



Australian Government
Department of Employment

ANNUAL REPORT 2013–14



Australian Government
Department of Employment

Annual Report

2013–14

www.employment.gov.au

More Jobs. Great Workplaces.

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The document must be attributed as the Department of Employment Annual Report 2013–14.

Acknowledgments

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Australian Government
Department of Employment

Secretary
Renée Leon PSM

Senator the Hon. Eric Abetz
Minister for Employment
Parliament House
CANBERRA ACT 2600

Dear Minister

I am pleased to present the Department of Employment's Annual Report for 2013–14.

This report has been prepared in accordance with section 63 of the *Public Service Act 1999*, which requires you to table the report in parliament. It reflects the requirements for annual reports as approved by the Joint Committee of Public Accounts and Audits.

The report also includes information as required under other applicable legislation including the *Financial Management and Accountability Act 1997* and the *Work Health and Safety Act 2011*.

As required by the Commonwealth Fraud Control Guidelines, I certify that I am satisfied that the department:

- prepared fraud risk assessments and fraud control plans
- has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes
- took all reasonable measures to minimise the incidence of fraud against the department and to investigate and recover the proceeds of fraud against the department.

Yours sincerely

A handwritten signature in black ink that reads 'Renée Leon'.

Renée Leon
20 October 2014

Guide to the report

The Department of Employment's Annual Report 2013–14 is prepared to inform parliament and the Australian public about our performance throughout the 2013–14 year. The annual report has been prepared in accordance with the Department of the Prime Minister and Cabinet's *Requirements for annual reports for departments, executive agencies and FMA Act bodies*.

The term 'Indigenous' in this report refers to Aboriginal and Torres Strait Islander people unless otherwise stated.

The report is structured as follows:

Part 1: Our department

Features a review by the Secretary and provides an overview of the department and portfolio, including our role, outcomes, executive and departmental structure.

Part 2: Our performance

Provides a summary of our performance for 2013–14 against deliverables and key performance indicators in the Department of Education, Employment and Workplace Relations Portfolio Budget Statements 2013–14 and the Department of Employment's Portfolio Additional Estimates Statements 2013–14.

Part 3: Our operations

Contains a report on our operations including our people, audit functions, communications, the Shared Services Centre and environmental performance.

Part 4: Our corporate management and accountability

Provides information about our corporate management and accountability including governance structure, risk management, purchasing and external scrutiny.

Part 5: Financial statements

Contains the closing financial statements for the Department of Education, Employment and Workplace Relations and the Department of Employment's financial statements for 2013–14. The Auditor-General's reports are included.

Appendixes

Provides additional information about the department's operations and mandatory reporting requirements.

At the end of the report are a list of acronyms, a glossary, a list of charts and tables, a list of requirements and an index.

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Part 1

Our department

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Secretary for the Department of Employment, Renée Leon.

Secretary's review

New department, new spirit

The Department of Employment promptly set to work after its inception in September 2013. We played a crucial role in implementing major government policies, provided reliable and insightful advice to ministers, and started delivering on a suite of new initiatives and programmes. All this was achieved because our people quickly came together as one, demonstrating energy, teamwork and a positive attitude.

Establishing our own culture and identity was critical to early success, and we did this through the introduction of a department vision, captured in the phrase *More Jobs. Great Workplaces*. Developing our inaugural Strategic Plan and Reconciliation Action Plan added to this process. Most importantly, our people shared ideas, found new and better ways of doing things and anticipated change. Today they feel valued, engaged and motivated and this is reflected in their work.

Delivering from day one

Our department delivered on its fundamental priority in 2013–14, which was to implement the government's programmes, policies and election commitments in an effective and professional manner.

A number of Bills relating to the employment portfolio were introduced—some of them among the first and most prominent pieces of legislation put before the new parliament. Besides being significant in their own right, these Bills underpin the government's wider plan to boost productivity and competitiveness, and to create prosperity and opportunity for all Australians. I greatly appreciate the quality of the work and collaborative effort shown by those employees who developed the legislation and supported its passage through the parliament.

With Australia's G20 presidency beginning on 1 December 2013, the department took a lead role in international discussions and in supporting the meetings of the G20 Task Force on Employment.

We contributed to the government's deregulation agenda by cutting the cost of red tape to business, community organisations and individuals. We also coordinated regulatory reduction opportunities across our portfolio and consulted with stakeholders.

The Tasmanian Jobs Programme—the first in a series of new employment programmes—launched in December 2013, six months ahead of schedule. The department also prepared for the 1 July introduction of the Restart wage subsidy, the Job Commitment Bonus and the Relocation to Take Up a Job programme. While continuing to deliver Job Services Australia, we worked on the design and implementation of the new arrangements for employment services that are scheduled to start in July 2015.

Our state network employees continued to foster and develop strong connections with employment service providers and other stakeholders, including community organisations, state and local governments, non-government entities, industry and training bodies.

One of the department's many strengths is the quality and rigour of its system of structured evaluation, review, research and data analysis. Our practical application of quantitative and qualitative data analytics is recognised across the Australian Public Service as a key factor underpinning our ongoing policy-design and service-delivery improvements.

Sharing our services

In partnership with the Department of Education, we established an innovative and effective Shared Services Centre to provide many corporate services to both departments. As the chair of the Shared Services Centre board, I worked closely with colleagues from Education, the Australian Public Service Commission, the Department of Finance and portfolio agencies to embed and enhance this new method of delivering corporate services.

For employees working in the centre, this initiative offers a terrific opportunity to be involved in a new and efficient way of providing services—one that both serves our needs now and has the potential to shape the future of corporate services provision right across the Australian Public Service.

Our people, our strength

Our people are at the core of our business, and I am determined to develop the talent within our ranks. The key people and capability priorities outlined in the Strategic Plan feature in our People and Capability Strategy.

Twenty-three graduates joined the department in 2013–14, and I was deeply impressed by their enthusiasm and the valuable contributions they made across the course of the year.

We are committed to embracing the cultural diversity not only of our employees, but also of the wider community we work with. Our first multicultural plan will strengthen our desire to ensure all Australians have equitable access to the department's services and programmes.

We have appointed a Disability Champion to provide leadership and support within the department and to represent us externally.

Indigenous business remains our business, and I am passionate about this. We are building a department that is not only an employer of choice for Indigenous people, but also one that encourages the contribution of Aboriginal and Torres Strait Islander employees and works towards positive outcomes for Indigenous Australians. I have appointed an Indigenous Leader to advise the Executive on matters of importance to Indigenous employees, and an Indigenous Champion who has a role in whole-of-government approaches to Indigenous employment.

I was delighted to release our draft Reconciliation Action Plan, in May 2014, as part of National Reconciliation Week celebrations. We developed the plan in consultation with employees, and it outlines actions and targets to ensure that everyone in the department makes Indigenous business their day-to-day business. The plan will be launched later in 2014.

