	
GST receivable from the ATO	9,731
<b>Total other receivables</b>	<b>9,731</b>
<b>Total trade and other receivables (gross)</b>	<b>23,481</b>
<b>Less impairment allowance</b>	
Goods and services	(141)
<b>Total impairment allowance</b>	<b>(141)</b>
<b>Total trade and other receivables (net)</b>	<b>23,340</b>
<b>Trade and other receivables (net) expected to be recovered</b>	
No more than 12 months	23,340
<b>Total trade and other receivables (net)</b>	<b>23,340</b>

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

	2014	
	\$'000	
<b>Trade and other receivables (gross) aged as follows</b>		
Not overdue	22,939	
Overdue by		
0 to 30 days	24	
31 to 60 days	125	
61 to 90 days	85	
More than 90 days	308	
<b>Total trade and other receivables (gross)</b>	<b>23,481</b>	
<b>Impairment allowance aged as follows</b>		
Not overdue	-	
Overdue by:		
0 to 30 days	-	
31 to 60 days	-	
61 to 90 days	-	
More than 90 days	(141)	
<b>Total impairment allowance</b>	<b>(141)</b>	
Credit terms are within 30 days.		
<b>Reconciliation of the Impairment Allowance</b>		
<b>Movements in relation to 2014</b>		
	<b>Goods and services</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Opening balance</b>	-	-
Decrease recognised in net cost of services	(141)	(141)
<b>Closing balance</b>	<b>(141)</b>	<b>(141)</b>

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

	2014 \$'000
<b><u>Note 20C: Other Investments</u></b>	
<b>Other Investments</b>	
Coal Mining Industry Corporation <sup>1</sup>	145,477
<b>Total other investments</b>	145,477
 <b>Other investments expected to be recovered in</b>	
More than 12 months	145,477
<b>Total other investments</b>	145,477

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

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

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

<b>Note 21: Administered - Non-Financial Assets</b>	2014
	\$'000
<b><u>Note 21A: Other Non-Financial Assets</u></b>	
Prepayments	4,968
<b><i>Total other non-financial assets</i></b>	<b>4,968</b>
<b>Total other non-financial assets expected to be recovered in</b>	
No more than 12 months	4,968
<b><i>Total other non-financial assets</i></b>	<b>4,968</b>
No indicators of impairment were found for other non-financial assets.	
<b>Note 22: Administered - Payables</b>	
<b><u>Note 22A: Suppliers</u></b>	
Trade creditors and accruals	21,641
<b><i>Total suppliers</i></b>	<b>21,641</b>
<b>Suppliers expected to be settled</b>	
No more than 12 months	21,641
<b><i>Total suppliers</i></b>	<b>21,641</b>
<b>Suppliers in connection with</b>	
External parties	21,641
<b><i>Total suppliers</i></b>	<b>21,641</b>
Settlement was made within 30 days.	
<b><u>Note 22B: Subsidies</u></b>	
<b>Subsidies in connection with</b>	
Related parties	13,207
External parties	1,603
<b><i>Total subsidies</i></b>	<b>14,810</b>
<b>Subsidies expected to be settled</b>	
No more than 12 months	14,810
<b><i>Total subsidies</i></b>	<b>14,810</b>

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

	2014
	\$'000
<b>Note 22C: Personal Benefits</b>	
<b>Direct</b>	
Labour market assistance to job seekers and industry	2,166
<b>Indirect</b>	
Industrial relations	7,275
<b>Total personal benefits</b>	<u>9,441</u>
<b>Personal benefits expected to be settled</b>	
No more than 12 months	9,441
<b>Total personal benefits</b>	<u>9,441</u>
<b>Note 22D: Grants</b>	
<b>Private sector</b>	
Non-profit organisations	459
<b>Total grants</b>	<u>459</u>
<b>Grants expected to be settled</b>	
No more than 12 months	459
<b>Total grants</b>	<u>459</u>
Settlement is made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.	
<b>Note 22E: Other Payables</b>	
Comcare payable <sup>1</sup>	2,769,241
GST payable	14,762
<b>Total other payables</b>	<u>2,784,003</u>
<b>Other payables expected to be settled</b>	
No more than 12 months	14,762
More than 12 months	2,769,241
<b>Total other payables</b>	<u>2,784,003</u>

