Department of Education and Training  
Financial Statements 2015–16

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Contains the Commonwealth Coat of Arms and the Australian National Audit Office logo.

INDEPENDENT AUDITOR'S REPORT

**To the Minister for Education and Training**

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

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

***Opinion***

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

1. comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015;* and
2. present fairly the financial position of the Department of Education and Training as at 30 June 2016 and its financial performance and cash flows for the year then ended.

***Accountable Authority's Responsibility for the Financial Statements***

The Secretary of the Department of Education and Training is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Secretary is also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

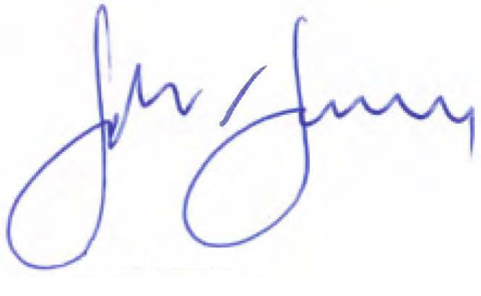
My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant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

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

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

***Independence***

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

Australian National Audit Office

John Jones

Executive Director

Delegate of the Auditor-General

Canberra

21 September 2016

**Department of Education and Training**

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCE OFFICER

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

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

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

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

This rule was applied without exemption.

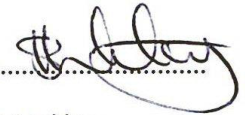


Signed

Dr Michele Bruniges AM

Secretary

21 September 2016



Signed

Susan Monkley

Chief Finance Officer

21 September 2016

# Department of Education and Training STATEMENT OF COMPREHENSIVE INCOME For the period ended 30 June 2016

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **2016** |  | 2015 |  | 2016 Original Budget1 |  | Variance |
|  | **Notes** | **$'000** |  | $'000 |  | $'000 |  | $'000 |
| **NET COST OF SERVICES** |  |  |  |  |  |  |  |  |
| **EXPENSES** |  |  |  |  |  |  |  |  |
| Employee benefits | 1.1A | **215,830** |  | 206,561 |  | 197,462 |  | 18,3682 |
| Supplier expenses | 1.1B | **127,923** |  | 101,179 |  | 85,307 |  | 42,6163 |
| Grants | 1.1C | **629** |  | 257 |  | - |  | 629 |
| Depreciation and amortisation | 1.1D | **25,168** |  | 26,918 |  | 31,179 |  | (6,011) |
| Finance costs | 1.1E | **-** |  | 51 |  | - |  | - |
| Write-down and impairment of assets | 1.1F | **2,774** |  | 2,866 |  | - |  | 2,774 |
| Losses from asset sales | 1.1G | **234** |  | - |  | - |  | 234 |
| ***Total expenses*** |  | **372,558** |  | 337,832 |  | 313,948 |  | 58,610 |
|  |  |  |  |  |  |  |  |  |
| **OWN-SOURCE INCOME** |  |  |  |  |  |  |  |  |
| **Own-source revenue** |  |  |  |  |  |  |  |  |
| Sale of goods and rendering of services | 1.2A | **29,736** |  | 30,385 |  | 20,820 |  | 8,9164 |
| **Total own-source revenue** |  | **29,736** |  | 30,385 |  | 20,820 |  | 8,916 |
|  |  |  |  |  |  |  |  |  |
| **Gains** |  |  |  |  |  |  |  |  |
| Sale of assets | 1.2B | **-** |  | 87 |  | - |  | - |
| Reversals of previous asset write-downs and impairment | 1.2C | **-** |  | 64 |  | - |  | - |
| Other gains | 1.2D | **8,640** |  | 6,847 |  | 6,743 |  | 1,897 |
| **Total gains** |  | **8,640** |  | 6,998 |  | 6,743 |  | 1,897 |
| ***Total own-source income*** |  | **38,376** |  | 37,383 |  | 27,563 |  | 10,813 |
|  |  |  |  |  |  |  |  |  |
| ***Net cost of (contribution by) services*** |  | **334,182** |  | 300,449 |  | 286,385 |  | 47,797 |
|  |  |  |  |  |  |  |  |  |
| Revenue from Government | 1.2E | **313,127** |  | 276,854 |  | 255,206 |  | 57,9215 |
| ***Surplus (Deficit) attributable to the Australian Government*** |  | **(21,055)** |  | (23,595) |  | (31,179) |  | 10,124 |
|  |  |  |  |  |  |  |  |  |
| **OTHER COMPREHENSIVE INCOME** |  |  |  |  |  |  |  |  |
| **Items not subject to subsequent reclassification to net cost of services** |  |  |  |  |  |  |  |  |
| Changes in asset revaluation surplus: |  |  |  |  |  |  |  |  |
| Adjustment to land |  | **(30)** |  | - |  | - |  | (30) |
| Adjustment to buildings |  | **(4)** |  | - |  | - |  | (4) |
| Adjustment to leasehold improvements |  | **(1,242)** |  | 5 |  | - |  | (1,242) |
| Adjustment to infrastructure, plant and equipment |  | **897** |  | - |  | - |  | 897 |
| ***Total other comprehensive income*** |  | **(379)** |  | 5 |  | - |  | (379) |
|  |  |  |  |  |  |  |  |  |
| ***Total comprehensive income (loss) attributable to the Australian Government*** |  | **(21,434)** |  | (23,590) |  | (31,179) |  | 9,745 |

# Department of Education and Training STATEMENT OF FINANCIAL POSITION as at 30 June 2016

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **2016** |  | 2015 |  | 2016 Original Budget1 |  | Variance |
|  | **Notes** | **$'000** |  | $'000 |  | $'000 |  | $'000 |
| **ASSETS** |  |  |  |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | 3.1A | **6,132** |  | 9,817 |  | 8,429 |  | (2,297) |
| Trade and other receivables | 3.1B | **85,245** |  | 51,829 |  | 32,310 |  | 52,9355 |
| Other financial assets | 3.1C | **1,996** |  | 3,276 |  | 5,513 |  | (3,517) |
| **Total financial assets** |  | **93,373** |  | 64,922 |  | 46,252 |  | 47,121 |
|  |  |  |  |  |  |  |  |  |
| **Non-financial assets** |  |  |  |  |  |  |  |  |
| Land and buildings | 3.2A | **37,137** |  | 42,118 |  | 46,194 |  | (9,057)6 |
| Infrastructure, plant and equipment | 3.2A | **12,659** |  | 11,327 |  | 13,940 |  | (1,281)6 |
| Intangibles | 3.2A | **75,589** |  | 70,403 |  | 80,099 |  | (4,510)6 |
| Other non-financial assets | 3.2B | **10,126** |  | 10,728 |  | 8,599 |  | 1,527 |
| **Total non-financial assets** |  | **135,511** |  | 134,576 |  | 148,832 |  | (13,321) |
|  |  |  |  |  |  |  |  |  |
| ***Total assets*** |  | **228,884** |  | 199,498 |  | 195,084 |  | 33,800 |
|  |  |  |  |  |  |  |  |  |
| **LIABILITIES** |  |  |  |  |  |  |  |  |
| **Payables** |  |  |  |  |  |  |  |  |
| Suppliers | 3.3A | **31,663** |  | 23,495 |  | 12,975 |  | 18,6883 |
| Other payables | 3.3B | **20,329** |  | 28,963 |  | 21,397 |  | (1,068) |
| **Total payables** |  | **51,992** |  | 52,458 |  | 34,372 |  | 17,620 |
|  |  |  |  |  |  |  |  |  |
| **Provisions** |  |  |  |  |  |  |  |  |
| Employee provisions | 6.1A | **71,173** |  | 54,778 |  | 79,326 |  | (8,153)2 |
| Other provisions | 3.4A | **1,739** |  | 3,106 |  | 1,345 |  | 394 |
| **Total provisions** |  | **72,912** |  | 57,884 |  | 80,671 |  | (7,759) |
|  |  |  |  |  |  |  |  |  |
| ***Total liabilities*** |  | **124,904** |  | 110,342 |  | 115,043 |  | 9,861 |
|  |  |  |  |  |  |  |  |  |
| ***Net assets*** |  | **103,980** |  | 89,156 |  | 80,041 |  | 23,939 |
|  |  |  |  |  |  |  |  |  |
| **EQUITY** |  |  |  |  |  |  |  |  |
| Contributed equity |  | **171,110** |  | 134,848 |  | 112,209 |  | 58,9017 |
| Reserves |  | **59** |  | 438 |  | 433 |  | (374) |
| Retained surplus (accumulated deficit) |  | **(67,189)** |  | (46,130) |  | (32,601) |  | (34,588)7 |
| ***Total equity*** |  | **103,980** |  | 89,156 |  | 80,041 |  | 23,939 |

# Department of Education and Training STATEMENT OF CHANGES IN EQUITY for the period ended 30 June 2016

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

Accounting Policy

Transactions with the Government as Owner

Equity injections

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

Restructuring of administrative arrangements

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

# Department of Education and Training STATEMENT OF CASH FLOWS for the period ended 30 June 2016

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **2016** |  | 2015 |  | 2016 Original Budget1 |  | Variance |
|  | **Notes** | **$'000** |  | $'000 |  | $'000 |  | $'000 |
| **OPERATING ACTIVITIES** |  |  |  |  |  |  |  |  |
| **Cash received** |  |  |  |  |  |  |  |  |
| Appropriations |  | **336,174** |  | 307,355 |  | 257,672 |  | 78,5028 |
| Sale of goods and rendering of services |  | **17,340** |  | 40,737 |  | 17,970 |  | (630) |
| Net GST received |  | **7,017** |  | 5,712 |  | - |  | 7,0179 |
| Other |  | **12,839** |  | 9,922 |  | 2,850 |  | 9,98910 |
| **Total cash received** |  | **373,370** |  | 363,726 |  | 278,492 |  | 94,878 |
|  |  |  |  |  |  |  |  |  |
| **Cash used** |  |  |  |  |  |  |  |  |
| Employee benefits |  | **211,878** |  | 215,581 |  | 197,355 |  | 14,5232 |
| Supplier expenses |  | **133,176** |  | 100,903 |  | 78,563 |  | 54,6133 |
| Grants |  | **629** |  | 257 |  | - |  | 629 |
| Section 74 receipts transferred to the OPA |  | **30,665** |  | 47,837 |  | - |  | 30,6658 |
| **Total cash used** |  | **376,348** |  | 364,578 |  | 275,918 |  | 100,430 |
|  |  |  |  |  |  |  |  |  |
| ***Net cash from (used by) operating activities*** | 5.5A | **(2,978)** |  | (852) |  | 2,574 |  | (5,552) |
|  |  |  |  |  |  |  |  |  |
| **INVESTING ACTIVITIES** |  |  |  |  |  |  |  |  |
| **Cash received** |  |  |  |  |  |  |  |  |
| Proceeds from sales of infrastructure, plant and equipment |  | **23** |  | 735 |  | - |  | 23 |
| **Total cash received** |  | **23** |  | 735 |  | - |  | 23 |
|  |  |  |  |  |  |  |  |  |
| **Cash used** |  |  |  |  |  |  |  |  |
| Purchase of infrastructure, plant and equipment |  | **3,427** |  | 3,985 |  | 7,174 |  | (3,747)6 |
| Purchase / development of intangibles |  | **23,386** |  | 16,790 |  | 18,659 |  | 4,727 |
| Purchase of land and buildings |  | **1,387** |  | 2,041 |  | 7,383 |  | (5,996)6 |
| **Total cash used** |  | **28,200** |  | 22,816 |  | 33,216 |  | (5,016) |
|  |  |  |  |  |  |  |  |  |
| ***Net cash from (used by) investing activities*** |  | **(28,177)** |  | (22,081) |  | (33,216) |  | 5,039 |
|  |  |  |  |  |  |  |  |  |
| **FINANCING ACTIVITIES** |  |  |  |  |  |  |  |  |
| **Cash received** |  |  |  |  |  |  |  |  |
| Contributed equity - capital injections |  | **8,023** |  | 3,836 |  | 8,465 |  | (442) |
| Contributed equity - capital budget |  | **19,447** |  | 18,299 |  | 22,177 |  | (2,730) |
| Cash from restructuring |  |  |  | 2,186 |  | - |  | - |
| **Total cash received** |  | **27,470** |  | 24,321 |  | 30,642 |  | (3,172) |
|  |  |  |  |  |  |  |  |  |
| ***Net cash from (used by) financing activities*** |  | **27,470** |  | 24,321 |  | 30,642 |  | (3,172) |
|  |  |  |  |  |  |  |  |  |
| ***Net increase (decrease) in cash held*** |  | **(3,685)** |  | 1,388 |  | - |  | (3,685) |
| Cash and cash equivalents at the beginning of the reporting period |  | **9,817** |  | 8,429 |  | 8,429 |  | 1,388 |
| ***Cash and cash equivalents at the end of the reporting period*** | 3.1A | **6,132** |  | 9,817 |  | 8,429 |  | (2,297) |