Sound financial results

We recorded a surplus before depreciation, amortisation and revaluations of \$17.9 million for 2013–14. Administered expenses were \$1.7 billion. Our finance team worked tirelessly on the separation from the former Department of Education, Employment and Workplace Relations and I thank them for their endeavours.

During 2013–14 we contributed to the implementation of the *Public Governance, Performance and Accountability Act 2013*, which will replace most aspects of the *Financial Management and Accountability Act 1997* on 1 July 2014. More information on the department's financial performance can be found in Part 5 of this report.

The way ahead

As we begin 2014–15, the department is embracing a new and exciting set of priorities, challenges and opportunities. We will continue to build a strong and inclusive culture within our department, while delivering employment services that ultimately improve the lives of Australians.

We will keep providing robust policy advice on employment and workplace relations, prepare for the implementation of the new employment services model and continue to diligently deliver on the government's election commitments.

I take this opportunity to acknowledge the positive way in which everyone in the Department of Employment has approached the 2013–14 year, and I warmly thank them for their spirit, good humour and outstanding efforts. I look forward to leading the department through our first full year of operations, and to our recording many more achievements and milestones.



Renée Leon
Secretary

Departmental and portfolio overview

Departmental overview

The Department of Employment was created on 18 September 2013. The role of the department is to provide policy advice and support, and implement programmes to deliver the Australian Government's agenda to create more jobs, increase productivity and improve workplaces and safety.

Our vision: More Jobs. Great Workplaces.

The department's vision reflects the government's plans for stronger economic growth. We build Australia's participation and productivity by providing good advice on policies that will create jobs, help job seekers into work and encourage great workplaces.

A great workplace is a productive workplace, where people contribute to the best of their ability and are able to do their jobs safely. In a productive workplace, employees and managers are engaged and motivated to look for better ways to do their work.

We want every Australian to have the opportunity to get ahead and to build better lives for themselves and their families, and we want employers to have the confidence to grow their businesses and hire new employees.

Our Executive



The department's Executive at 30 June 2014. Left to right: Vicki Rundle, Jamie Clout, Renée Leon, Sandra Parker and Jennifer Taylor.

Secretary—Renée Leon

Renée Leon was appointed Secretary of the Department of Employment on 18 September 2013. Renée has been in the public sector for more than 20 years, including service as deputy secretary in the Attorney-General's Department and the Department of the Prime Minister and Cabinet. Renée also spent three years as chief executive of the ACT Department of Justice and Community Safety. In 2013, Renée was awarded a Public Service Medal for outstanding public service to public administration and law in leadership roles in the ACT and the Commonwealth.

Renée is qualified in arts and law and holds a Master of Law from Cambridge University. She is a Fellow of the Australian Institute of Public Policy at the Australian National University. She has served on the boards of the Australian Institute of Criminology, the National Australia Day Council and the Australia New Zealand Policing Advisory Agency, and was a member of the Council of the Order of Australia.

Deputy Secretary, Employment—Jennifer Taylor

Jennifer was previously Deputy Secretary for Early Childhood, Working Age and Indigenous Participation in the Department of Education, Employment and Workplace Relations (DEEWR). She was also the group manager for labour market strategies in DEEWR, with responsibility for economic and labour market analysis, and worked in a number of senior positions in the South Australian Government.

From 2006 to 2009 Jennifer was the chief executive of the Australian Fair Pay Commission secretariat.

Deputy Secretary, Workplace Relations and Economic Strategy—Sandra Parker

Before her current role, Sandra was Deputy Secretary for Employment in DEEWR.

Sandra began her public service career in the ACT education and training sector in 1994 and joined the Commonwealth public sector in 1998. Since then Sandra has held various policy and programme positions in vocational education and training, social policy and workplace relations.

Sandra was head of the Office of the Australian Safety and Compensation Council from 2005 to 2008.

Group Manager, Finance and Business Services—Jamie Clout

Jamie joined the department in September 2013 as group manager for finance and business services. He previously held similar roles in the Department of Regional Australia, Local Government, Arts and Sport and in AusAID.

Jamie spent nine years in the Department of Finance and Administration and also worked in the Department of the Prime Minister and Cabinet, the Department of Industry, Science and Technology, and the Productivity Commission.

Group Manager, People and Communication—Vicki Rundle PSM

Before her current role, Vicki led the people group in DEEWR. Before that, she worked in a range of early childhood policy and programme roles, including overseeing one of the national early childhood reform programmes.

Vicki joined the Australian Public Service in June 2006 after working in the senior executive service in the Tasmanian Government across a range of health and human services settings.

Our organisational structure

The department is structured to deliver its business through the Executive and groups. The department's organisational structure at 30 June 2014 is shown in Figure 1.

Figure 1 Organisational structure at 30 June 2014



Our outcomes and programmes

Our outcomes were previously reported under outcome 3 and outcome 4 of the Department of Education, Employment and Workplace Relations (DEEWR) Portfolio Budget Statements 2013–14 and were amended in the Department of Employment Portfolio Additional Estimates Statements 2013–14.