<sup>1</sup> The amount payable to Comcare represents amounts payable by the Commonwealth for:

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

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



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

<b>Note 23: Administered - Cash Flow Reconciliation</b>	<b>2014</b>
	<b>\$'000</b>
<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 services	<b>(1,592,635)</b>
<b>Adjustments for non-cash items</b>	
Net write down of non-financial assets	<b>203</b>
Reversals of previous asset write-downs and impairments	<b>(155)</b>
<b>Movements in assets / liabilities</b>	
<b>Assets</b>	
(Increase) / decrease in net receivables	<b>(6,225)</b>
(Increase) / decrease in other non-financial assets	<b>(2,639)</b>
<b>Liabilities</b>	
Increase / (decrease) in supplier payables	<b>(2,201)</b>
Increase / (decrease) in subsidies payable	<b>6,785</b>
Increase / (decrease) in personal benefits payable	<b>7,164</b>
Increase / (decrease) in other payables	<b>(18,922)</b>
Increase / (decrease) in grants payable	<b>459</b>
<b>Net cash used by operating activities</b>	<u><u><b>(1,608,166)</b></u></u>

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

**Note 24: Administered - Contingent Assets and Liabilities**

	Claims for damages or costs 2014 \$'000	Total 2014 \$'000
<b>Contingent assets</b>		
Balance as at 19 September 2013	20,172	20,172
New contingent assets recognised	2,615	2,615
Re-measurement	19,049	19,049
Assets realised	(19,112)	(19,112)
<b>Total contingent assets</b>	<b>22,724</b>	<b>22,724</b>
<b>Contingent liabilities</b>		
Balance as at 19 September 2013	90,126	90,126
Re-measurement	24,343	24,343
<b>Total contingent liabilities</b>	<b>114,469</b>	<b>114,469</b>
<b>Net contingent assets / (liabilities)</b>	<b>(91,745)</b>	<b>(91,745)</b>

Quantifiable Contingencies

The Schedule of Administered Contingencies reports contingent assets and liabilities in respect of estimated payments and recoveries in relation to dividends for General Employee Entitlements and Redundancy Scheme (GEERS), the Fair Entitlements Guarantee (FEG), and proceedings in the Dust Disease Tribunal as a result of the department's administration in prior years. The estimated contingent liability is \$114.469 million. The estimated contingent asset is \$22.724 million.

Unquantifiable Contingencies

At 30 June 2014, the department had a number of legal claims against it. The department has denied liability and is defending the claims. It is not possible to estimate the amounts of any eventual payment that may be required in relation to these claims.

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

Significant Remote Contingencies

The value of contingent assets where the likelihood of receipt is remote is nil. The value of contingent liabilities where the likelihood of payment is remote is \$225.57 million. The majority of the contingent liability represents residual credits from the Job Services - Employment Pathway Fund. These are not included in the Schedule of Administered Contingencies.

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

<b>Note 25: Administered - Financial Instruments</b>	2014
	\$'000
<b><u>Note 25A: Categories of Financial Instruments</u></b>	
<b>Financial Assets</b>	
<b>Available-for-sale financial assets</b>	
Investments	145,477
<b>Total available-for-sale financial assets</b>	<u>145,477</u>
<b>Loans and receivables</b>	
Goods and services receivables	402
<b>Total loans and receivables</b>	<u>402</u>
<b>Total financial assets</b>	<u><u>145,879</u></u>
<b>Financial Liabilities</b>	
<b>Financial liabilities measured at amortised cost</b>	
Trade creditors	21,641
Grants payables	459
<b>Total financial liabilities measured at amortised cost</b>	<u>22,100</u>
<b>Total financial liabilities</b>	<u><u>22,100</u></u>
<b><u>Note 25B: Net Gains or Losses on Financial Assets</u></b>	
<b>Available-for-sale financial assets</b>	
Gains recognised in equity	28,752
<b>Net gains from available-for-sale financial assets</b>	<u>28,752</u>
<b>Loans and receivables</b>	
Interest revenue	6
Reversal of impairment - goods and services	155
Write-down and impairment	(203)
<b>Net losses from loans and receivables</b>	<u>(42)</u>
<b>Net gains on financial assets</b>	<u><u>28,710</u></u>