# Department of Education and Training BUDGETARY REPORTING for the period ended 30 June 2016

Budget Variances Commentary

Departmental variances

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

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

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

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

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

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

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

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

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

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

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

# Department of Education and Training ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME For the period ended 30 June 2016

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **2016** |  | 2015 |  | 2016 Original Budget1 |  | Variance |
|  | **Notes** | **$'000** |  | $'000 |  | $'000 |  | $'000 |
| **NET COST OF SERVICES** |  |  |  |  |  |  |  |  |
| **EXPENSES** |  |  |  |  |  |  |  |  |
| Supplier expenses | 2.1A | **598,827** |  | 338,577 |  | 677,139 |  | (78,312)2 |
| Subsidies | 2.1B | **327,810** |  | 144,309 |  | 417,707 |  | (89,897)3 |
| Personal benefits | 2.1C | **5,092,274** |  | 3,535,096 |  | 122,944 |  | 4,969,3304 |
| Grants | 2.1D | **25,725,320** |  | 24,410,096 |  | 25,504,343 |  | 220,9775 |
| Finance costs | 2.1E | **636,237** |  | 801,980 |  | 965,356 |  | (329,119)6 |
| Write-down and impairment of assets | 2.1F | **18,595** |  | 26,237 |  | - |  | 18,595 |
| Payment to Corporate Commonwealth Entities | 2.1G | **15,009** |  | 13,370 |  | 14,935 |  | 74 |
| Fair value losses | 2.1H | **1,058,199** |  | 1,261,294 |  | 1,531,632 |  | (473,433)7 |
| Other Expenses | 2.1I | **147** |  | 57 |  | - |  | 147 |
| ***Total expenses*** |  | **33,472,418** |  | 30,531,016 |  | 29,234,056 |  | 4,238,362 |
|  |  |  |  |  |  |  |  |  |
| **INCOME** |  |  |  |  |  |  |  |  |
| **Revenue** |  |  |  |  |  |  |  |  |
| **Taxation revenue** |  |  |  |  |  |  |  |  |
| Other taxes | 2.2A | **10,144** |  | 8,576 |  | 6,999 |  | 3,145 |
| **Total taxation revenue** |  | **10,144** |  | 8,576 |  | 6,999 |  | 3,145 |
|  |  |  |  |  |  |  |  |  |
| **Non-taxation revenue** |  |  |  |  |  |  |  |  |
| Interest | 2.2B | **529,337** |  | 583,134 |  | 670,382 |  | (141,045)6 |
| Other revenue | 2.2C | **813,177** |  | 849,841 |  | 772,640 |  | 40,537 |
| **Total non-taxation revenue** |  | **1,342,514** |  | 1,432,975 |  | 1,443,022 |  | (100,508) |
| ***Total revenue*** |  | **1,352,658** |  | 1,441,551 |  | 1,450,021 |  | (97,363) |
|  |  |  |  |  |  |  |  |  |
| **Gains** |  |  |  |  |  |  |  |  |
| Fair value gains | 2.2D | **-** |  | - |  | 131,400 |  | (131,400)7 |
| Reversals of previous asset write-downs and impairment | 2.2E | **-** |  | 1,200,266 |  | - |  | - |
| ***Total gains*** |  | **-** |  | 1,200,266 |  | 131,400 |  | (131,400) |
| **Total income** |  | **1,352,658** |  | 2,641,817 |  | 1,581,421 |  | (228,763) |
|  |  |  |  |  |  |  |  |  |
| **Net cost of (contribution by) services** |  | **32,119,760** |  | 27,889,199 |  | 27,652,635 |  | 4,467,125 |
| **Surplus (Deficit)** |  | **(32,119,760)** |  | (27,889,199) |  | (27,652,635) |  | (4,467,125) |
|  |  |  |  |  |  |  |  |  |
| **OTHER COMPREHENSIVE INCOME** |  |  |  |  |  |  |  |  |
| **Items not subject to subsequent reclassification to net cost of services** |  |  |  |  |  |  |  |  |
| Changes in asset revaluation surplus |  | **(31,593)** |  | 904 |  | - |  | (31,593) |
| **Total other comprehensive income (loss)** |  | **(31,593)** |  | 904 |  | - |  | (31,593) |
|  |  |  |  |  |  |  |  |  |
| ***Total comprehensive income (loss)*** |  | **(32,151,353)** |  | (27,888,295) |  | (27,652,635) |  | (4,498,718) |
|  |  |  |  |  |  |  |  |  |

# Department of Education and Training ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES as at 30 June 2016

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **2016** |  | 2015 |  | 2016 Original Budget1 |  | Variance |
|  | **Notes** | **$'000** |  | $'000 |  | $'000 |  | $'000 |
| **ASSETS** |  |  |  |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | 4.1A | **72,092** |  | 26,528 |  | 832 |  | 71,2608 |
| Receivables | 4.1B | **37,870,400** |  | 30,927,974 |  | 37,509,956 |  | 360,4447 |
| Other investments | 4.1C | **2,118,337** |  | 2,149,930 |  | 2,153,175 |  | (34,838) |
| **Total financial assets** |  | **40,060,829** |  | 33,104,432 |  | 39,663,963 |  | 396,866 |
|  |  |  |  |  |  |  |  |  |
| **Non-financial assets** |  |  |  |  |  |  |  |  |
| Other non-financial assets | 4.2A | **240** |  | - |  | 523 |  | (283) |
| **Total non-financial assets** |  | **240** |  | - |  | 523 |  | (283) |
|  |  |  |  |  |  |  |  |  |
| **Total assets administered on behalf of Government** |  | **40,061,069** |  | 33,104,432 |  | 39,664,486 |  | 396,583 |
|  |  |  |  |  |  |  |  |  |
| **LIABILITIES** |  |  |  |  |  |  |  |  |
| **Payables** |  |  |  |  |  |  |  |  |
| Suppliers | 4.3A | **57,624** |  | 54,235 |  | 53,085 |  | 4,539 |
| Personal benefits | 4.3B | **149,271** |  | - |  | 4,879 |  | 144,3924 |
| Grants | 4.3C | **3,318** |  | 36,246 |  | 52,259 |  | (48,941) |
| Other payables | 4.3D | **37,081** |  | 17,701 |  | 19,489 |  | 17,592 |
| **Total payables** |  | **247,294** |  | 108,182 |  | 129,712 |  | 117,582 |
|  |  |  |  |  |  |  |  |  |
| **Provisions** |  |  |  |  |  |  |  |  |
| Provision of personal benefits | 4.4A | **872,819** |  | - |  | - |  | 872,8194 |
| Provision for grants | 4.4A | **6,959,011** |  | 6,068,013 |  | 5,794,051 |  | 1,164,9605 |
| **Total provisions** |  | **7,831,830** |  | 6,068,013 |  | 5,794,051 |  | 2,037,779 |
|  |  |  |  |  |  |  |  |  |
| **Total liabilities administered on behalf of Government** |  | **8,079,124** |  | 6,176,195 |  | 5,923,763 |  | 2,155,361 |
|  |  |  |  |  |  |  |  |  |
| **Net assets (liabilities)** |  | **31,981,945** |  | 26,928,237 |  | 33,740,723 |  | (1,758,778) |
|  |  |  |  |  |  |  |  |  |

# Department of Education and Training BUDGETARY REPORTING as at 30 June 2016

Budget Variances Commentary

Administered variances

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

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

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

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

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

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

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

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

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

# Department of Education and Training ADMINISTERED RECONCILIATION SCHEDULE for the period ended 30 June 2016

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

Accounting Policy

Administered cash transfers to and from the Official Public Account

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

# Department of Education and Training ADMINISTERED CASH FLOW STATEMENT for the period ended 30 June 2016

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

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Overview

**Objectives of the Department of Education and Training**

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

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

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

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

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

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

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

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

**The Basis of Preparation**

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

The financial statements have been prepared in accordance with:

* *PGPA* Act *(Financial Reporting Rule) 2016* (FRR) for reporting periods commencing 1 July 2015; and
* Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

**Significant Accounting Judgements and Estimates**

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

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

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

At any point in time there are recipients entitled to receive CCFA who have not yet received their full entitlement from the Australian Government. The department estimates a provision for these entitlements. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision as required by *AASB 137 – Provisions, Contingent Liabilities and Contingent Assets*. The provision calculates the current year and earlier years’ liability for claims that have yet to be realised. The methodology considers the likely lodgement profiles associated with reconciliation top-ups, lump sum claims, and quarterly and fortnightly payments, including the impact of new measures. There are also a number of eligible recipients who have received in excess of their entitlement and owe money to the department. The department estimates a receivable for these benefits. The methodology to determine the department’s receivable considers historic recipient behaviours adjusted for the impact of new measures. The impairment allowance account for the CCFA receivable has been calculated by the Australian Government Actuary in accordance with the overall requirement of *AASB 136 – Impairment of Assets*, which relies on a profile of past customer behaviour.

*Higher Education Loan Program*

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

*Higher Education Superannuation*

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

Reporting of administered activities

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

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

**New Australian Accounting Standards**

*Adoption of new Australian Accounting Standard requirements*

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

Future Australian Accounting Standard Requirements

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

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

**Taxation**

The department is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). Revenues, expenses and assets are recognised net of GST except:

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

**Events After the Reporting Period**

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

**Changes in Accounting Policy**

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

**Comparatives**

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

**Breach of Section 83 of the Constitution**

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

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

**Shared Services arrangements**

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

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

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

1. Financial Performance

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

* 1. Expenses

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

Accounting Policy

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

|  |  |  |  |
| --- | --- | --- | --- |
| **1.1B: Supplier expenses** |  |  |  |
|  |  |  |  |
| **Goods and services supplied or rendered** |  |  |  |
| Consultants | **13,925** |  | 9,829 |
| Contractors | **21,009** |  | 9,660 |
| Travel | **4,298** |  | 3,011 |
| IT services | **23,090** |  | 15,378 |
| Property | **4,296** |  | 6,782 |
| Resources received free of charge | **6,446** |  | 5,464 |
| Other | **18,534** |  | 15,361 |
| **Total goods and services supplied or rendered** | **91,598** |  | 65,485 |
|  |  |  |  |
| **Goods and services are made up of:** |  |  |  |
| Provision of goods | **1,398** |  | 1,729 |
| Rendering of services | **90,200** |  | 63,756 |
| **Total goods and services supplied or rendered** | **91,598** |  | 65,485 |
|  |  |  |  |
| **Other supplier expenses** |  |  |  |
| Operating lease rentals in connection with |  |  |  |
| Minimum lease repayments | **33,606** |  | 32,950 |
| Contingent rentals | **552** |  | 443 |
| Workers compensation expenses | **2,167** |  | 2,301 |
| **Total other supplier expenses** | **36,325** |  | 35,694 |
| ***Total supplier expenses*** | **127,923** |  | 101,179 |
|  |  |  |  |
| **Leasing Commitments** |  |  |  |
| **Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:** | | | |
| Within 1 year | **35,037** |  | 36,399 |
| Between 1 to 5 years | **129,457** |  | 128,731 |
| More than 5 years | **126,672** |  | 157,997 |
| **Total operating lease commitments** | **291,166** |  | 323,127 |