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

- Programme 1.1 Employment services

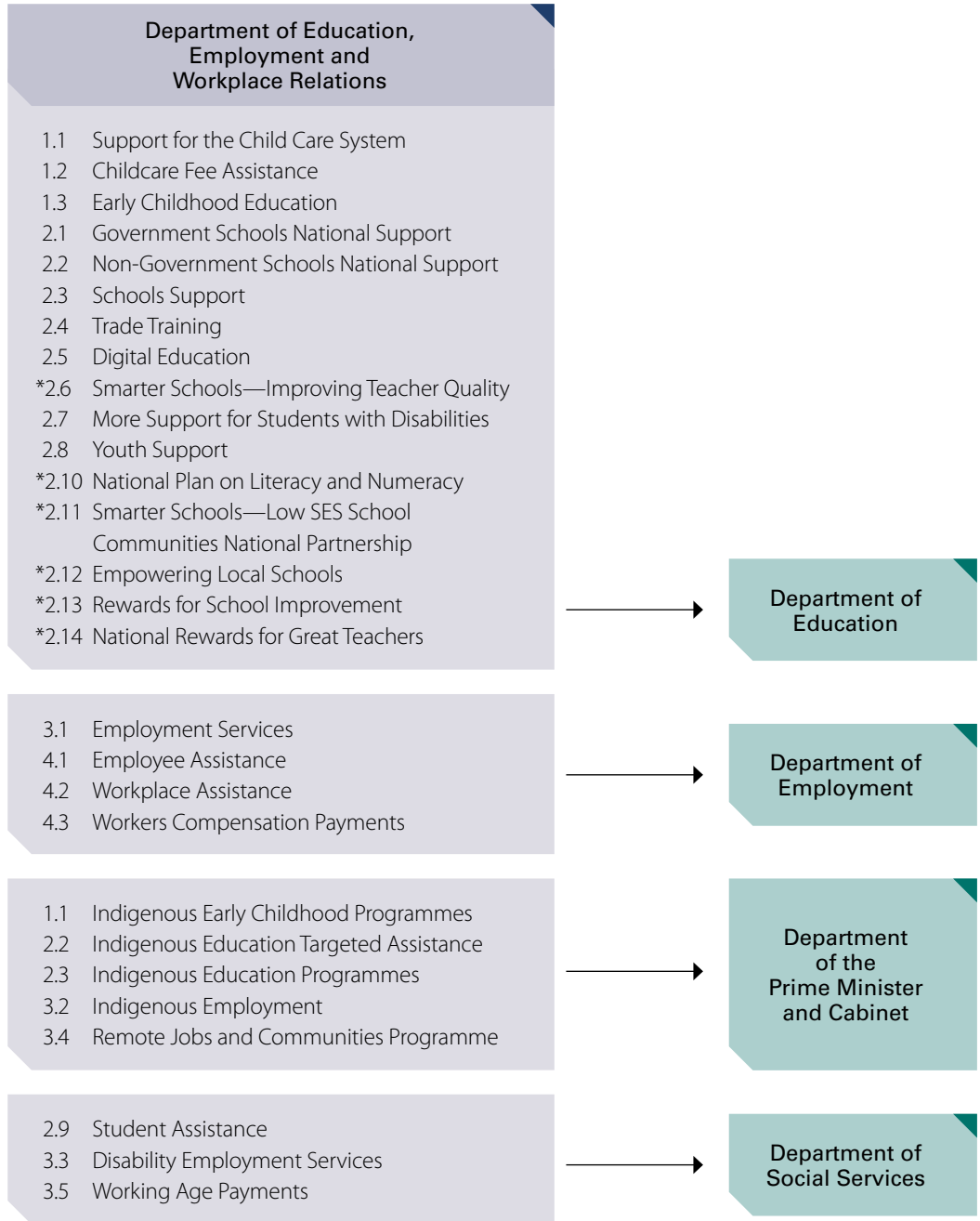
Outcome 2: Facilitate jobs growth through policies that promote fair, productive and safe workplaces.

- Programme 2.1 Employee assistance
- Programme 2.2 Workplace assistance
- Programme 2.3 Workers' compensation payments

Machinery-of-government changes

The Administrative Arrangements Order issued on 18 September 2013 resulted in a range of machinery-of-government changes. These changes included the abolition of DEEWR and the creation of the Department of Employment. Responsibilities from DEEWR were distributed among the Department of Employment, the Department of Education, the Department of the Prime Minister and Cabinet and the Department of Social Services. The distribution of programmes is illustrated in Figure 2.

Figure 2 Distribution of programmes from the former Department of Education, Employment and Workplace Relations



*Terminating programmes.

Portfolio overview

Our ministers

At 30 June 2014 the minister and assistant minister responsible for the employment portfolio were:

- Senator the Hon. Eric Abetz, Minister for Employment
- the Hon. Luke Hartsuyker MP, Assistant Minister for Employment.

Prime Minister Tony Abbott, Attorney-General Senator George Brandis and Minister for Employment Senator Eric Abetz at the announcement of the Royal Commission into Trade Union Governance and Corruption.



Minister for Employment Senator the Hon. Eric Abetz addresses departmental employees.



Minister for Employment
Senator Eric Abetz,
Fair Work Ombudsman
Natalie James, and
Minister for Small
Business Bruce Billson
at the launch of the
new helpline for
small business.



Minister Abetz and
Secretary Renée Leon.

Portfolio agencies

The employment portfolio encompasses the department and the following agencies and statutory authorities.

Asbestos Safety and Eradication Agency

Chief Executive Officer: Peter Tighe

Outcome: Assist in the prevention of exposure to asbestos fibres and the elimination of asbestos-related disease in Australia through implementing the National Strategic Plan for Asbestos Awareness and Management in Australia.

Comcare, the Safety, Rehabilitation and Compensation Commission, and the Seafarers' Safety, Rehabilitation and Compensation Authority

Chief Executive Officer: Paul O'Connor

Outcome 1: The protection of the health, safety and welfare at work of workers covered by the Comcare scheme through education, assurance and enforcement.

Outcome 2: An early and safe return to work and access to compensation for injured workers covered by the Comcare scheme through working in partnership with employers to create best practice in rehabilitation and quick and accurate management of workers' compensation claims.

Outcome 3: Access to compensation for people with asbestos-related diseases where the Commonwealth has a liability, through management of claims.

Fair Work Commission

General Manager: Bernadette O'Neil

Outcome: Simple, fair and flexible workplace relations for employees and employers through the exercise of powers to set and vary minimum wages and modern staff awards, facilitate collective bargaining, approve agreements and deal with disputes.

Office of the Fair Work Building Industry Inspectorate

Director: Nigel Hadgkiss

Outcome: Enforce workplace relations laws in the building and construction industry and ensure compliance with those laws by all participants in the building and construction industry through the provision of education, assistance and advice.

Office of the Fair Work Ombudsman

Ombudsman: Natalie James

Outcome: Compliance with workplace relations legislation by employees and employers through advice, education and, where necessary, enforcement.

Safe Work Australia

Acting Chief Executive Officer: Michelle Baxter

Outcome: Healthier, safer and more productive workplaces through improvements to Australian work health and safety and workers' compensation arrangements.

Workplace Gender Equality Agency

Director: Helen Conway

Outcome: Promote and improve gender equality in Australian workplaces including the provision of advice and assistance to employers and the assessment and measurement of workplace gender data.



Part 2

Our performance

Outcome 1
Outcome 2

16
37



Outcome 1

Outcome 1 aims to foster a productive and competitive labour market through employment policies and programmes that assist job seekers into work, reduces their dependence on social welfare payments and increases Australia's workforce participation.

Increasing participation in the workforce, including by marginalised and disadvantaged groups, is an ongoing priority. The department works within and across portfolios to develop strategic approaches to ensure that all Australians who are capable of working have the opportunity to do so. During 2013–14, the department continued to contribute to the government's priority of getting more Indigenous Australians into work to close the gap on Indigenous disadvantage.

Major achievements

- The department implemented the Tasmanian Jobs Programme on 1 January 2014, six months ahead of schedule.
- The department consolidated and rationalised the guidelines and reference documents for Job Services Australia, which led to a significant reduction—41 per cent—in the red tape for Job Service Australia providers.
- Job Services Australia recorded 29,723 job placements for Indigenous job seekers (9 per cent of all job placements) during 2013–14.
- Job seeker attendance rates at appointments with their employment services providers increased by 1 per cent on the previous financial year.
- The department published *Australian jobs 2014*, which includes information about the labour market for industries and occupations as well as for the states, territories and regional areas of Australia.
- During 2013–14 approximately 280 small, medium-sized and large employers committed to better practice in employing mature-age people through the Experience+ Corporate Champions programme.
- The department made a submission to the Australian Workforce and Productivity Agency on the 2014 Skilled Occupation List, which is used to guide Australia's independent skilled migration programme.
- Of the 2000 Seasonal Worker Programme places available for the horticulture sector for 2013–14, 99 per cent were filled with workers from all nine participating countries.