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

<b>Note 25C: Fair value of Financial Instruments</b>		
	Carrying amount 2014 \$'000	Fair value 2014 \$'000
<b>Financial Assets</b>		
<b>Available-for-sale financial assets</b>		
Investments	145,477	145,477
<b>Loans and receivables</b>		
Receivables for goods and services	402	543
<b>Total financial assets</b>	<b>145,879</b>	<b>146,020</b>
<b>Financial Liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>		
Trade creditors	21,641	21,641
Grants payable	459	459
<b>Total financial liabilities</b>	<b>22,100</b>	<b>22,100</b>

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

**Note 25D: Credit Risk**

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

The department assessed the risk of the default on payment and allocated \$0.141 million in 2014 to an impairment allowance for doubtful debts for goods and services receivables.

The department held no collateral to mitigate against credit risk.

<b>Credit quality of financial instruments not past due or individually determined as impaired</b>	<b>Not past due nor impaired 2014 \$'000</b>	<b>Past due or impaired 2014 \$'000</b>			
<b>Loans and receivables</b>					
Goods and services receivables	1	542			
<b>Total</b>	<b>1</b>	<b>542</b>			
<b>Ageing of financial assets that were past due but not impaired for 2014</b>					
	<b>0 to 30 days \$'000</b>	<b>31 to 60 days \$'000</b>	<b>61 to 90 days \$'000</b>	<b>90+ days \$'000</b>	<b>Total \$'000</b>
Goods and services receivables	24	125	85	167	401
<b>Total</b>	<b>24</b>	<b>125</b>	<b>85</b>	<b>167</b>	<b>401</b>

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

**Note 25E: Liquidity Risk**

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

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

	On demand \$'000	Within one year \$'000	Between one to two years \$'000	Between two to five years \$'000	More than five years \$'000	Total \$'000
<b>Financial Liabilities</b>						
Trade creditors	-	21,641	-	-	-	21,641
Grants payables	-	459	-	-	-	459
<b>Total</b>	-	<b>22,100</b>	-	-	-	<b>22,100</b>

The department has no derivative financial liabilities in the current year.

**Note 25F: Market Risk**

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

**Note 26: Administered - Financial Assets Reconciliation**

	Notes	2014 \$'000
<b>Financial assets</b>		
<b>Total financial assets as per Administered Schedule of Assets and Liabilities</b>		<b>168,817</b>
<b>Less: non-financial instrument components</b>		
GST receivable from Australian Taxation Office	20B	9,731
Taxation receivables	20B	13,207
<b>Total non-financial instrument components</b>		<b>22,938</b>
<b>Total financial assets as per financial instruments note</b>	25A	<b>145,879</b>

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

**Note 27: Appropriations**

Note 27A: Annual Appropriations (Recoverable GST exclusive)