**Operating Leases included are effectively non-cancellable and comprise:**

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

Accounting Policy

Leases

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

Resources received free of charge

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

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

ANAO performance audit fee $0.585 million (Nil)

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** |  | 2015 |
| **1.1C: Grants** | **$'000** |  | $'000 |
|  |  |  |  |
| Other | **629** |  | 257 |
| ***Total grants*** | **629** |  | 257 |

|  |  |  |  |
| --- | --- | --- | --- |
| **1.1D: Depreciation and amortisation** |  |  |  |
|  |  |  |  |
| **Depreciation** |  |  |  |
| Infrastructure, plant and equipment | **3,862** |  | 3,928 |
| Buildings | **8** |  | 23 |
| Leasehold improvements | **4,608** |  | 6,984 |
| **Total depreciation** | **8,478** |  | 10,935 |
|  |  |  |  |
| **Amortisation** |  |  |  |
| Intangibles: |  |  |  |
| Computer software | **16,690** |  | 15,983 |
| **Total amortisation** | **16,690** |  | 15,983 |
| ***Total depreciation and amortisation*** | **25,168** |  | 26,918 |

|  |  |  |  |
| --- | --- | --- | --- |
| **1.1E: Finance costs** |  |  |  |
|  |  |  |  |
| Unwinding of discount on provision for restoration obligations | **-** |  | 10 |
| Discount on surplus lease space | **-** |  | 41 |
| ***Total finance costs*** | **-** |  | 51 |

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

|  |  |  |  |
| --- | --- | --- | --- |
| **1.1G: Losses from asset sales** |  |  |  |
|  |  |  |  |
| **Infrastructure, plant and equipment** |  |  |  |
| Proceeds from sale | **(23)** |  | (23) |
| Carrying value of assets sold | **257** |  | 23 |
| ***Net loss from infrastructure, plant and equipment*** | **234** |  | - |
| ***Total losses from asset sales*** | **234** |  | - |

* 1. Own-Source Revenue and Gains

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** |  | 2015 |
| **OWN-SOURCE REVENUE** | **$'000** |  | $'000 |
|  |  |  |  |
| **1.2A: Sale of goods and rendering of services** |  |  |  |
|  |  |  |  |
| Provision of goods | **456** |  | 444 |
| Rendering of services | **29,280** |  | 29,941 |
| ***Total sale of goods and rendering of services*** | **29,736** |  | 30,385 |

Accounting Policy

Revenue from the sale of goods or services

The revenue is recognised when:

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

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Subleasing rental income commitments** |  |  |  |
| Sub lease revenue for office accommodation. Vacant office space is sub leased where possible. The total of future minimum lease payments expected to be received over the next five years is $14.318 million (2015: $11.110 million) including GST. | | | |
| **Commitments for sublease rental income receivables are as follows:** |  |  |  |
| Within 1 year | **(6,174)** |  | (5,708) |
| Between 1 to 5 years | **(8,144)** |  | (5,124) |
| More than 5 years | **-** |  | (278) |
| ***Total operating lease commitments*** | **(14,318)** |  | (11,110) |

|  |  |  |  |
| --- | --- | --- | --- |
| **GAINS** |  |  |  |
|  |  |  |  |
| **1.2B: Sale of assets** |  |  |  |
|  |  |  |  |
| **Land and buildings** |  |  |  |
| Proceeds from sale | **-** |  | 712 |
| Carrying value of assets sold | **-** |  | (625) |
| ***Net gain from sale of land and buildings*** | **-** |  | 87 |
|  |  |  |  |
| ***Net gain from sale of assets*** | **-** |  | 87 |

Accounting Policy

Sale of assets

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

|  |  |  |  |
| --- | --- | --- | --- |
| **1.2C: Reversals of previous asset write-downs and impairment** |  |  |  |
|  |  |  |  |
| Reversal of impairment losses | **-** |  | 64 |
| ***Total reversals of previous asset write-downs and impairments*** | **-** |  | 64 |

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

Accounting Policy

Resources Received Free of Charge

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

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

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements (Refer to Note 8).

|  |  |  |  |
| --- | --- | --- | --- |
| **REVENUE FROM GOVERNMENT** |  |  |  |
|  |  |  |  |
| **1.2E: Revenue from Government** |  |  |  |
|  |  |  |  |
| Appropriations |  |  |  |
| Departmental appropriations | **313,127** |  | 276,854 |
| ***Total revenue from Government*** | **313,127** |  | 276,854 |

Accounting Policy

Revenue from Government

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

Appropriations receivable are recognised at their nominal amounts.

1. Income and Expenses Administered on Behalf of Government

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

* 1. Administered – Expenses

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** |  | 2015 |
| **2.1A: Suppliers** | **$'000** |  | $'000 |
|  |  |  |  |
| **Goods and services supplied or rendered** |  |  |  |
| Assistance to families with children1 | **8,542** |  | 32,685 |
| General Research | **104** |  | 4,452 |
| Higher Education | **18,499** |  | 21,481 |
| School education - specific funding | **36,280** |  | 83,227 |
| Vocational and industry training2 | **535,402** |  | 196,732 |
| ***Total goods and services supplied or rendered*** | **598,827** |  | 338,577 |
|  |  |  |  |
| ***Total supplier expenses*** | **598,827** |  | 338,577 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Leasing Commitments** |  |  |  |
| **Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:** | | | |
| Within 1 year | **46** |  | - |
| Between 1 to 5 years | **184** |  | - |
| More than 5 years | **523** |  | - |
| **Total operating lease commitments** | **753** |  | - |

|  |  |  |  |
| --- | --- | --- | --- |
| **2.1B: Subsidies** |  |  |  |
|  |  |  |  |
| **Subsidies in connection with external parties** |  |  |  |
| Vocational and industry training2 | **327,118** |  | 144,308 |
| Assistance to families with children1 | **692** |  | - |
| Higher Education | **-** |  | 1 |
| ***Total subsidies*** | **327,810** |  | 144,309 |

|  |  |  |  |
| --- | --- | --- | --- |
| **2.1C: Personal benefits** |  |  |  |
| **Direct** |  |  |  |
| Student assistance | **39,213** |  | 72,298 |
| School Education - Specific Funding | **-** |  | 1,000 |
| Assistance to families with children1 | **1,028,980** |  | 836,916 |
| Vocational and industry training2 | **25,054** |  | 18,881 |
| **Indirect** |  |  |  |
| Assistance to families with children1 | **3,999,027** |  | 2,606,001 |
| ***Total personal benefits*** | **5,092,274** |  | 3,535,096 |

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

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

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

Accounting Policy

Grants and subsidies

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

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

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

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

|  |  |  |  |
| --- | --- | --- | --- |
| **2.1E: Finance costs** |  |  |  |
|  |  |  |  |
| Concessional loan discount | **636,237** |  | 801,980 |
| ***Total finance costs*** | **636,237** |  | 801,980 |

|  |  |  |  |
| --- | --- | --- | --- |
| **2.1F: Write-down and impairment of assets** |  |  |  |
| Impairment of personal benefits receivable | **17,806** |  | 19,206 |
| Impairment of Higher Education Superannuation Program | **6** |  | - |
| Write-down of other receivables | **762** |  | 477 |
| Impairment of goods and services and other receivables | **21** |  | 6,554 |
| ***Total write-down and impairment of assets*** | **18,595** |  | 26,237 |

|  |  |  |  |
| --- | --- | --- | --- |
| **2.1G: Payments to corporate Commonwealth entities** |  |  |  |
|  |  |  |  |
| Australian Institute of Aboriginal and Torres Strait Islander Studies | **15,009** |  | 13,370 |
| ***Total payments to corporate Commonwealth entities*** | **15,009** |  | 13,370 |

Accounting Policy

Payments to Corporate Commonwealth Entities

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** |  | 2015 |
| **2.1H: Fair value losses** | **$'000** |  | $'000 |
|  |  |  |  |
| Losses from remeasuring financial instruments held at fair value through profit or loss | **1,058,199** |  | 1,261,294 |
| ***Total fair value losses*** | **1,058,199** |  | 1,261,294 |

|  |  |  |  |
| --- | --- | --- | --- |
| **2.1I: Other expenses** |  |  |  |
| Act of Grace payments | **147** |  | 57 |
| **Total other expenses** | **147** |  | 57 |

* 1. Administered Income

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** |  | 2015 |
| **Taxation revenue** | **$'000** |  | $'000 |
|  |  |  |  |
| **2.2A: Other taxes** |  |  |  |
|  |  |  |  |
| Levies (other than agricultural) | **10,144** |  | 8,576 |
| ***Total other taxes*** | **10,144** |  | 8,576 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Non-taxation revenue** |  |  |  |
| **2.2B: Interest** |  |  |  |
|  |  |  |  |
| Other sources | **7** |  | 337 |
| Loans | **529,330** |  | 582,797 |
| ***Total interest*** | **529,337** |  | 583,134 |

|  |  |  |  |
| --- | --- | --- | --- |
| **2.2C: Other revenue** |  |  |  |
|  |  |  |  |
| Education investment fund special account | **55,754** |  | 217,413 |
| Other | **757,423** |  | 632,428 |
| ***Total other revenue*** | **813,177** |  | 849,841 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Gains** |  |  |  |
|  |  |  |  |
| **2.2D: Fair value gains** |  |  |  |
|  |  |  |  |
| HECS/HELP | **-** |  | - |
| Higher Education Superannuation Program | **-** |  | - |
| ***Total fair value gains*** | **-** |  | - |

|  |  |  |  |
| --- | --- | --- | --- |
| **2.2E: Reversals of previous asset write-downs and impairment** |  |  |  |
|  |  |  |  |
| Reversal of impairment losses for the Higher Education Superannuation Program | **-** |  | 1,200,266 |
| ***Total reversals of previous asset write-downs and impairments*** | **-** |  | 1,200,266 |

Accounting Policy

Revenue

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

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

Gains and losses

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

1. Departmental Financial Position
   1. Financial Assets

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

Accounting Policy

Cash

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

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

|  |  |  |  |
| --- | --- | --- | --- |
| **3.1B: Trade and other receivables** |  |  |  |
| **Good and Services receivables in connection with** |  |  |  |
| Goods and services | **7,697** |  | 4,111 |
| **Total goods and services receivables** | **7,697** |  | 4,111 |
|  |  |  |  |
| **Appropriations receivable** |  |  |  |
| Existing programmes | **73,999** |  | 45,176 |
| **Total appropriations receivable** | **73,999** |  | 45,176 |
|  |  |  |  |
| **Other receivables** |  |  |  |
| GST receivable from the Australian Taxation Office | **3,647** |  | 2,542 |
| **Total other receivables** | **3,647** |  | 2,542 |
| ***Total trade and other receivables (gross)*** | **85,343** |  | 51,829 |
|  |  |  |  |
| **Less impairment allowance** |  |  |  |
| Goods and services | **(98)** |  | - |
| **Total impairment allowance** | **(98)** |  | - |
| ***Total trade and other receivables (net)*** | **85,245** |  | 51,829 |
|  |  |  |  |
| **Trade and other receivables (net) expected to be recovered** |  |  |  |
| No more than 12 months | **85,245** |  | 51,829 |
| More than 12 months | **-** |  | - |
| ***Total trade and other receivables (net)*** | **85,245** |  | 51,829 |
|  |  |  |  |
| **Trade and other receivables (gross) aged as follows** |  |  |  |
| Not overdue | **82,900** |  | 50,467 |
| Overdue by |  |  |  |
| 0 to 30 days | **518** |  | 598 |
| 31 to 60 days | **1,192** |  | 193 |
| 61 to 90 days | **278** |  | 89 |
| More than 90 days | **455** |  | 482 |
| ***Total trade and other receivables (gross)*** | **85,343** |  | 51,829 |
|  | **2016** |  | 2015 |
|  | **$'000** |  | $'000 |
| **The impairment allowance aged as follows** |  |  |  |
| More than 90 days | **(98)** |  | - |
| ***Total impairment allowance*** | **(98)** |  | - |

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

|  |  |  |
| --- | --- | --- |
| **Reconciliation of the Impairment Allowance** |  |  |
|  |  |  |
| **Movements in relation to 2016** |  |  |
|  | **Goods and services** | **Total** |
|  | **$'000** | **$'000** |
| **Opening balance as at 1 July 2015** | **-** | **-** |
| Increase/(decrease) recognised in net surplus | **(98)** | **(98)** |
| **Closing balance as at 30 June 2016** | **(98)** | **(98)** |
|  |  |  |
| **Movements in relation to 2015** |  |  |
|  | Goods and services | Total |
|  | $'000 | $'000 |
| **Opening balance as at 1 July 2014** | (64) | (64) |
| Amounts recovered and reversed | 64 | 64 |
| **Closing balance as at 30 June 2015** | - | - |

Accounting Policy

Financial assets

The department classifies its financial assets in the following categories:

* Loans and receivables
* Accrued revenue.