Challenges

Weaker labour market conditions continued to influence the movement of job seekers into employment and affected the achievement of most of the key performance indicators for Job Services Australia. In 2013–14, the number of job placements recorded was 25 per cent below the annual target.

Programme 1.1 Employment services

Job Services Australia

Job Services Australia provides job seekers with flexible and tailored support to assist them into sustainable employment. Since Job Services Australia began on 1 July 2009, more than 1.95 million job placements have been recorded.

The department contracts, monitors and supports the 81 Job Services Australia providers—a mix of large, medium and small for-profit and not-for-profit organisations—to deliver services in more than 1700 locations throughout the country. Providers connect job seekers to a wide range of initiatives, including training programmes that will help them find and keep a job. During 2013–14, the government spent \$1.24 billion on the programme.

The department signalled its intent to move towards introducing industry standards in the 2012–13 request for tender for Job Services Australia. The department piloted the Job Services Australia quality standards to test the draft quality assurance framework. The pilot ran for 12 months from 1 January 2013 and involved an independent assessment of providers' quality practices by third-party accredited auditors. The evaluation of the pilot will be used to finalise the details of the framework before its implementation in the new employment services contract.

Working with sectors experiencing recruitment issues: New South Wales— Lila and the Young@Heart project

Attracting young people to work at local aged care facilities in the Illawarra has been a challenge for the sector. Young@Heart is working to overcome that challenge by facilitating greater employment of youth in aged care.

The project was developed in conjunction with Illawarra Retirement Trust, the biggest aged care provider in the area. Its success is largely attributed to the mentoring provided to participants throughout their training—six Certificate III modules—work experience and initial employment.

Lila is among the 60-plus participants whose lives were transformed through the project. She secured employment at Marco Polo Nursing Home in Wollongong through Young@Heart. Marco Polo is an aged care facility catering for elderly people from non-English-speaking backgrounds and Lila's multi-lingual skills have proven to be a real asset.

Lila regularly meets up with another employee from Young@Heart's round one intake who is also employed at Marco Polo and acts as a mentor to Lila.

The experience has been transformative for Lila—she is now the family breadwinner and dreams of getting a place of her own.



Lila outside the Marco Polo Nursing Home.

Bringing local job seekers and local business together: Queensland—MiHaven



MiHaven participants pose for a photo after graduating with a Certificate II in Construction.

Following the devastation caused by Cyclone Yasi in 2011, MiHaven, an innovative housing construction company that specialises in remote building solutions and training, began operations in Cairns. As part of its efforts towards rebuilding housing in Far North Queensland over the past three years, MiHaven worked with Indigenous job seekers—with excellent outcomes. The mentor project in 2012 had 15 participants, eight of whom are still working with their original employers, and two of whom are in apprenticeships. Since that time, the programme model has been refined and five people from the most recent cohort are already engaged with the growing network of employers in the programme.

The MiHaven training and employment model has been developed to support long-term unemployed (with a particular focus on Indigenous job seekers) into sustainable jobs in the building and construction industry in Cairns and Far North Queensland. The training and employment programmes in Cairns have been successfully delivered in partnership with employment services provider NEATO Employment Services.

The model incorporates training, mentoring, literacy and numeracy support, life skills and job matching from both the participant and the employer perspectives. A key component of this model is that employers are involved before the beginning of the project and follow through with their pre-selected participants. The employers provide structured work experience and placement alongside accredited training, which gives a job-related context to the training as participants progress.

MiHaven now has a cluster of 35 local businesses that have signed on to support the programme. Owners and supervisors are involved during recruitment and throughout the programme. MiHaven continues the journey after the programme through follow-up visits with the individuals and their new employers, encouragement and mentoring.

MiHaven has evolved over the past three years from being a construction company to developing an employment and training programme within the company for long-term unemployed Stream 3 and 4 job seekers, with a focus on Indigenous job seekers.

The latest iteration, the MiLife Change programme, has recognised the need for multi-skilled workers not only in the construction sector but also in its supply and manufacture-related enterprises. For example, many businesses supporting the programme require forklift drivers, so by assisting job seekers to get a forklift licence the programme increases participants' prospects of entering the industry or business of choice. Gaining skill sets that can be used immediately gives tangible value to the training process and provides job seekers with a sense of achievement at an early stage in the project.

With multiple parties investing in the model, MiHaven is an example of collaboration between state and federal departments and local communities and businesses.

Tasmanian Jobs Programme

In 2013–14 the department began implementing the two-year trial of the Tasmanian Jobs Programme. The programme provides a one-off \$3250 payment to any Tasmanian business that employs eligible job seekers for at least six months.

The department was able to use existing employment services arrangements for the programme, which enabled it to be delivered six months ahead of schedule.

The Minister for Employment, Senator the Hon. Eric Abetz, launched the programme on 17 December 2013 and it began on 1 January 2014.

The department consulted with key stakeholders at short notice, particularly Job Services Australia and Disability Employment Services providers, before the programme started. At 30 June 2014, 63 job seekers had started in the Tasmanian Jobs Programme (59 under Job Services Australia and four under Disability Employment Services) and 18 paid 13-week outcomes had been claimed. The achievement of 13 weeks in employment is a positive indication that a participant is on track to achieve a full 26 weeks in employment.

Move 2 Work

In 2013–14 the department implemented the Move 2 Work programme. Move 2 Work assists participants to relocate to take up ongoing jobs or apprenticeships. Participants who relocated to start new jobs could be reimbursed up to \$6500 if they had dependents or \$4500 with no dependents. In 2013–14, 780 participants (681 from Job Services Australia and 99 from Disability Employment Services) relocated for ongoing employment.

Move 2 Work closed to new participants on 30 June 2014. It has been replaced by the Relocation Assistance to Take Up a Job programme.

Indigenous Mentoring Pilot

In 2013–14 the department oversaw the Indigenous Mentoring Pilot, which provides intensive mentoring support, both before and during employment, to volunteer Aboriginal and Torres Strait Islander job seekers. The department monitors and provides policy advice to the 12 Job Services Australia providers in the 21 non-remote Employment Service Areas in which the pilot is delivered. Priority is given to job seekers in Streams 3 and 4. At 30 June 2014, 1099 Indigenous job seekers were participating in the pilot.

Early observations (for the period July 2012 to December 2013) indicate that job seekers assisted through the pilot achieved better employment outcomes.

Western Australia— HALO for Girls

The department worked with local stakeholders to develop HALO for Girls, a support service for young Aboriginal families.