	2014 Appropriations							Appropriation applied in 2014 (current and prior years) \$'000	Variance <sup>3</sup> \$'000
	Appropriation Act		FMA Act			Total appropriation \$'000			
	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>									
Ordinary annual services	195	-	-	-	16,672	309,265	326,132	274,060	52,072
Other services	2,127	-	-	-	-	-	2,127	-	2,127
<b>Total departmental</b>	<b>2,322</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,672</b>	<b>309,265</b>	<b>328,259</b>	<b>274,060</b>	<b>54,199</b>
<b>ADMINISTERED</b>									
Ordinary annual services									
Administered items	14,321	(127,366)	-	1,440	-	1,576,708	1,465,103	1,439,078	26,025
Payments to CAC Act bodies	1,433	-	-	-	-	-	1,433	1,433	-
Other Services									
Administered assets and liabilities	2,967	(2,887)	-	-	-	-	80	80	-
<b>Total administered</b>	<b>18,721</b>	<b>(130,253)</b>	<b>-</b>	<b>1,440</b>	<b>-</b>	<b>1,576,708</b>	<b>1,466,616</b>	<b>1,440,591</b>	<b>26,025</b>

Notes:

- 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 the end of the financial year. 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.
- 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.
- Administered and departmental variances are due to the 18 September 2013 restructure and resultant section 32 transfers relating to opening and closing liabilities.

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

**Note 27B: Departmental and Administered Capital Budgets ('Recoverable GST exclusive')**

	2014 Capital Budget Appropriations			Capital Budget Appropriations applied in 2014 (current and prior years)				Variance \$'000
	Appropriation Act		FMA Act	Total Capital Budget Appropriations \$'000	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 Departmental Capital Budget <sup>1</sup>	-	-	21,265	21,265	-	-	-	21,265

Notes:

1. 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.
2. 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.
3. Payments made on non-financial assets include purchases 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 Employment**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 27C: Unspent Annual Appropriations ('Recoverable GST exclusive')**

	2014
	\$'000
<b>Departmental</b>	
Appropriation Act (No. 1) 2013-14 <sup>1</sup>	41,493
Appropriation Act (No. 1) Capital Budget 2013-14	21,265
Appropriation Act (No. 3) 2013-14	195
Appropriation Act (No. 4) 2013-14	2,127
Cash at bank	5,669
<b>Total</b>	<b>70,749</b>
<b>Administered</b>	
Appropriation Act (No.1) 2013-14	141,654
Appropriation Act (No. 3) 2013-14	11,592
Appropriation Act (No. 4) 2013-14	2,887
<b>Total</b>	<b>156,133</b>

1. This includes a prior year appropriation value transferred from DEEWR of \$15,880,000.

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

**Note 27D: Special Appropriations [Recoverable GST exclusive]**

Authority	Type	Purpose	Appropriation applied	
			2014	\$'000
Fair Entitlements Guarantee Act 2012 - Section 50 (Administered)	Unlimited Amount	An Act to provide for financial assistance for workers who have not been fully paid for work done for insolvents or bankrupts, and for related purposes.		144,647
Coal Mining Industry (Long Service Leave Funding) Act 1992 (Administered)	Unlimited Amount	An Act to manage the long service leave entitlement of the Coal Mining Industry.		127,622
Safety, Rehabilitation and Compensation Act 1988 (SRC Act) (Administered)	Unlimited Amount	An Act to provide for the payment of workers compensation claims and associated expenses in accordance with the provisions of the SRC Act.		31,766
Asbestos-related Claims (Management of Commonwealth Liabilities) Act 2005 (Administered)	Unlimited Amount	An Act to assign responsibility for the management of certain liabilities relating to asbestos-related claims, and for related purposes.		17,968
<b>Total special appropriations applied</b>				<b>322,003</b>

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

**Note 27E: Disclosure by Agent in Relation to Annual and Special Appropriations ('Recoverable GST exclusive')**

	Department of Industry <sup>1</sup>	Department of Social Services <sup>2</sup>	Department of Prime Minister and Cabinet <sup>3</sup>
<b>2014</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Total receipts	703	587	4,957
Total payments	703	1,156,462	177,076

1. Relates to *Textile, Clothing and Footwear Investment and Innovation Programs Act 1999*.

2. Transactions posted by the Department of Employment after the transfer of functions to the Department of Social Services.

3. Transactions posted by the Department of Employment after the transfer of functions to the Department of the Prime Minister and Cabinet.