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

Impairment of financial assets

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

|  |  |  |  |
| --- | --- | --- | --- |
| **3.1C: Other financial assets** |  |  |  |
|  |  |  |  |
| Accrued revenue | **1,996** |  | 3,276 |
| ***Total other financial assets*** | **1,996** |  | 3,276 |
|  |  |  |  |
| **Other financial assets expected to be recovered** |  |  |  |
| No more than 12 months | **1,996** |  | 3,276 |
| ***Total other financial assets*** | **1,996** |  | 3,276 |

* 1. Non-Financial Assets

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **3.2A: Reconciliation of the opening and closing balances of property, plant and equipment (2015-16)** | | | | | |  |  |
|  |  |  |  |  |  |  |  |
|  | **Land** | **Buildings** | **Leasehold improvements** | **Infrastructure, plant and equipment** | **Computer software internally developed** | **Computer software purchased** | **Total** |
|  | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** |
| **As at 1 July 2015** |  |  |  |  |  |  |  |
| Gross book value | **200** | **250** | **47,824** | **18,216** | **93,784** | **570** | **160,844** |
| Accumulated depreciation and impairment | **-** | **(8)** | **(6,148)** | **(6,889)** | **(23,702)** | **(249)** | **(36,996)** |
| **Total as at 1 July 2015** | **200** | **242** | **41,676** | **11,327** | **70,082** | **321** | **123,848** |
| Additions |  |  |  |  |  |  |  |
| By purchase | **-** | **-** | **1,360** | **3,427** | **23,294** | **104** | **28,185** |
| By restructuring | **-** | **-** | **646** | **40** | **949** | **-** | **1,635** |
| First time recognition | **-** | **-** | **-** | **50** | **-** | **-** | **50** |
| Reclassification | **-** | **-** | **(1,073)** | **1,042** | **(3)** | **34** | **-** |
| Revaluations and impairments recognised in other comprehensive income | **(30)** | **(4)** | **(1,242)** | **897** |  |  | **(379)** |
| Impairments recognised in net cost of services | **-** | **-** | **(80)** | **-** | **(2,502)** | **-** | **(2,582)** |
| Depreciation and amortisation | **-** | **(8)** | **(4,608)** | **(3,862)** | **(16,605)** | **(85)** | **(25,168)** |
| Other movements | **-** | **-** | **150** | **(3)** | **-** | **-** | **147** |
| Other | **-** | **-** | **-** | **(257)** | **-** | **-** | **(257)** |
| Write-offs | **-** | **-** | **(92)** | **(2)** | **-** | **-** | **(94)** |
| **Total as at 30 June 2016** | **170** | **230** | **36,737** | **12,659** | **75,215** | **374** | **125,385** |
|  |  |  |  |  |  |  |  |
| **Total as at 30 June 2016 represented by** |  |  |  |  |  |  |  |
| Gross book value | **170** | **230** | **36,749** | **12,743** | **112,132** | **708** | **162,732** |
| Accumulated depreciation, impairment and amortisation | **-** | **-** | **(12)** | **(84)** | **(36,917)** | **(334)** | **(37,347)** |
| **Total as at 30 June 2016** | **170** | **230** | **36,737** | **12,659** | **75,215** | **374** | **125,385** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **3.2A: Reconciliation of the opening and closing balances of property, plant and equipment (2014-15)** | | | | | | | |
|  |  |  |  |  |  |  |  |
|  | Land | Buildings | Leasehold improvements | Infrastructure, plant and equipment | Computer software internally developed | Computer software purchased | Total |
|  | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 | $’000 |
| **As at 1 July 2014** |  |  |  |  |  |  |  |
| Gross book value | 200 | 890 | 49,796 | 14,591 | 74,619 | 570 | 140,666 |
| Accumulated depreciation and impairment | - | - | (19) | (3,139) | (11,580) | (57) | (14,795) |
| **Total as at 1 July 2014** | 200 | 890 | 49,777 | 11,452 | 63,039 | 513 | 125,871 |
| Additions: |  |  |  |  |  |  | - |
| By purchase | - | - | 1,884 | 3,824 | 18,548 | - | 24,256 |
| By restructuring | - | - | - | 1 | 14,712 | - | 14,713 |
| First time recognition | - | - | - | 111 | 770 | - | 881 |
| Impairments recognised in net cost of services | - | - | (264) | - | (2,532) | - | (2,796) |
| Depreciation and amortisation | - | (23) | (6,984) | (3,928) | (15,791) | (192) | (26,918) |
| Other movements | - | - | (153) | (63) | (107) | - | (323) |
| Restructuring | - | - | - | - | (8,557) | - | (8,557) |
| Disposals |  |  |  |  |  |  | - |
| From disposal of entities or operations (including restructuring) | - | - | (2,583) | (25) | - | - | (2,608) |
| Other | - | (625) | - | (23) | - | - | (648) |
| Write-offs | - | - | (1) | (22) | - | - | (23) |
| **Net book value 30 June 2015** | 200 | 242 | 41,676 | 11,327 | 70,082 | 321 | 123,848 |
|  |  |  |  |  |  |  |  |
| **Net book value as of 30 June 2015 represented by:** |  |  |  |  |  |  |  |
| Gross book value | 200 | 250 | 47,824 | 18,216 | 93,784 | 570 | 160,844 |
| Accumulated depreciation, impairment and amortisation | - | (8) | (6,148) | (6,889) | (23,702) | (249) | (36,996) |
| **Net book value 30 June 2015** | 200 | 242 | 41,676 | 11,327 | 70,082 | 321 | 123,848 |

Land and Buildings

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

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

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

Infrastructure, plant and equipment

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

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

Intangibles

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

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

**Revaluations of non-financial assets**

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

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Contractual commitments for the acquisition of property, plant, equipment and intangible assets** |  |  |  |
|  | | | |
|  | **2016** |  | 2015 |
|  | **$'000** |  | $'000 |
| **Commitments are payable as follows:** |  |  |  |
| Within 1 year | **6,910** |  | 6,345 |
| Between 1 to 5 years | **-** |  | 411 |
| ***Total contractual commitments*** | **6,910** |  | 6,756 |

Accounting Policy

Acquisition of Assets

The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

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

Asset recognition threshold

Purchases of non-financial assets are recognised initially at cost in the statement of financial position, except for purchases costing less than $2,000, (or $50,000 for leasehold improvements) which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

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

Revaluations

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

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

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

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

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

Depreciation

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

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

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Asset Class** | **2016** |  |
|  | Buildings on freehold land | 37-51 years |  |
|  | Buildings – leasehold improvements | Lease term |  |
|  | Infrastructure, plant and equipment | 3-25 years |  |

Impairment

All assets were assessed for impairment at 30 June 2016. Where indications of impairment exist, the asset’s recoverable amount is estimated and an impairment adjustment made if the asset’s recoverable amount is less than its carrying amount.

Derecognition

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

Assets not previously recognised

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

Intangibles

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

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

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

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

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

* 1. Payables

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

Settlement was usually made within 30 days.

|  |  |  |  |
| --- | --- | --- | --- |
| **3.3B: Other payables** |  |  |  |
|  |  |  |  |
| Wages and salaries | **1,340** |  | 5,833 |
| Superannuation | **131** |  | 922 |
| Separations and redundancies | **385** |  | 2,246 |
| Other employee benefits | **542** |  | 111 |
| Lease incentives | **12,565** |  | 13,994 |
| Unearned income | **5,366** |  | 5,189 |
| Payable to the Official Public Account | **-** |  | 668 |
| ***Total other payables*** | **20,329** |  | 28,963 |
|  |  |  |  |
| **Other payables expected to be settled** |  |  |  |
| No more than 12 months | **9,236** |  | 17,434 |
| More than 12 months | **11,093** |  | 11,529 |
| ***Total other payables*** | **20,329** |  | 28,963 |

Accounting Policy

Financial Liabilities

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

Lease incentives

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

* 1. Other Provisions

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **3.4A: Other provisions** | | | | | |
|  |  |  |  |  |  |
|  | **Provision for legal obligations** | **Provision for restoration obligations** | **Provision for surplus lease space** | **Provision for onerous contract** | **Total** |
|  | **$’000** | **$’000** | **$’000** | **$’000** | **$’000** |
| **As at 1 July 2015** | **620** | **320** | **2,166** | **-** | **3,106** |
| Additional provisions made | **-** | **255** | **-** | **496** | **751** |
| Amounts reversed | **(79)** | **(75)** | **(1,238)** | **-** | **(1,392)** |
| Amounts used | **-** | **-** | **(1,127)** | **-** | **(1,127)** |
| Net adjustment due to allocation change in Departments | **-** | **-** | **401** | **-** | **401** |
| **Total as at 30 June 2016** | **541** | **500** | **202** | **496** | **1,739** |

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

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

1. Assets and Liabilities Administered on Behalf of Government

* 1. Administered – Financial Assets

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** |  | 2015 |
| **4.1A: Cash and cash equivalents** | **$'000** |  | $'000 |
|  |  |  |  |
| Special accounts | **72,092** |  | 26,528 |
| ***Total cash and cash equivalents*** | **72,092** |  | 26,528 |

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** |  | 2015 |
|  | **$'000** |  | $'000 |
| **Receivables (gross) aged as follows** |  |  |  |
| Not overdue | **37,829,587** |  | 30,926,104 |
| Overdue by |  |  |  |
| 0 to 30 days | **299** |  | 549 |
| 31 to 60 days | **170** |  | 910 |
| 61 to 90 days | **77** |  | 33 |
| More than 90 days | **69,533** |  | 7,901 |
| ***Total receivables (gross)*** | **37,899,666** |  | 30,935,497 |
|  |  |  |  |
| **The impairment allowance aged as follows** |  |  |  |
| Not overdue | **(4,348)** |  | - |
| Overdue by |  |  |  |
| 0 to 30 days | **(7)** |  | (77) |
| 31 to 60 days | **(4)** |  | - |
| 61 to 90 days | **(23)** |  | - |
| More than 90 days | **(24,884)** |  | (7,446) |
| ***Total impairment allowance*** | **(29,266)** |  | (7,523) |
|  |  |  |  |
| Goods and services receivables are with entities external to the Australian Government. Credit terms are payment within 30 days (2015: 30 days). | | | |
|  |  |  |  |
| **Reconciliation of the Impairment Allowance Account:** |  |  |  |
|  |  |  |  |
| **Movements in relation to 2016** |  |  |  |
|  | **Receivables** |  | **Total** |
|  | **$'000** |  | **$'000** |
| **Opening balance at 1 July 2015** | **(7,523)** |  | **(7,523)** |
| Amounts transferred through restructuring | **(19,790)** |  | **(19,790)** |
| Increase (decrease) recognised in net cost of services | **(1,953)** |  | **(1,953)** |
| ***Closing balance at 30 June 2016*** | **(29,266)** |  | **(29,266)** |
|  |  |  |  |
| Movements in relation to 2015 |  |  |  |
|  | Receivables |  | Total |
|  | $'000 |  | $'000 |
| **Opening balance at 1 July 2014** | (1,225,966) |  | (1,225,966) |
| Amounts written off | (142) |  | (142) |
| Amounts recovered and reversed | 142 |  | 142 |
| Reversal of previous impairment | 1,200,266 |  | 1,200,266 |
| Amounts transferred through restructuring | 36,559 |  | 36,559 |
| Increase/decrease recognised in net surplus | (18,382) |  | (18,382) |
| ***Closing balance at 30 June 2015*** | (7,523) |  | (7,523) |