A partnership was formed between HALO and the Cockburn Gateway Shopping Centre to provide work experience opportunities in retail and administration for young Aboriginal women in the lead-up to Christmas and the post-Christmas shopping period.

The programme assisted 10 young Aboriginal women, aged 15 to 25, to transition into employment in retail, business administration and other areas of customer service. It finished on 31 January 2014.

Some of the young women came from very challenging personal situations, and the project demonstrated the importance of supporting not only the young women but also their families. The 10 young women were motivated and determined, and all participants completed two units of the nationally accredited Certificate II in Community Services. Most of the young women have gained their learners' permits and have completed work experience.

The stories of these young women are inspiring. One participant began a traineeship and has been attending training off site. With appropriate support from HALO, she has achieved outstanding outcomes given circumstances which had significant impacts on both her personally and her family.

Another participant enrolled in a beauty course which seeks to develop leadership skills. She has also been undertaking part-time work in the industry with the possibility of obtaining an apprenticeship. She too had many barriers to overcome but was determined to work through them.

Harvest Labour Services

The department contracts providers of Harvest Labour Services to help growers supplement local labour with out-of-area workers. Harvest Labour Services providers filled more than 22,600 harvest labour positions in 16 harvest areas throughout Australia in 2013–14.

New Enterprise Incentive Scheme

Through the New Enterprise Incentive Scheme, the department contracts job services providers to deliver accredited small business training, business advice and mentoring to eligible job seekers who are interested in starting and running a small business. Once their business has started, these job seekers are eligible for an allowance (equivalent to Newstart) to support them into sustainable self-employment. The scheme supported the establishment of 6345 businesses in 2013–14.

South Australia—Farmer Darcy's Travelling Farm

A young job seeker realised her small business potential with help from the New Enterprise Incentive Scheme. Darcy, a 22-year-old job seeker from South Australia, entered the programme after an extended period of unemployment. After completing her Certificate III in Micro Business Operations, she started a business, Farmer Darcy's Travelling Farm—an educational mobile farm and petting zoo—in June 2013. While she was in the programme, Darcy visited children's parties, family days, festivals and aged care facilities. She successfully completed the programme in June 2014, and her business had a healthy turnover in its first year of operation.

Wage Connect

The department administers Wage Connect, which provides a wage subsidy to support job seekers who are very long-term unemployed in their transition to sustainable ongoing paid work. It is designed to increase employment opportunities, provide an incentive for employers to offer jobs to job seekers with minimal or no work experience, and reduce the number of very long-term unemployed job seekers on income support. Due to the strong take-up of Wage Connect, new applications for the programme were paused from 1 February 2013. Following the restart of Wage Connect on 1 July 2013, take-up of the programme continued to be very strong. Wage Connect was again paused on 6 December 2013 and remains paused to new applications.

At 30 June 2014 Wage Connect had resulted in 24,173 job placements (14,022 from Job Services Australia and 10,151 from Disability Employment Services), and 9841 paid 13-week outcomes and 6978 paid 26-week outcomes were achieved for Job Services Australia.

Priority Employment Area initiative

The Priority Employment Area initiative was introduced in 2009 as part of the government's response to the global financial crisis. Initially the measure was to run for two years (2009–10 to 2010–11); however, it has been extended twice, first to 2012–13, and then to 2013–14.

The initiative involved engaging local employment coordinators in 21 priority employment areas to help drive local responses to local labour market needs. Each coordinator had access to a flexible funding pool that it could use to fund local projects.

Over the duration of the programme, a total of 95 jobs and skills expos were delivered across Australia to help connect over 31,000 people with employment and training opportunities, and more than 500 projects and activities were supported by the flexible funding pool.

The flexible funding pool projects and activities resulted in over 4000 employment commencements, over 3500 accredited training commencements and over 1800 work experience placements.

Seasonal Worker Programme

The department leads the whole-of-government implementation of the Seasonal Worker Programme. The department's role includes coordinating advice from other government agencies, managing agreements with participating employers, engaging with industry, and managing relationships with officials from nine partner country governments.

The Seasonal Worker Programme started on 1 July 2012. It contributes to the economic development of participating countries through employment experience, skills and knowledge transfer and remittances. The programme is ongoing for the horticulture sector, and involves nine partner countries—Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu and Vanuatu. A small-scale, three-year trial is also taking place in the accommodation, aquaculture, cane and cotton sectors in selected regions.

Since the start of the programme seasonal workers have been recruited from all participating countries and have worked in all states and the Northern Territory. Only employers that are unable to find enough local Australian workers to meet seasonal demand can recruit workers under the programme.

The programme provides 10,450 places for the horticulture sector over four years (to 30 June 2016) and 1550 places for the trial over three years (to 30 June 2015). Of the 2000 places available for the horticulture sector in 2013–14, 99 per cent were granted to seasonal workers. The programme currently has 50 approved participating employers, and seasonal workers have been placed with 92 businesses.

The programme's Add-on Skills Training component gives seasonal workers access to basic training opportunities to increase their skills. Courses include English literacy and numeracy, information technology (computer skills) and first aid. Returning workers also have access to an assessment for recognition of prior learning. In 2013–14, 168 seasonal workers participated in Add-on Skills Training.

Regional Education, Skills and Jobs Plans

The Regional Education, Skills and Jobs Plans initiative was developed, implemented and evaluated by the department. As part of the three-year programme, 34 departmental employees took up positions as coordinators and were deployed across 46 non-metropolitan regions to strengthen links between community stakeholders and a wide range of Australian Government programmes. Coordinators worked with communities to develop specific regional plans focused on increasing job, training and education opportunities in each of the regions. Projects included an initiative to increase Indigenous labour market participation in the Kimberley region in Western Australia, and a programme to better prepare job seekers for agricultural jobs in the Lodden Mallee region in Victoria. The programme ceased on 30 June 2014.

Mature-age employment

The 2013–14 Budget included support for mature-age job seekers. The Experience+ initiatives were aimed at keeping mature-age Australians engaged in the workforce. The Experience+ programmes were delivered and managed by the department within a broader context of promotion and support for employers.

On 30 June 2014, the Experience+ Jobs Bonus, Experience+ Work Ready and Experience+ Career Advice programmes closed. From 1 July 2014, the department will be focused on implementing the government's new mature-age employment wage subsidy, Restart, while continuing to provide support to employers through the Corporate Champions programme until 30 June 2016.

Experience+ Corporate Champions

The department manages the Corporate Champions programme and the contracted providers who support employers that commit to moving towards best practice in the recruitment and retention of mature-age staff. These providers delivered business mentoring services to small, medium-sized and large businesses to help them develop their mature-age better practice strategies. During 2013–14, approximately 280 employers committed to better practice in employing mature-age people through the programme. Twenty-two seminars were delivered to employers in both metropolitan and regional areas across Australia, which increased awareness among employers of the benefits of employing and retaining mature-age people in the workforce. Contracts with providers to deliver services to small and medium-sized employers ceased on 30 June 2014. Five providers will continue to deliver services to large employers until 30 June 2016.