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

**Note 27F: Reduction in Administered Items (Recoverable GST exclusive)**

2014	Amount required - by Appropriation Act <sup>3</sup>	Total amount required <sup>3</sup>	Total amount appropriated <sup>4</sup>	Total reduction <sup>5</sup>
Ordinary Annual Services	Act (No.1)	Act (No.3)		
Outcome 1	1,438,840,536.88	0.00	1,553,987,000.00	115,146,463.12
Outcome 2	22,721,000.00	3,534,930.14	38,475,000.00	12,219,069.86
2014	Amount required - by Appropriation Act <sup>3</sup>	Total amount required <sup>3</sup>	Total amount appropriated <sup>4</sup>	Total reduction <sup>5</sup>
Other Services	Act (No.2)	Act (No.4)		
Outcome 1	0.00	0.00	2,141,000.00	2,141,000.00
Outcome 2	0.00	80,000.00	826,000.00	746,000.00

Notes:

1. Numbers in this section are disclosed to the cent.
2. 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.
3. Amount required as per Appropriation Act (Act 1 s. 11; Act 2 s. 12).
4. Total amount appropriated in 2014.
5. Total reduction effective in 2015.

## Department of Employment

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

#### **Note 28: 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) has issued a guidance paper on how Commonwealth Agencies were to address concerns about the potential for breaches of section 83 to occur. These requirements arose because Finance had become aware that there was an increased risk for all agencies of non-compliance with section 83 where payments are made from special appropriations that do not accord with conditions in the relevant legislation.

During 2013-14 the department established a plan (based on the previous DEEWR plan) to review exposure to risks of not complying with statutory conditions on payments from appropriations. The requirements of the updated plan included:

- identifying statutory conditions in any new special appropriations and special accounts, particularly those acquired under Machinery of Government changes;
- identifying any changes to statutory conditions in existing special appropriations and special accounts;
- reviewing legislation associated with an annual appropriation funded programme to identify statutory conditions on payments;
- determining the risk of non-compliance by assessing the difficulty of administering the statutory conditions and assessing the extent to which payment systems and processes satisfy those conditions;
- determining procedures to confirm risk assessments in medium risk cases and to quantify the extent of non-compliance, if any, in higher risk situations;
- obtaining legal advice, as appropriate, to resolve questions of potential non-compliance; and
- considering legislative or procedural changes to reduce the risk of non-compliance in the future to an acceptably low level.

The department identified 4 special appropriations involving statutory conditions for payment. The department had no annual appropriations with statutory conditions for payment.

There were no instances of over payments for the Department of Employment in 2013-14.

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.

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

**Note 29: Compensation and Debt Relief**

	2014
	\$
<b>Departmental</b>	
No 'Act of Grace' payments were expensed during the reporting period.	-
One waiver 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>12,495</u>
No ex-gratia payments were provided for during the period.	-
No payments were provided under the Compensation for Detriment caused by Defective Administration 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> during the reporting period.	-

	2014
	\$'000
<b>Administered</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 payments were provided under the Compensation for Detriment caused by Defective Administration 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> during the reporting period.	-

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

**Note 30: Reporting of Outcomes**

The department has two 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 30A: Net Cost of Outcome Delivery**

	Outcome 1		Outcome 2		Payments to CAC Act Bodies*		Total
	2014	\$'000	2014	\$'000	2014	\$'000	
<b>Departmental</b>							
Expenses	231,015		98,111		-		329,126
Own-source income	10,872		4,618		-		15,490
<b>Administered</b>							
Expenses	1,414,696		330,992		1,433		1,747,121
Income	2,577		151,909		-		154,486
<b>Net cost of outcome delivery</b>	<b>1,632,262</b>		<b>272,576</b>		<b>1,433</b>		<b>1,906,271</b>

Outcomes 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 3 of this annual report for Agency resource statements and resources.

\* Payments to CAC Act bodies are not related to outcomes. They are included here so the total agrees to the resourcing table.