Accounting Policy

Loans and receivables

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

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

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

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

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

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

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** |  | 2015 |
| **4.1C: Other investments** | **$'000** |  | $'000 |
|  |  |  |  |
| **Other Investments:** |  |  |  |
| Australian Institute for Teaching and School Leadership1 | **4,693** |  | 4,687 |
| Australian Curriculum, Assessment and Reporting Authority2 | **643** |  | 2,108 |
| Australian National University3 | **2,076,100** |  | 2,104,675 |
| Australian Institute of Aboriginal and Torres Strait Islander Studies4 | **36,901** |  | 38,460 |
| ***Total other investments*** | **2,118,337** |  | 2,149,930 |
|  |  |  |  |
| **Other investments expected to be recovered** |  |  |  |
| More than 12 months | **2,118,337** |  | 2,149,930 |
| ***Total other investments*** | **2,118,337** |  | 2,149,930 |

|  |
| --- |
| The department retains 100 per cent ownership of each of the listed investments. The principle activity of the department’s administered investments is as follows:  1 *Australian Institute for Teaching and School Leadership Ltd* – supports and enhances the teaching profession for the benefit of all Australians.  2 *Australian Curriculum, Assessment and Reporting Authority* – executes the policy directions that are determined by the Ministerial Council for Education, Early Childhood Development and Youth Affairs regarding curriculum, assessment, data collection and reporting at a national level.  3 *Australian National University* – provision of research and teaching services.  4 *Australian Institute of Aboriginal and Torres Strait Islander Studies* – building pathways for the knowledge of Aboriginal and Torres Strait Islander peoples to grow and share. |

Accounting Policy

Administered investments

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

Administered investments other than those held for sale are classified as available–for–sale and are measured at their fair value as at 30 June 2016. Fair value has been taken to be the Australian Government's proportional interest in the net assets of the entities as at the end of the reporting period.

* 1. Administered – Non-Financial Asset

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** |  | 2015 |
| **4.2A: Other non-financial assets** | **$'000** |  | $'000 |
|  |  |  |  |
| Prepayments | **240** |  | - |
| ***Total other non-financial assets*** | **240** |  | - |
|  |  |  |  |
| **Other non-financial assets expected to be recovered** |  |  |  |
| No more than 12 months | **240** |  | - |
| ***Total other non-financial assets*** | **240** |  | - |

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

* 1. Administered - Payables

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

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

|  |  |  |  |
| --- | --- | --- | --- |
| **4.3B: Personal benefits** |  |  |  |
|  |  |  |  |
| Direct | **13,899** |  | - |
| Indirect | **135,372** |  | - |
| ***Total personal benefits*** | **149,271** |  | - |
|  |  |  |  |
| **Personal benefits expected to be settled** |  |  |  |
| No more than 12 months | **149,271** |  | - |
| ***Total personal benefits*** | **149,271** |  | - |

|  |  |  |  |
| --- | --- | --- | --- |
| **4.3C: Grants** |  |  |  |
|  |  |  |  |
| **Public sector** |  |  |  |
| State and Territory Governments | **-** |  | 4,435 |
| **Private sector** |  |  |  |
| Non-profit organisations | **481** |  | 196 |
| Other | **2,837** |  | 31,615 |
| ***Total grants*** | **3,318** |  | 36,246 |
|  |  |  |  |
| **Grants expected to be settled** |  |  |  |
| No more than 12 months | **3,318** |  | 36,246 |
| ***Total grants*** | **3,318** |  | 36,246 |

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

|  |  |  |  |
| --- | --- | --- | --- |
| **4.3D: Other payables** |  |  |  |
|  |  |  |  |
| Statutory payable | **37,081** |  | 17,701 |
| ***Total other payables*** | **37,081** |  | 17,701 |
|  |  |  |  |
| **Other payables expected to be settled** |  |  |  |
| No more than 12 months | **37,081** |  | 17,701 |
| ***Total other payables*** | **37,081** |  | 17,701 |

* 1. Administered – Other Provisions

|  |  |  |  |
| --- | --- | --- | --- |
| **4.4A: Reconciliation of movements in provisions for grants and personal benefits** | | |  |
|  |  |  |  |
|  | **Provisions for grants** | **Provisions for personal benefits** | **Total** |
|  | **$’000** | **$’000** | **$’000** |
| **Opening balance** | **6,068,013** | **-** | **6,068,013** |
| Additional provisions made | **-** | **126,042** | **126,042** |
| Amounts used | **(211,363)** | **-** | **(211,363)** |
| Increase (decrease) in net cost of services | **1,102,361** | **-** | **1,102,361** |
| Restructuring | **-** | **746,777** | **746,777** |
| **Total as at 30 June 2016** | **6,959,011** | **872,819** | **7,831,830** |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** |  | 2015 |
|  | **$'000** |  | $'000 |
| **Provisions for personal benefits expected to be settled** |  |  |  |
| No more than 12 months | **872,819** |  | - |
| ***Total other provisions*** | **872,819** |  | - |

|  |  |  |  |
| --- | --- | --- | --- |
| **Provision for grants expected to be settled** |  |  |  |
| More than 12 months | **6,959,011** |  | 6,068,013 |
| ***Total provisions for grants*** | **6,959,011** |  | 6,068,013 |

Accounting Policy

Higher Education Superannuation Provision for Australian Universities

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

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

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

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

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

The liability comprises a provision for:

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

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

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

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

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

Personal Benefits

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

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

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

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

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

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

1. Funding
   1. Appropriations

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **5.1A: Annual appropriations ('recoverable GST exclusive')** | | | | | | | |
|  |  |  |  |  |  |  |  |
|  | **2016 Appropriations** | | | | | **Appropriation applied in 2016 (current and prior years)** |  |
|  | ***Appropriation Act*** | | ***PGPA Act*** | | **Total appropriation** |  |
|  | **Annual Appropriation1** | **AFM** | **Section 74** | **Section 75** | **Variance2** |
|  | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **DEPARTMENTAL** |  |  |  |  |  |  |  |
| **Ordinary annual services** | **254,837** | **-** | **30,665** | **44,904** | **330,406** | **348,816** | **(18,410)** |
| **Capital Budgets3** | **22,177** | **-** | **-** | **-** | **22,177** | **19,447** | **2,730** |
| **Other services** |  |  |  |  |  |  |  |
| Equity | **10,438** | **-** | **-** | **3,248** | **13,686** | **8,023** | **5,663** |
| **Total departmental** | **287,452** | **-** | **30,665** | **48,152** | **366,269** | **376,286** | **(10,017)** |
| **ADMINISTERED** |  |  |  |  |  |  |  |
| **Ordinary annual services** |  |  |  |  |  |  |  |
| Administered items | **1,548,526** | **-** | **-** | **303,735** | **1,852,261** | **1,407,325** | **444,936** |
| Payments to Corporate Commonwealth Entities | **14,935** | **-** | **-** | **-** | **14,935** | **14,935** | **-** |
| **Other services** |  |  |  |  |  |  |  |
| States, ACT, NT and local government | **43,645** | **-** | **-** | **-** | **43,645** | **44,437** | **(792)** |
| Payments to Corporate Commonwealth Entities | **74** | **-** | **-** | **-** | **74** | **74** | **-** |
| **Total administered** | **1,607,180** | **-** | **-** | **303,735** | **1,910,915** | **1,466,771** | **444,144** |

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

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

3 Departmental and administered capital budgets are appropriated through Appropriation Acts (No. 1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Accounting Policy

Payments to Corporate Commonwealth Entities

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2015 Appropriations** | | | | | **Appropriation applied in 2015 (current and prior years)** |  |
|  | ***Appropriation Act*** | | ***PGPA Act*** | | **Total appropriation** |  |
|  | **Annual Appropriation1** | **AFM** | **Section 74** | **Section 75** | **Variance2** |
|  | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **DEPARTMENTAL** |  |  |  |  |  |  |  |
| **Ordinary annual services** | **273,050** | **-** | **47,837** | **9,695** | **330,582** | **326,500** | **4,082** |
| **Capital Budgets** | **22,536** | **-** | **-** | **505** | **23,041** | **18,299** | **4,742** |
| **Other services** |  |  |  |  |  |  |  |
| Equity | **3,489** | **-** | **-** | **-** | **3,489** | **3,836** | **(347)** |
| **Total departmental** | **299,075** | **-** | **47,837** | **10,200** | **357,112** | **348,635** | **8,477** |
| **ADMINISTERED** |  |  |  |  |  |  |  |
| **Ordinary annual services** |  |  |  |  |  |  |  |
| Administered items | **996,201** |  | **-** | **316,252** | **1,312,453** | **1,082,706** | **229,747** |
| Payments to Corporate Commonwealth Entities | **13,295** | **-** | **-** | **-** | **13,295** | **13,295** | **-** |
| **Other services** |  |  |  |  |  |  |  |
| States, ACT, NT and local government | **100,431** | **-** | **-** | **-** | **100,431** | **96,677** | **3,754** |
| Payments to Corporate Commonwealth Entities | **75** | **-** | **-** | **-** | **75** | **75** | **-** |
| **Total administered** | **1,110,002** | **-** | **-** | **316,252** | **1,426,254** | **1,192,753** | **233,501** |

Notes:

1. In 2014–15, there were $12.473 million reductions to appropriation made under a section 51 determination and a further $3.690 million quarantined. In 2014–15, there was $3.690 million that met the recognition criteria of a formal addition or reduction in revenue (in accordance with FRR Part 6 Div 3) but at law the appropriation has not been amended before the end of the reporting period.

2. Administered and departmental variances are primarily due to the movements in liability balances between 2013–14 and 2014–15, and amounts subject to quarantine and available to be reduced.

|  |  |  |
| --- | --- | --- |
| **5.1B: Unspent annual appropriations ('recoverable GST exclusive')** | | |
|  |  |  |
|  | **2016** | 2015 |
| **$'000** | $'000 |
| **Departmental** |  |  |
|  |  |
| Appropriation Act (No.1) 2015-16 | **35,506** | - |
| Appropriation Act (No.2) 2015-16 | **7,109** | - |
| Appropriation Act (No.3) 2015-16 | **4,567** | - |
| Appropriation Act (No.4) 2015-16 | **1,973** | - |
| Appropriation Act (No.1) 2014-15 | **22,827** | 42,874 |
| Appropriation Act (No.1) 2013-14 | **-** | 1,468 |
| Appropriation Act (No.2) 2013-14 | **784** | 3,860 |
| Appropriation Act (No.4) 2013-14 | **-** | 14,255 |
| Appropriation Act (No.4) 2012-13 | **-** | 2,508 |
| Cash at Bank | **2,596** | 7,531 |
| ***Total departmental*** | **75,362** | 72,496 |
| **Administered** |  |  |
|  |  |
| Appropriation Act (No.1) 2015-16 | **262,431** | - |
| Appropriation Act (No.3) 2015-16 | **3,243** | - |
| Appropriation Act (No.1) 2014-15 | **259,203** | 227,511 |
| Appropriation Act (No.3) 2014-15 | **14,836** | 14,836 |
| Appropriation Act (No.2) 2014-15 | **1,447** | 6,292 |
| Appropriation Act (No.1) 2013-14 | **-** | 110 |
| Appropriation Act (No.3) 2013-14 | **-** | 8,144 |
| ***Total administered*** | **541,160** | 256,893 |

|  |  |  |
| --- | --- | --- |
| **5.1C: Special appropriations ('recoverable GST exclusive')** | | |
|  |  |  |
| **Authority** | **Appropriation applied** | |
| **2016** | 2015 |
| **$'000** | $'000 |
| A New Tax System (Family Assistance) (Administration) Act 1999 (Administered) | **5,023,245** | 3,448,822 |
| Australian Education Act 2013 - (Administered) | **15,669,315** | 14,632,883 |
| Schools Assistance Act 2008 - Section 167 (Administered) | **-** | - |
| Higher Education Support Act 2003 - Section 238-12 (Administered) | **17,629,196** | 16,616,684 |
| Trade Support Loans Act 2014 - Section 104 | **144,676** | 57,113 |
| **Total special appropriations applied** | **38,466,432** | 34,755,502 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **5.1D: Disclosure by agent in relation to annual and special appropriations ('recoverable GST exclusive')** | | | | | | | |
|  |  |  |  |  |  |  |  |
|  |  | **Department of Prime Minister and Cabinet** | | **Department of Foreign Affairs and Trade2** | | **Department of Social Services** | |
| **2016** |  | **$'000** | | **$'000** | | **$'000** | |
| Total receipts |  | **-** | | **24,988** | | **-** | |
| Total payments |  | **-** | | **24,988** | | **-** | |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  | **Department of Prime Minister and Cabinet1** | | **Department of Foreign Affairs and Trade2** | | **Department of Social Services3** | |
| **2015** |  | **$'000** | | **$'000** | | **$'000** | |
| Total receipts |  | 250 | | 9,978 | | 605,050 | |
| Total payments |  | 250 | | 9,978 | | 605,050 | |