Experience+ Jobs Bonus

The department managed the Experience+ Jobs Bonus programme, which provided payments of \$1000 each financial year to up to 2500 employers that employed an eligible mature-age job seeker in an ongoing position. In 2013–14 the department paid around 150 Experience+ Jobs Bonus payments to employers.

Experience+ Work Ready

The department managed the Experience+ Work Ready programme's contracted providers to deliver location-based projects in which eligible job seekers aged 50 years and over could develop their IT skills, undertake job-specific training and participate in paid work placements in a peer-based environment. More than 800 mature-age job seekers participated in 19 projects in 17 locations across Australia in 2013–14. The projects achieved 351 paid work placements and 203 sustainable 13-week employment outcomes of more than eight hours a week.

Experience+ Career Advice

The department managed the Experience+ Career Advice service and the contracted provider. The programme provided career advice sessions to mature-age job seekers and workers aged 45 years and over to identify transferable skills, explore career options and develop a plan of action to help them achieve their employment goals. More than 3500 career advice sessions, including résumé appraisals, were provided through the service in 2013–14.

Experience+ Training

The department managed the Experience+ Training programme, which provided training grants of \$4950 to increase the capacity of workers aged 50 years and over to supervise or mentor Australian apprentices or trainees. The department paid 18 start-up payments and just over 200 completion payments to employers in 2013–14.

State network

The department's state network is responsible for managing service delivery, with a primary focus on contract management, stakeholder engagement and local labour market intelligence gathering. Network employees maintain strong connections with employment service providers and other stakeholders, including community organisations, state and local governments, non-government entities, industry and training bodies. During the year, the state offices worked with other Australian Government agencies to ensure a streamlined approach to service delivery in areas of mutual interest, such as Indigenous employment.

In New South Wales, National Youth Week formed the backdrop to a cross-agency focus on youth employment and training. Employees from the departments of Employment, Education, Social Services, and the Prime Minister and Cabinet and the Daystar Foundation met to discuss what was needed to successfully support young people in southwest Sydney into employment, education or training. The Daystar Foundation ran a successful iCareer project, supported by the department, to assist disadvantaged young people in the Fairfield area into work, training or further education.

The Queensland state office worked closely with Logan City Council on a new approach to coordinating employment service providers and employers to better match local job seekers to sustainable work. The council is acting as a broker between employers and providers as part of a broader strategy to attract new industries and business to the region.

Programme performance

In 2013–14, the department met or exceeded eight of the 19 targets for the deliverables and key performance indicators for programme 1.1. A weak labour market has limited the number of job opportunities for job seekers assisted through Job Services Australia. In 2013–14, 337,632 job placements were recorded, 25 per cent below the annual target. The decline in the labour market started to become evident in 2011–12—only 421,859 job placements were recorded that year, and in 2012–13 just 356,439 placements were recorded.

Fully eligible job seekers are assisted in one of four streams, based on their level of disadvantage in the labour market. The most job-ready job seekers are assisted in Stream 1, while job seekers with severe barriers to employment are assisted in Stream 4. The programme's effectiveness is measured by monitoring the proportion of job seekers in employment, education and training and movements off benefit (Newstart Allowance or Youth Allowance (other)) following assistance from Job Services Australia. The cost efficiency of moving job seekers into work is also measured.

Some results have also been impacted by programme changes. Stream 2 employment and off-benefit targets were increased in previous years to reflect the impact of the Compact with Retrenched Workers initiative. After this initiative ceased, Stream 2 outcomes returned to previous levels and therefore did not meet the targets. Stream 2 performance indicator targets have been adjusted for 2014–15.

The result for the proportion of job seekers in education or training three months following participation in employment services was above the estimate.

Table 1 Programme 1.1 deliverable

Job Services Australia deliverables	2013–14 estimate	2013–14 actual
Total job placements achieved	450,000	337,632

Programme 1.1 key performance indicators

Table 2 Cost per employment outcome for employment services delivered by Job Services Australia

Key performance indicator	2013–14 estimate	2013–14 actual
Streams 1–3	\$3,000	\$1,890
Stream 4	\$12,000	\$6,971

Note: The cost per employment outcome for Job Services Australia is calculated as the cost of job seekers assisted divided by the number of job seekers employed (as measured through the department’s Post-Programme Monitoring Survey) in the reporting period.

Table 3 Proportion of job seekers in employment three months following participation in employment services

Key performance indicator	2013–14 estimate	2013–14 actual
Stream 1	55%	55.1%
Stream 2	50%	41.2%
Stream 3	30%	33.4%
Stream 4	25%	23.6%

Table 4 Proportion of job seekers in education or training three months following participation in employment services

Key performance indicator	2013–14 estimate	2013–14 actual
Stream 1	15%	22.5%
Stream 2	15%	24.8%
Stream 3	15%	22.6%
Stream 4	15%	20.2%

Table 5 Proportion of job seekers off benefit three months following participation in employment services

Key performance indicator	2013–14 estimate	2013–14 actual
Stream 1	55%	50.1%
Stream 2	50%	34.9%
Stream 3	35%	21.9%
Stream 4	30%	24.7%

Table 6 Proportion of job seekers off benefit 12 months following participation in employment services

Key performance indicator	2013–14 estimate	2013–14 actual
Stream 1	65%	63.5%
Stream 2	60%	48.5%
Stream 3	40%	32.9%
Stream 4	35%	34.0%

The deliverable and key performance indicators presented in Tables 1–6 are based on departmental administrative and programme monitoring data. The department also measures the effectiveness of employment services through the following broad indicators:

- unemployment rates for disadvantaged groups
- the labour force participation rate and the employment-to-population ratio for people of workforce age (15–64 years)
- the average duration of unemployment per labour force member.

These broad indicators are based on Australian Bureau of Statistics (ABS) data and so provide externally available indicators of performance. In addition to the effectiveness of employment services, the outcomes for these broad indicators also depend on economic and labour market conditions, so those two factors are described first, before the broad indicators are discussed.

Economic conditions

Both the global and Australian economies expanded at a moderate pace over the past year. In seasonally adjusted terms, real gross domestic product grew by 3.1 per cent over the year to the June quarter 2014 (latest available data), which is higher than in Japan and the United States, but lower than in China, India and the United Kingdom.

The Australian economy is in the midst of a major economic transformation—away from growth led mainly by resources investment to the broader-based drivers of activity in the non-resources sectors. Over the past year, the volume of mining and agricultural exports surged, while commodity prices and the terms of trade (the ratio of the export price to the import price) fell. Resources investment was in decline, and there were emerging signs of a revival in investment in the non-resources sectors. Profits grew by 3.6 per cent over the year to the June quarter 2014, and total compensation to employees (wages, salaries and supplements) rose by around 3 per cent over the same period. Overall, labour market conditions remained soft, with the unemployment rate elevated and real wages falling.