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

**Note 308: Major Classes of Departmental Expense, Income, Assets and Liabilities by Outcome**

	Outcome 1		Outcome 2		Not attributed <sup>#</sup>		Total	
	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000
<b>Expenses</b>								
Employee benefits		121,208		50,340		-		171,548
Suppliers		64,744		26,890		-		91,634
Grants		461		1,464		-		1,925
Depreciation and amortisation		30,007		13,355		-		43,362
Other		14,595		6,062		-		20,657
<b>Total expenses</b>		<b>231,015</b>		<b>98,111</b>		-		<b>329,126</b>
<b>Income</b>								
Sales of goods and rendering of services		9,985		4,248		-		14,233
Income from government		199,432		88,763		-		288,195
Other		887		370		-		1,257
<b>Total income</b>		<b>210,304</b>		<b>93,381</b>		-		<b>303,685</b>
<b>Assets</b>								
Cash and cash equivalents		-		-		5,669		5,669
Trade and other receivables		4,851		2,159		66,444		73,454
Other financial assets		1,918		686		-		2,604
Leasehold improvements		14,545		6,472		-		21,017
Infrastructure, plant and equipment		9,067		4,035		-		13,102
Intangibles		34,009		6,002		-		40,011
Other non-financial assets		13,524		2,526		-		16,050
<b>Total assets</b>		<b>77,914</b>		<b>21,880</b>		<b>72,113</b>		<b>171,907</b>
<b>Liabilities</b>								
Suppliers		4,253		1,893		-		6,146
Other payables		21,071		9,376		-		30,447
Employee provisions		41,219		18,341		-		59,560
Other provisions		910		405		-		1,315
<b>Total liabilities</b>		<b>67,453</b>		<b>30,015</b>		-		<b>97,468</b>

Outcomes 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 3 of this annual report for Agency resource statements and resources.

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



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

**Note 30C: Major Classes of Administered Expenses, Income, Assets, and Liabilities by Outcome**

	Outcome 1		Outcome 2		Payments to CAC Act bodies		Total	
	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000	2014 \$'000
<b>Expenses</b>								
Subsidies	28,206		133,578		-		161,784	
Personal benefits	56,812		156,024		-		212,836	
Grants	3,873		33,406		1,433		38,712	
Suppliers	1,325,612		7,974		-		1,333,586	
Other	193		10		-		203	
<b>Total expenses</b>	<b>1,414,696</b>		<b>330,992</b>		<b>1,433</b>		<b>1,747,121</b>	
<b>Income</b>								
Taxation	-		133,578		-		133,578	
Non-taxation revenue	2,422		18,331		-		20,753	
Gains	155		-		-		155	
<b>Total income</b>	<b>2,577</b>		<b>151,909</b>		<b>-</b>		<b>154,486</b>	
<b>Assets</b>								
Cash and cash equivalents	-		-		-		-	
Receivables	10,186		13,154		-		23,340	
Investments	-		145,477		-		145,477	
Other non-financial assets	-		4,968		-		4,968	
<b>Total assets</b>	<b>10,186</b>		<b>163,599</b>		<b>-</b>		<b>173,785</b>	
<b>Liabilities</b>								
Suppliers	21,539		102		-		21,641	
Subsidies	1,604		13,206		-		14,810	
Personal benefits	2,240		7,201		-		9,441	
Grants	459		-		-		459	
Other payables	14,752		2,769,251		-		2,784,003	
<b>Total liabilities</b>	<b>40,594</b>		<b>2,789,760</b>		<b>-</b>		<b>2,830,354</b>	

Outcomes 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 3 of this annual report for Agency resource statements and resources.

\* Assets, liabilities and income that could not be reliably attributed to outcomes.

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

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**Note 31: Net Cash Appropriation Arrangements**

	2014
	\$'000
<i>Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations<sup>1</sup></i>	21,297
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<u>(43,362)</u>
<i>Total comprehensive loss - as per the Statement of Comprehensive Income</i>	<u><u>(22,065)</u></u>

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