1. The department made a payment for the Office of Women programme for the Department of Prime Minister and Cabinet.
2. The department had drawing rights for the Department of Foreign Affairs and Trade annual appropriation for the New Colombo Plan programme.
3. In 2014-15 the department had drawing rights for the Department of Social Services special appropriations for the payment of Child Care Benefit, Child Care Rebate and the Early Years Quality Fund Special Account.
   1. Special Accounts

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **5.2A: Special accounts ('recoverable GST exclusive')** | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
|  | **Education Investment Fund - Research Portfolio Special Account1** | | **Education Investment Fund - Education Portfolio Special Account2** | | **National Youth Affairs Research Scheme3** | | **Growth Fund Skills and Training Special Account4** | |
|  | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| **Balance brought forward from previous period** | **-** | - | **-** | - | **171** | 251 | **-** | - |
| **Increases** |  |  |  |  |  |  |  |  |
| Appropriation credited to special account | **-** | 70,950 | **55,754** | 146,463 | **-** | - | **4,757** | - |
| Transfer through restructuring | **-** | - | **-** | - | **-** | - | **-** | - |
| ***Total increases*** | **-** | 70,950 | **55,754** | 146,463 | **-** | - | **4,757** | - |
| **Available for payments** | **-** | 70,950 | **55,754** | 146,463 | **171** | 251 | **4,757** | - |
| **Decreases** |  |  |  |  |  |  |  |  |
| **Administered** |  |  |  |  |  |  |  |  |
| Payments made | **-** | (70,950) | **(55,754)** | (146,463) | **(171)** | (80) | **-** | - |
| Transfer through restructuring | **-** | - | **-** | - | **-** | - | **-** | - |
| **Total Administered** | **-** | (70,950) | **(55,754)** | (146,463) | **(171)** | (80) | **-** | - |
| ***Total decreases*** | **-** | (70,950) | **(55,754)** | (146,463) | **(171)** | (80) | **-** | **-** |
| ***Total balance carried to the next period*** | **-** | **-** | **-** | **-** | **-** | 171 | **4,757** | **-** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Early Years Quality Fund5** | | **Overseas Student Tuition Fund6** | | **Unique Student Identifier7** | | **Services for Other Entities and Trust Money8** | |
|  | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| **Balance brought forward from previous period** | **-** | 72,297 | **19,869** | 12,157 | **2,286** | - | **6,476** | 6,588 |
| **Increases** |  |  |  |  |  |  |  |  |
| Appropriations credited to special account | **-** | - | **-** | - | **1,250** | 3,508 | **-** | - |
| Receipts | **598** | - | **10,126** | 8,591 | **-** | - | **1,154** | 886 |
| Transfer through restructuring | **-** | - | **-** | - | **-** | 2,186 | **-** | 424 |
| ***Total increases*** | **598** | - | **10,126** | 8,591 | **1,250** | 5,694 | **1,154** | 1,310 |
| **Available for payments** | **598** | 72,297 | **29,995** | 20,748 | **3,536** | 5,694 | **7,630** | 7,898 |
| **Decreases** |  |  |  |  |  |  |  |  |
| **Departmental** |  |  |  |  |  |  |  |  |
| Other Payments | **-** | - | **-** | - | **-** | (3,408) | **-** | - |
| ***Total Departmental*** | **-** | - | **-** | - | **-** | (3,408) | **-** | **-** |
| **Administered** |  |  |  |  |  |  |  |  |
| Payments made | **(68,607)** | (47,588) | **(1,828)** | (879) | **-** | - | **(2,527)** | (1,422) |
| Transfer through restructuring | **102,048** | (24,709) | **-** | - | **-** | - | **22** | - |
| **Total Administered** | **33,441** | (72,297) | **(1,828)** | (879) | **-** | - | **(2,505)** | (1,422) |
| ***Total decreases*** | **33,441** | (72,297) | **(1,828)** | (879) | **-** | (3,408) | **(2,505)** | (1,422) |
| ***Total balance carried to the next period*** | **34,039** | **-** | **28,167** | 19,869 | **3,536** | 2,286 | **5,125** | 6,476 |

1 Education Investment Fund - Research Portfolio Special Account

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

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

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

2 Education Investment Fund - Education Portfolio Special Account

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

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

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

3 National Youth Affairs Scheme Special Account

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

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

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

4 Growth Fund Skills and Training Special Account

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

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

15 July 2015.

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

5 Early Years Quality Fund Special Account

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

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

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

6 Overseas Student Tuition Fund Special Account

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

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

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

7 Unique Student Identifiers Special Account

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

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

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

8 Services for OtherEntities and Trust Moneys Special Account

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

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

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

* 1. Regulatory Charging Summary

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** |  | 2015 |
| **5.3A: Regulatory charging summary** | **$'000** |  | $'000 |
|  |  |  |  |
| **Amounts applied** |  |  |  |
| Departmental |  |  |  |
| Annual appropriations | **4,545** |  | 4,830 |
| **Total amounts applied** | **4,545** |  | 4,830 |
|  |  |  |  |
| **Expenses** |  |  |  |
| Departmental | **4,545** |  | 4,830 |
| **Total expenses** | **4,545** |  | 4,830 |
|  |  |  |  |
| **Revenue** |  |  |  |
| Administered | **7,927** |  | 7,119 |
| **Total revenue** | **7,927** |  | 7,119 |
|  |  |  |  |
| **Receivables** |  |  |  |
| Not overdue | **47** |  | 16 |
| Overdue by |  |  |  |
| 0 to 30 days | **8** |  | 6 |
| 31 to 60 days | **6** |  | - |
| 61 to 90 days | **10** |  | - |
| More than 90 days | **120** |  | 75 |
| **Total receivables** | **191** |  | 97 |
|  |  |  |  |
| Cost recovered activities: |  |  |  |
| The Commonwealth recovers the costs of administering its functions under the Education Services for Overseas Students Act 2000 (the ESOS Act) and the National Code of Practice for Providers of Education and Training to Overseas Students (National Code) through compulsory registration fees charged to all providers wishing to be registered on the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS), which allows them to offer courses to overseas students. | | | |
|  | | | |
| The following entities are involved in the delivery of these activities: Department of Education, Australian Skills Quality Authority and the Tertiary Education Quality and Standards Agency. The Commonwealth also recovers the cost of administering the functions of the Overseas Students Ombudsman under the Ombudsman Act 1976. | | | |
|  | | | |
| Documentation (Cost Recovery Impact Statement) for the above activity is available at www.education.gov.au. | | | |
|  | | | |

* 1. Net Cash Appropriation Arrangements

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** |  | 2015 |
| **5.4A: Net cash appropriation arrangements** | **$'000** |  | $'000 |
|  |  |  |  |
| ***Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations*1** | **3,734** |  | 3,328 |
| Plus: depreciation/amortisation expenses previously funded through revenue appropriation | **(25,168)** |  | (26,918) |
| ***Total comprehensive income (loss) - as per the Statement of Comprehensive Income*** | **(21,434)** |  | (23,590) |

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.

* 1. Cash Flow Reconciliation

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

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

1. People and Relationships
   1. Employee Provisions

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

Accounting Policy

Employee Benefits

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

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

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

Leave

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

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

The liability for long service leave has been determined by reference to work conducted by an actuary as at 30 June 2016. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

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

Superannuation

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

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

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

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

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

* 1. Senior Management Personnel Remuneration

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

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

1. Managing Uncertainties
   1. Contingent Assets and Liabilities

|  |
| --- |
| **7.1A: Contingent liabilities and assets** |

Quantifiable Contingencies

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

Unquantifiable Contingencies

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

|  |
| --- |
| **7.1B: Administered contingent assets and liabilities** |
|  |
| **Quantifiable Contingencies** |
| The department does not hold quantifiable contingent assets and liabilities (2015: nil). |
|  |
| **Unquantifiable Contingencies** |
| At 30 June 2016, the department had nil legal claims against it (2015: nil). |
| There are currently a number of cases before the Administrative Appeals Tribunal (AAT) for which the outcomes are not yet known or able to be quantified. |
|  |

Accounting Policy

Contingent Liabilities and Contingent Assets

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

Indemnities

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

* 1. Financial Instruments

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

|  |  |  |  |
| --- | --- | --- | --- |
| **7.2B: Net gains or losses on financial assets** |  |  |  |
|  |  |  |  |
| **Loans and receivables** |  |  |  |
| Write off impairment - goods and services | **-** |  | 47 |
| Impairment of receivables - goods and services | **98** |  | - |
| **Net gains (losses) on loans and receivables** | **98** |  | 47 |
|  |  |  |  |
| ***Net gains (losses) on financial assets*** | **98** |  | 47 |

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **7.2C: Fair value of financial instruments** |  |  |  |  |
|  |  |  |  |  |
|  | **Carrying** | **Fair** | Carrying | Fair |
|  | **amount** | **value** | amount | value |
|  | **2016** | **2016** | 2015 | 2015 |
|  | **$'000** | **$'000** | $'000 | $'000 |
| **Financial Assets** |  |  |  |  |
| Cash and cash equivalents | **6,132** | **6,132** | 9,817 | 9,817 |
| Goods and services receivable | **7,697** | **7,697** | 4,111 | 4,111 |
| Accrued revenue | **1,996** | **1,996** | 3,276 | 3,276 |
| **Total financial assets** | **15,167** | **15,167** | 17,204 | 17,204 |
|  |  |  |  |  |
| **Financial Liabilities** |  |  |  |  |
| **At amortised cost** |  |  |  |  |
| Trade creditors and accruals | **27,100** | **27,100** | 18,042 | 18,042 |
| **Total financial liabilities** | **27,107** | **27,107** | 18,042 | 18,042 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **7.2D: Credit risk** |  |  |  |  |  |
|  |  |  |  |  |  |
| The department is exposed to minimal credit risk as loans and receivables are cash, cash on deposit and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables in 2016: $7.697 million (2015: $4.111 million). The department has assessed the risk of the default on payment and has allocated an impairment allowance for doubtful debts of $97,602 (2015: nil). | | | | | |
| The department has no liabilities carried at amounts not best representing maximum exposure to credit risk. | | | | | |
| The department has no significant exposures to any concentrations of credit risk. All figures for credit risk referred to do not take into account the value of any collateral of other security. | | | | | |
|  |  |  |  |  |  |
| In relation to the department’s gross credit risk and the financial effect in respect of the amount that best represents the maximum exposure to credit risk there is no collateral held. | | | | | |
|  |  |  |  |  |  |
| **Credit quality of financial assets not past due or individually determined as impaired** | | | | | |
|  |  | **Not past due nor impaired** | **Past due or impaired** | Not past due nor impaired | Past due or impaired |
|  |  | **2016** | **2016** | 2015 | 2015 |
|  |  | **$'000** | **$'000** | $'000 | $'000 |
| Cash and cash equivalents |  | **6,132** | **-** | 9,817 | - |
| Goods and services receivable |  | **5,772** | **1,925** | 3,347 | 764 |
| Accrued revenue |  | **1,996** | **-** | 3,276 | - |
| **Total** |  | **13,900** | **1,925** | 16,440 | 764 |
|  |  |  |  |  |  |
| **Ageing of financial assets that were past due but not impaired for 2016** | | | | | |
|  | **0 to 30** | **31 to 60** | **61 to 90** | **90+** |  |
|  | **days** | **days** | **days** | **days** | **Total** |
|  | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Goods and services receivable | **518** | **1,192** | **278** | **455** | **2,443** |
| **Total** | **518** | **1,192** | **278** | **455** | **2,443** |
|  |  |  |  |  |  |
| Ageing of financial assets that were past due but not impaired for 2015 | | | | | |
|  | 0 to 30 | 31 to 60 | 61 to 90 | 90+ |  |
|  | days | days | days | days | Total |
|  | $'000 | $'000 | $'000 | $'000 | $'000 |
| Goods and services | 598 | 193 | 89 | 482 | 1,362 |
| **Total** | 598 | 193 | 89 | 482 | 1,362 |