Labour market conditions

Against the backdrop of below-trend global growth, labour market conditions in Australia were weak in the first half of 2013–14. Between June 2013 and December 2013, employment fell by 10,400 (an annualised rate of decline of 0.2 per cent). Since then, however, the Australian labour market has strengthened slightly, with employment increasing by 110,700 in the second half of the financial year (an annualised rate of 1.9 per cent).

Overall, employment increased by a fairly modest 100,300 (or 0.9 per cent) in 2013–14, although it rose to a record high of 11,578,200 in June 2014. The pace of employment growth remains well below the long-term trend rate of 2 per cent recorded over the last decade.

The increase in employment in 2013–14 was due, principally, to a rise in part-time employment. The number of part-time workers increased by 57,300 (or 1.7 per cent) to 3,515,700, while full-time employment increased by just 43,000 (or 0.5 per cent) to 8,062,500.

Employment growth has been mixed across industries over the past year—employment increased in 12 industries and declined in seven. Employment continued to grow strongly (up by 43,200) in health care and social assistance, Australia's largest employing industry. Solid increases were also recorded in other services¹ (46,800), rental, hiring and real estate services (25,700) and education and training (22,300). While employment rose in agriculture, forestry and fishing (up by 33,400) and manufacturing (19,100), the outlook for both industries remains subdued, in line with the long-term decline in their employment shares. Employment growth in mining also continued to slow (up by 4000), as the industry transitions from the construction phase to a less labour-intensive production and export phase. Substantial falls in employment were recorded in wholesale trade (down by 51,100) and accommodation and food services (33,300).

The level of unemployment increased by 49,800 (or 7.2 per cent) in 2013–14. The unemployment rate rose by 0.3 of a percentage point to 6.0 per cent in June 2014. Despite this increase, Australia's unemployment rate remains one of the lowest among the major advanced economies. That said, the unemployment rate in Australia would be somewhat higher if the labour force participation rate were not in decline. The labour force participation rate fell by 0.4 of a percentage point in 2013–14, to stand at 64.7 per cent, well below the peak of 65.8 per cent in November 2010. The lower rate reflects the relatively soft labour market conditions that are continuing to prevail and the ongoing ageing of the population.

1 Other services includes a broad range of personal services; religious, civic, professional and other interest group services; selected repair and maintenance services; and services provided by staff in private households. Services provided include hair, beauty, diet and weight management, death care, religious events promotion and administration, and repair and maintenance of equipment and machinery.

The level of long-term unemployment (people unemployed for 52 weeks or more) increased substantially in 2013–14, up by 39,400 (or 29.7 per cent). Youth labour market conditions also remained weak. The seasonally adjusted youth unemployment rate rose from 11.9 per cent in June 2013 to 13.5 per cent in June 2014, the highest rate recorded since January 2002.

Labour market conditions, while firming in the early months of 2014, are expected to remain reasonably soft. The latest Treasury budget forecasts are for employment to increase by 1.5 per cent in 2014–15 and 2015–16, and for the unemployment rate to rise to 6.25 per cent by mid-2015 and remain at that level in the June quarter 2016.

Unemployment rates vary across the labour market

Unemployment rates vary across segments of the labour force (see Table 7). The youth unemployment rate, for example, remains well above the national figure of 6.0 per cent. The unemployment rate for Indigenous Australians rose by around 5 percentage points between 2007–08 and 2012–13.

Table 7 Unemployment rates for disadvantaged groups, 2007–08 to 2013–14

Population group	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14
People from culturally and linguistically diverse backgrounds (15 years and older)	5.2	6.6	7.1	5.7	5.7	6.3	6.7
Lone parents (with children aged under 15 years)	8.5	8.5	8.4	8.5	9.0	9.2	9.1
People with disability (15–64 years, 2009 and 2012)	na	7.8	na	na	9.4	na	na
Youth (15–24 years)	9.1	10.2	11.5	11.5	11.5	11.9	12.7
Aboriginal and Torres Strait Islander Australians (15–64 years, 2008 and 2012–13)	16.6	na	na	na	na	21.6	na

na = not available.

Note: Data are in original terms unless otherwise stated. Due to the infrequent occurrence of surveys, figures for people with a disability and Aboriginal and Torres Strait Islander Australians are not available for all years. Figures for people from culturally and linguistic diverse backgrounds (15 years and older), lone parents (with children aged under 15 years) and youth (15–24 years) are annual averages.

Sources: ABS 2014, *Labour force, Australia, detailed—electronic delivery, April 2014*, cat. no. 6291.0.55.001, rows 1 and 2; ABS 2014, *Disability, ageing and carers, Australia: summary of findings, 2012*, cat. no. 4430.0, row 3; ABS 2014, *Labour force, Australia, April 2014*, cat. no. 6202.0, row 4; ABS 2013, *National Aboriginal and Torres Strait Islander Health Survey, 2012–13*, customised report; COAG Reform Council 2014, *Indigenous reform 2012–13: five years of performance*, p. 68.

Labour force participation rate and employment-to-population ratio

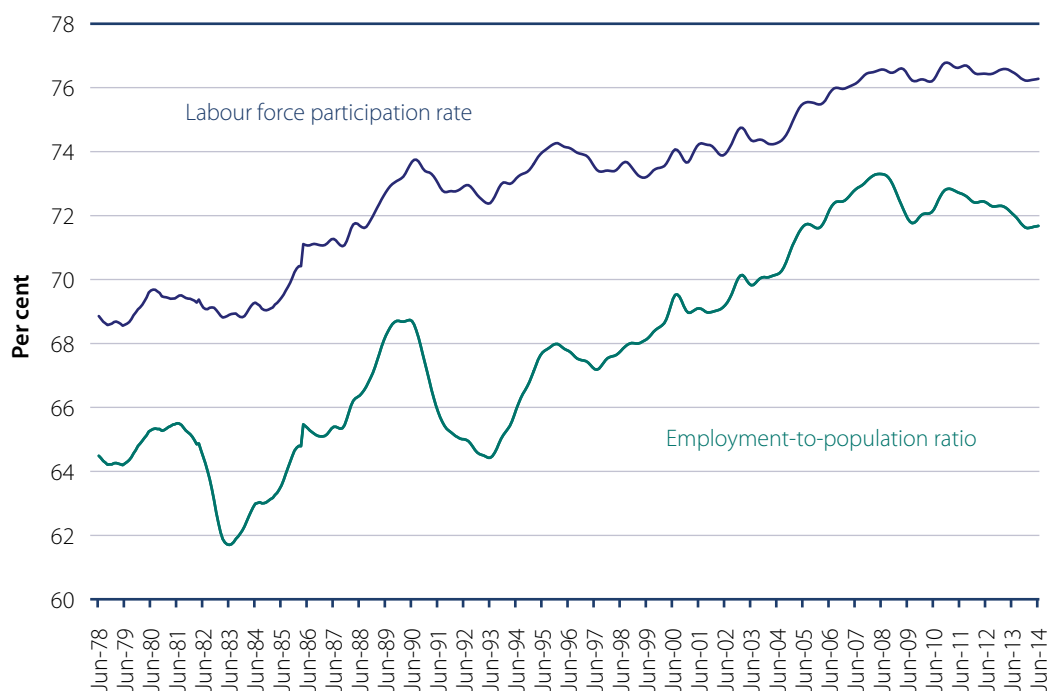
The labour force participation rate refers to the proportion of the workforce-age population (people aged 15–64 years) that is either employed or looking for work. It is used to determine whether an increasing proportion of the population is working or looking for work and is a good indicator of the total supply of labour. However, it does not include those who are marginally attached to the labour force, such as discouraged job seekers.