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

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **7.2E: Liquidity risk** |  |  |  |  |  |  |
| The department is appropriated funding from the Australian Government. The department manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the department has policies in place to ensure timely payments are made when due and has no past experience of default. | | | | | | |
|  |  |  |  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **7.2F: Market risk** |  |  |  |
|  |  |  |  |
| The department holds basic financial instruments that do not expose the department to market risks. | | | |

* 1. Administered – Financial Instruments

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** |  | 2015 |
| **7.3A: Categories of financial instruments** | **$'000** |  | $'000 |
|  |  |  |  |
| **Financial assets** |  |  |  |
| **Available for sale financial assets** |  |  |  |
| Investments | **2,118,337** |  | 2,149,930 |
| **Total available-for sale financial assets** | **2,118,337** |  | 2,149,930 |
|  |  |  |  |
| **Loans and receivables** |  |  |  |
| Goods and services receivable | **36,925** |  | 31,620 |
| **Total loans and receivables** | **36,925** |  | 31,620 |
|  |  |  |  |
| **Financial assets at fair value through profit or loss (designated)** |  |  |  |
| HECS\HELP Loans | **36,807,652** |  | 30,444,858 |
| Trade support loans | **145,680** |  | 52,960 |
| Other loans | **591** |  | - |
| **Total assets at fair value through profit or loss (designated)** | **36,953,923** |  | 30,497,818 |
|  |  |  |  |
| **Total financial assets categorised as financial instruments** | **39,109,185** |  | 32,679,368 |
|  |  |  |  |
| **Financial liabilities** |  |  |  |
| **Financial liabilities measured at amortised cost** |  |  |  |
| Trade creditors and accruals | **57,624** |  | 54,235 |
| Grants payable | **3,318** |  | 36,246 |
| **Total financial liabilities measured at amortised cost** | **60,942** |  | 90,481 |
|  |  |  |  |
| **Total financial liabilities** | **60,942** |  | 90,481 |

|  |  |  |  |
| --- | --- | --- | --- |
| **7.3B: Net gains or losses on financial assets** |  |  |  |
|  |  |  |  |
| **Available for sale financial assets** |  |  |  |
| Gain (loss) recognised in equity | **(31,593)** |  | 904 |
| **Net gains (losses) from available-for-sale financial assets** | **(31,593)** |  | 904 |
|  |  |  |  |
| **Loans and receivables** |  |  |  |
| Interest revenue | **7** |  | 337 |
| Write-down and impairment | **(783)** |  | (7,031) |
| **Net gains (losses) from loans and receivables** | **(776)** |  | (6,694) |
|  |  |  |  |
| **Financial assets at fair value through profit or loss (designated)** |  |  |  |
| Interest revenue | **529,330** |  | 582,797 |
| Other revenue | **675,522** |  | 558,656 |
| Unwinding of discount | **(636,237)** |  | (801,980) |
| Fair value gain/(losses) | **(1,058,199)** |  | (1,261,294) |
| **Net gains (losses) at fair value through profit or loss (designated)** | **(489,584)** |  | (921,821) |
|  |  |  |  |
| **Net gains (losses) on financial assets** | **(521,953)** |  | (927,611) |

|  |
| --- |
| **7.3C: Fair value of financial instruments** |

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **7.3D: Credit risk** |  |  |  |  |  |
| The administered loans and receivables of the department are not exposed to a high level of credit risk as the majority of financial assets are cash or cash equivalents, trade receivables or advances and loans to state, territory and local governments. The department manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition the department has policies and procedures that guide employees’ debt recovery techniques that are to be applied. | | | | | |
| The recoverability and credit quality of the fair value through profit and loss (designated) amounts are factored into the actuarial assessment each year. No separate account is maintained of the write offs in the department’s accounts rather just the movement in the assessment as a gain or loss in the Schedule of Administered Items. This accounting treatment is consistent with the basis for accounting for these instruments. | | | | | |

|  |
| --- |
| The department has assessed the risk of the default on payment and has allocated the following to an impairment allowance for doubtful debts:  Goods and services receivables 2016:$11.557 million (2015: $7.523 million).  In relation to the department's gross credit risk and the financial effect in respect of the amount that best represents the maximum exposure to credit risk there is no collateral held. |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Credit quality of financial assets not past due or individually determined as impaired** | | | | | |
|  |  | **Not past due nor impaired** | **Past due or impaired** | Not past due nor impaired | Past due or impaired |
|  |  | **2016** | **2016** | 2015 | 2015 |
|  |  | **$'000** | **$'000** | $'000 | $'000 |
| Available for sale |  |  |  |  |  |
| Investments |  | **2,118,337** | **-** | 2,149,930 | - |
| Loans and receivables |  |  |  |  |  |
| Goods and services receivables |  | **29,727** | **18,755** | 29,749 | 9,394 |
| Fair value through profit or loss (designated) | |  |  |  |  |
| HECS\HELP loans |  | **36,807,652** | **-** | 30,444,858 | - |
| Trade support loans |  | **145,680** | **-** | 52,960 | - |
| Other loans |  | **591** | **-** | - | - |
| **Total** |  | **39,101,987** | **18,755** | 32,677,497 | 9,394 |
|  |  |  |  |  |  |
| **Ageing of financial assets that were past due but not impaired for 2016** | | | | | |
|  | **0 to 30** | **31 to 60** | **61 to 90** | **90+** |  |
|  | **days** | **days** | **days** | **days** | **Total** |
|  | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Goods and services and other receivables | **292** | **166** | **54** | **6,686** | **7,198** |
| **Total** | **292** | **166** | **54** | **6,686** | **7,198** |
|  |  |  |  |  |  |
| Ageing of financial assets that were past due but not impaired for 2015 | | | | | |
|  | 0 to 30 | 31 to 60 | 61 to 90 | 90+ |  |
|  | days | days | days | days | Total |
|  | $'000 | $'000 | $'000 | $'000 | $'000 |
| Goods and services and other receivables | 472 | 910 | 33 | 456 | 1,871 |
| **Total** | 472 | 910 | 33 | 456 | 1,871 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **7.3E: Liquidity risk** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| The department is exposed to minimal liquidity risk and is appropriated funding from the Australian Government. The department manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the department has policies in place to ensure timely payments are made when due and has no past experience of default. | | | | | | |
|  |  |  |  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **7.3F: Market risk** |  |  |  |
|  |  |  |  |
| The department holds basic financial instruments that do not expose it to certain market risks including to ‘currency risk’ and ‘other price risks’. | | | |

|  |  |  |  |
| --- | --- | --- | --- |
| **7.3G: Concessional loans** |  |  |  |
|  | **2016** |  | 2015 |
|  | **$'000** |  | $'000 |
| **HECS\HELP loans** |  |  |  |
| Nominal value | **52,468,283** |  | 44,120,178 |
| Less: Unexpired discount | **(1,161,178)** |  | (3,446,468) |
| Impairment | **(14,499,449)** |  | (10,228,852) |
| Carrying amount | **36,807,656** |  | 30,444,858 |
| **Child Care loans** |  |  |  |
| Nominal value | **252** |  | 727 |
| Restructure | **339** |  | (727) |
| Carrying amount | **591** |  | - |
| **Trade Support Loans** |  |  |  |
| Nominal value | **196,037** |  | 81,055 |
| Less: Unexpired discount | **(33,117)** |  | (18,596) |
| Impairment | **(17,242)** |  | (9,496) |
| Principal repayment | **2** |  | (3) |
| Carrying amount | **145,680** |  | 52,960 |
| ***Total Concessional loans*** | **36,953,927** |  | 30,497,818 |

* 1. Fair Value Measurement

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| The following tables provide an analysis of assets and liabilities that are measured at fair value. | | | | | |
| The different levels of the fair value hierarchy are defined below. | | | | | |
| Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the department can access at measurement date. | | | | | |
| Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. | | | | | |
| Level 3: Unobservable inputs for the asset or liability. | | | | | |
| **7.4A: Fair value measurements, valuation techniques and inputs used** | | | | | |
|  |  |  |  |  |  |
| **Fair value measurements at 30 June 2016 by hierarchy for assets and liabilities** | | | | | |
|  | **Fair value measurements at the end of the reporting period using** | | | **Valuation Technique2** | **Inputs Used** |
|  | **2016** | 2015 | **Category (Level 1, 2 or 3)** |
|  | **$'000** | $'000 | **$'000** | **$'000** |
| **Non-financial assets** |  |  |  |  |  |
| Land | **170** | 200 | 2 | Market Approach | Adjusted market transactions |
| Buildings | **230** | 242 | 2 | Market Approach | Adjusted market transactions |
| Leasehold Improvements | **35,640** | 40,537 | 3 | Depreciated Replacement Cost | Replacement Cost New ( price per sqm) Useful life ( consumed economic benefit/ obsolescence of asset) |
| **2153** | 173 | 3 | Depreciated Replacement Cost | Current restoration costs (price per square metre) Discount rate Indexation rates |
| Leasehold Improvements - Assets Under Construction | **882** | - | 2 | Replacement Cost | Current prices relevant to the location of the asset |
| Infrastructure, plant and equipment | **7,404** | 4,499 | 2 | Market Approach | Adjusted market transactions |
| **4,839** | 6,751 | 3 | Depreciated Replacement Cost | Replacement Cost New ( price per sqm) Useful life ( consumed economic benefit/ obsolescence of asset) |
| **384** | 42 | 3 | Market Approach | Adjusted market transactions |
| Infrastructure, plant and equipment - Assets Under Construction | **32** | - | 2 | Replacement Cost | Current prices relevant to the location of the asset |
| ***Total non-financial assets*** | **49,796** | 52,444 |  |  |  |
| ***Total fair value measurements (assets) in statement of financial position1*** | **49,796** | 53,445 |  |  |  |
|  |  |  |  |  |  |
| 1. The Department has a number of assets and liabilities not measured at fair value in the statement of financial position. The carrying amounts of these assets and liabilities are considered to be a reasonable approximation of their fair value. | | | | | |
| 2. There have been no changes to valuation techniques. | | | | | |
| 3. In 2015-16, leasehold improvements representing make good were stated to be measured using a category 2 valuation technique. A revised assessment has established that these assets are better represented as a category 3 asset disclosed at present value. | | | | | |
| The department's assets are held for operational purposes and not held for the purpose of deriving a profit. The current use of all controlled assets is considered the highest and best use. The methods and valuation techniques used for the purpose of measuring fair value of assets and liabilities in 2016 are unchanged from the previous reporting period. | | | | | |

Accounting Policy

Fair Value Measurement

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **7.4B: Reconciliation for recurring Level 3 fair value measurements** | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
| There have been no transfers between levels. | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
| **Recurring Level 3 fair value measurements - reconciliation for assets** | | | | | | | | |
|  | **Non-financial assets** | | | | | | | |
|  | **Land and buildings** | | **Property, plant and equipment** | | **Leasehold Improvements** | | **Total** | |
|  | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
|  | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| **Restructuring opening balance** | **-** | 640 | **6,793** | 7,455 | **40,446** | 49,473 | **47,239** | 57,568 |
| Total gains/(losses) recognised in net cost of services1 | **-** | (15) | **(478)** | (2,244) | **(6,116)** | (6,804) | **(6,594)** | (9,063) |
| Transfers to other entities | **-** | - | **-** | - | **34** | (3,181) | **34** | (3,181) |
| Purchases | **-** | - | **368** | 1,568 | **764** | 715 | **1,132** | 2,283 |
| Disposals | **-** | (625) | **(250)** | - | **(92)** | - | **(342)** | (625) |
| Transfers into Level 3 | **-** | - | **36** | 14 | **819** | 243 | **855** | 257 |
| Transfers out Level 3 | - | - | **(1,246)** | - | - |  | **(1,246)** | - |
| **Closing balance** | **-** | - | **5,223** | 6,793 | **35,855** | 40,446 | **41,078** | 47,239 |
| 1 These gains/(losses) are presented in the Statement of Comprehensive Income under ‘Depreciation and amortisation’ and ‘Write-down and Impairment of assets’. | | | | | | | | |
|  | | | | | | | | |

* 1. Administered – Fair Value Measurement

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| The following tables provide an analysis of assets and liabilities that are measured at fair value. | | | | | | | |
| The different levels of the fair value hierarchy are defined below. | | | | | | | |
|  |  |  |  |  |  |  |  |
| Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the department can access at measurement date. | | | | | | | |
| Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. | | | | | | | |
| Level 3: Unobservable inputs for the asset or liability. | | | | | | | |
|  |  |  |  |  |  |  |  |
| **7.5A: Fair value measurements, valuation techniques and inputs used** | | | | | | | |
| **Fair value measurements at 30 June 2016 by hierarchy for assets and liabilities** | | | | | | | |
|
|  | **Fair value measurements at the end of the reporting period using** | | | **For Levels 2 and 3 fair value measurements** | | | |
|  | **2016** | 2015 | **Category (Level 1, 2 or 3)** | **Valuation technique** | **Inputs Used** | **Inputs Range** | **Weighted Average** |
|  | **$'000** | $'000 |
| **Financial assets** |  |  |  |  |  |  |  |
| Concessional loans | **36,953,923** | 30,497,818 | 3 | Loan Conditions |  | Principal due |  |
| Administered investments | **2,118,337** | 2,149,930 | 3 | Net assets of the entity |  | Net assets of the entity |  |
| ***Total financial assets*** | **39,072,260** | 32,647,748 |  |  |  |  |  |
| ***Total fair value measurements*** | **39,072,260** | 32,647,748 |  |  |  |  |  |

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

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

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **7.5B: Reconciliation for recurring Level 3 fair value measurements** | | | | | | |
| There has been no transfer between levels during the period | | | | | | |
| **Recurring Level 3 fair value measurements - reconciliation for assets** | | | | | | |
|  | **Financial assets** | | | | | |
|  | **Concessional loans** | | **Administered investments** | | **Total** | |
|  | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
|  | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| **Opening balance** | **30,497,818** | 25,147,866 | **2,149,930** | 2,149,026 | **32,647,748** | 27,296,892 |
| Total gains/(losses) recognised in net cost of services1 | **325,973** | (669,486) | **-** | - | **325,973** | (669,486) |
| Total gains/(losses) recognised in Administered Equity | **-** | - | **(31,593)** | 904 | **(31,593)** | 904 |
| Issues | **8,295,624** | 7,944,246 | **-** | - | **8,295,624** | 7,944,246 |
| Settlements | **(2,165,493)** | (1,924,808) | **-** | - | **(2,165,493)** | (1,924,808) |
| **Closing balance** | **36,953,922** | 30,497,818 | **2,118,337** | 2,149,930 | **39,072,259** | 32,647,748 |

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

1. Other Information
   1. Restructuring

|  |  |
| --- | --- |
| **8.1A: Departmental restructuring** |  |
|  | **2016** |
| **Function** | **Early Childhood Education and Care** |
| **Entity** | **Department of Social Services1** |
|  | **$'000** |
| **FUNCTION ASSUMED** |  |
| **Assets recognised** |  |
| Trade and other receivables | **16,060** |
| Property, plant and equipment | **40** |
| Intangibles | **949** |
| Leasehold improvements | **646** |
| **Total assets recognised** | **17,695** |
|  |  |
| **Liabilities recognised** |  |
| Employee provisions | **13,855** |
| Other payables | **192** |
| **Total liabilities recognised** | **14,047** |
| **Net assets recognised** | **3,648** |
|  |  |
| **Income assumed** |  |
| Recognised by the receiving entity | **-** |
| Recognised by the losing entity | **62** |
| **Total income assumed** | **62** |
|  |  |
| **Expenses assumed** |  |
| Recognised by the receiving entity | **30,508** |
| Recognised by the losing entity | **14,801** |
| **Total expenses assumed** | **45,309** |
|  |  |

Notes:

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

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

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

|  |  |  |
| --- | --- | --- |
|  | 2015 | |
| **Function** | Early Childhood Education and Care | Skills and Training |
| **Entity** | Department of Social Services1 | Department of Industry and Science2 |
|  | $'000 | $'000 |
| **FUNCTION ASSUMED** |  |  |
| **Assets recognised** |  |  |
| Trade and other receivables | - | 24,100 |
| Property, plant and equipment | - | 1 |
| Intangibles | - | 14,712 |
| **Total assets recognised** | - | 38,813 |
|  |  |  |
| **Liabilities recognised** |  |  |
| Employee provisions | - | 14,256 |
| **Total liabilities recognised** | - | 14,256 |
| **Net assets recognised** | - | 24,557 |
|  |  |  |
| **Income assumed** |  |  |
| Recognised by the receiving entity | - | 4,105 |
| Recognised by the losing entity | - | 2,863 |
| **Total income assumed** | - | 6,968 |
| **Expenses assumed** |  |  |
| Recognised by the receiving entity | - | 18,960 |
| Recognised by the losing entity | - | 38,212 |
| **Total expenses assumed** | - | 57,172 |
|  |  |  |
| **FUNCTIONS RELINQUISHED** |  |  |
| **Assets relinquished** |  |  |
| Trade and other receivables | 13,085 | - |
| Land and buildings | 2,583 | - |
| Property, plant and equipment | 25 | - |
| Intangibles | 8,557 | - |
| Other non financial assets | 260 | - |
| **Total assets relinquished** | 24,510 | - |
|  |  |  |
| **Liabilities relinquished** |  |  |
| Suppliers | 4,073 | - |
| Employee provisions | 13,416 | - |
| **Total liabilities relinquished** | 17,489 | - |
| **Net assets relinquished** | 7,021 | - |

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

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

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

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

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

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

Notes:

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

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

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

|  |  |  |
| --- | --- | --- |
|  | 2015 | |
| **Function** | Early Education: Early Childhood and Child Care | Skills and Training |
| **Entity** | Department of Social Services1 | Department of Industry and Science2 |
|  | $’000 | $’000 |
| **FUNCTIONS ASSUMED** |  |  |
| **Assets recognised** |  |  |
| Cash and cash equivalents | - | 737 |
| Trade and other receivables | - | 1,449 |
| Advances and loans | - | 23,850 |
| **Total assets recognised** | - | 26,036 |
|  |  |  |
| **Liabilities recognised** |  |  |
| Suppliers | - | 34,605 |
| **Total liabilities recognised** | - | 34,605 |
| **Net assets recognised** | - | (8,569) |
|  |  |  |
| **Income assumed** |  |  |
| Recognised by the receiving entity | - | 3,610 |
| Recognised by the losing entity | - | 8,912 |
| **Total income assumed** | - | 12,522 |
|  |  |  |
| **Expenses assumed** |  |  |
| Recognised by the receiving entity | - | 414,257 |
| Recognised by losing entity | - | 853,436 |
| **Total expenses assumed** | - | 1,267,693 |
|  |  |  |
| **FUNCTIONS RELINQUISHED** |  |  |
| **Assets relinquished** |  |  |
| Cash and cash equivalents | 25,109 | - |
| Trade and other receivables | (917) | - |
| Personal benefits receivable | 355,471 | - |
| Advances and loans | 609 | - |
| **Total assets relinquished** | 380,272 | - |
|  |  |  |
| **Liabilities relinquished** |  |  |
| Suppliers | 3,797 | - |
| Personal benefits payable | 193,101 | - |
| Grants payable | 22,429 | - |
| Provision for personal benefits | 703,289 | - |
| **Total liabilities relinquished** | 922,616 | - |
| **Net assets relinquished** | (542,344) | - |

Notes:

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

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

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

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

* 1. Reporting of Outcomes

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

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **8.2A: Major classes of expenses, income, assets and liabilities by outcome** | | | | | | | | |  |  |
|  | **Outcome 1** | | **Outcome 2** | | **Payment to Corporate Commonwealth Entities** | | **Not attributed1** | | **Total** | |
|  | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
|  | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| **Expenses** | | | | | | | | | | |
| Employee benefits | **88,410** | 104,832 | **127,420** | 101,729 | - | - | - | - | **215,830** | 206,561 |
| Suppliers | **48,417** | 48,221 | **79,506** | 52,958 | - | - | - | - | **127,923** | 101,179 |
| Depreciation | **10,109** | 13,831 | **15,059** | 13,087 | - | - | - | - | **25,168** | 26,918 |
| Grants | **100** | 25 | **529** | 232 | - | - | - | - | **629** | 257 |
| Other | **217** | 264 | **2,791** | 2,653 | - | - | - | - | **3,008** | 2,917 |
| **Total expenses** | **147,253** | 167,173 | **225,305** | 170,659 |  |  | **-** | - | **372,558** | 337,832 |
| **Own-Source Income** | | | | | | | | | | |
| Sale of goods and rendering of services | **10,540** | 13,846 | **19,196** | 16,539 | - | - | - | - | **29,736** | 30,385 |
| Income from government | **122,236** | 142,651 | **190,891** | 134,203 | - | - | - | - | **313,127** | 276,854 |
| Other | **1,684** | 1,390 | **6,956** | 5,608 | - | - | - | - | **8,640** | 6,998 |
| **Total own-source income** | **134,460** | 157,887 | **217,043** | 156,350 |  |  | **-** | - | **351,503** | 314,237 |
| **Net cost/(contribution) of outcome delivery** | **12,793** | 9,286 | **8,262** | 14,309 | **-** | - | **-** | - | **21,055** | 23,595 |
| **Assets** | | | | | | | | | | |
| Cash and cash equivalents | **-** | - | **3,536** | 2,286 | - | - | 2,596 | 7,531 | **6,132** | 9,817 |
| Trade and other receivables | **38,449** | 16,031 | **46,796** | 35,798 | - | - | - | - | **85,245** | 51,829 |
| Other financial assets | **900** | 1,013 | **1,096** | 2,263 | - | - | - | - | **1,996** | 3,276 |
| Land and buildings | **16,750** | 13,027 | **20,387** | 29,091 | - | - | - | - | **37,137** | 42,118 |
| Infrastructure, plant and equipment | **5,710** | 3,504 | **6,949** | 7,823 | - | - | - | - | **12,659** | 11,327 |
| Intangibles | **31,653** | 28,157 | **43,936** | 42,246 | - | - | - | - | **75,589** | 70,403 |
| Other non-financial assets | **4,567** | 3,318 | **5,559** | 7,410 | - | - | - | - | **10,126** | 10,728 |
| **Total assets** | **98,029** | 65,050 | **128,259** | 126,917 |  |  | **2,596** | 7,531 | **228,884** | 199,498 |
| **Liabilities** | | | | | | | | | | |
| Suppliers | **14,281** | 7,267 | **17,382** | 16,228 | - | - | - | - | **31,663** | 23,495 |
| Other payables | **9,169** | 8,958 | **11,160** | 20,005 | - | - | - | - | **20,329** | 28,963 |
| Employee provisions | **32,102** | 16,943 | **39,071** | 37,835 | - | - | - | - | **71,173** | 54,778 |
| Other provisions | **784** | 961 | **955** | 2,145 | - | - | - | - | **1,739** | 3,106 |
| **Total liabilities** | **56,336** | 34,129 | **68,568** | 76,213 |  |  | **-** | - | **124,904** | 110,342 |

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

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