The employment-to-population ratio refers to the proportion of the workforce-age population that is employed. The ratio is influenced by both labour demand and effective labour supply factors. It is also a good summary indicator for measuring labour market performance relative to comparative countries, particularly those in the Organisation for Economic Co-operation and Development (OECD).

The trend employment-to-population ratio for workforce-age people decreased by 0.4 percentage point in 2013–14 to 71.7 per cent at 30 June 2014 (Chart 1). The decrease is a consequence of Australia's subdued rate of employment growth for people of workforce age (0.9 per cent over the year to June 2014 in trend terms) combined with a higher growth rate for the workforce-age population (1.4 per cent over the year to June 2014 in trend terms).

Australia's trend labour force participation rate decreased by 0.2 percentage point in 2013–14 to 76.3 per cent at 30 June 2014 (Chart 1). This partly reflects a discouraged worker effect: reductions in employment opportunities, relative to the size of the workforce-age population, led some people to leave the labour force (for example, by retiring early) or to decide not to join it (for example, by remaining in school or university for longer).

Chart 1 Labour force participation rate and employment-to-population ratio, people aged 15–64 years, trend data, June 1978 to June 2014



Source: ABS 2014, *Labour force, Australia, June 2014*, cat. no. 6202.0, Table 18.

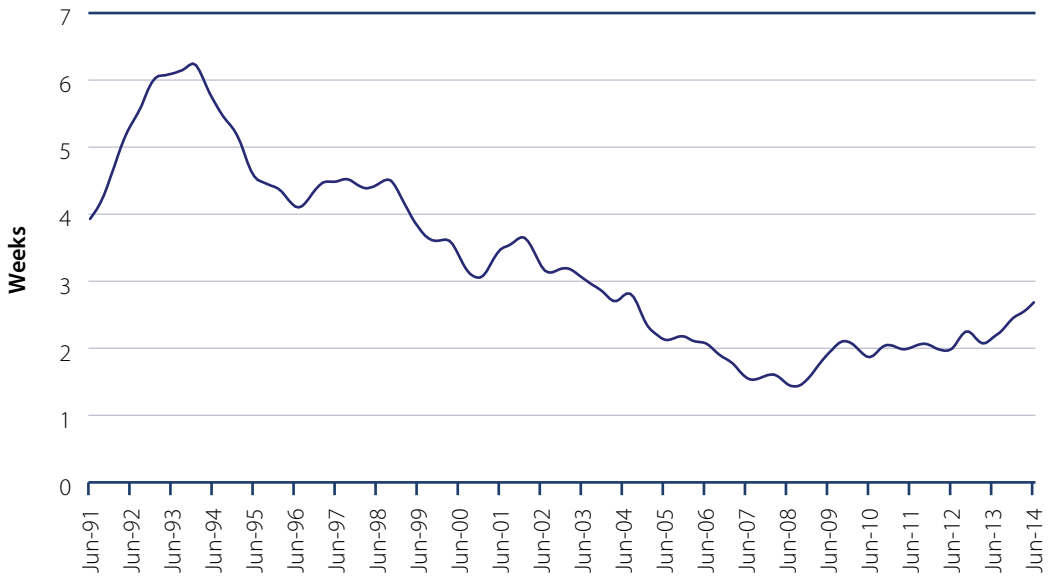
Average duration of unemployment

Changes in the average duration of unemployment per labour force member indicate the ability of unemployed people to find work. The department reports the average duration per labour force member instead of the more usually quoted average duration per unemployed person because the latter measure tends to:

- decline when there is a labour market downturn (at these times the number of unemployed people rises but the newly unemployed have a low duration of unemployment)
- rise when the labour market recovers (longer term unemployment tends to be persistent).

Chart 2 provides a time series for the average duration of unemployment per labour force member in trend terms for the last 23 years. In the 12 months to June 2014, this measure increased from 2.2 weeks to 2.7 weeks.

Chart 2 Average duration of unemployment per labour force member, June 1991 to June 2014



Source: Based on data from SuperTABLE Data Cube UM1 and Spreadsheet Table 01 in ABS 2014, *Labour force, Australia, detailed—electronic delivery, June 2014*, cat. no. 6291.0.55.001. These statistics were seasonally adjusted and trended by the department.

Industry and cross-agency engagement

Responding to community and industry needs

During 2013–14, the department responded to industry needs with respect to both growth and contraction in labour markets.

In response to the restructuring occurring within the automotive industry, the department's Victorian and South Australian state offices conducted redundancy sessions and facilitated career expos specifically targeting people who will need to manage a workforce transition.

The Northern Territory state office worked closely with a range of stakeholders to support the community on the Gove Peninsula through the impending closure of Rio Tinto's alumina refinery. While Rio Tinto will continue to mine and export bauxite from the site, with the closure of the refinery the workforce is transitioning from 1400 to 350 jobs.

The Western Australian office helped manage the demand for labour in facilities servicing employees in the resources industry. For example, the Gorgon Entry and Skill Training Course—Hospitality Project provided preparation workshops and mentoring support to 15 Aboriginal people being trained for hospitality jobs at sites where the Compass Group operates.

Focusing on collaboration

The department continued to focus on critical interactions, partnerships and client groups across Australia. All state offices made further improvements in the partnership with the Department of Human Services (DHS). For example, following stakeholder feedback and consultations, the Victorian state office worked with DHS to refocus meetings to provide more control over strategic and planning aspects of the relationship and tighten the handling of operational and service delivery issues.

Workforce participation policy initiatives

To support jobs growth and labour force participation, the department analyses developments in the Australian economy and provides advice to ministers and other stakeholders on a broad range of issues. The department also continues to support the work of policymakers and stakeholders by producing regular publications, including the *Monthly leading indicator of employment* and the *Weekly economic fact sheet*.

The department actively engages with other government agencies to ensure programmes in the employment portfolio contribute to the government's priorities for Indigenous affairs—getting kids to school, getting adults into work and building community safety. For example, the department participates in the Secretaries' Committee on Indigenous Reform and works closely with the Department of the Prime Minister and Cabinet, which has primary responsibility for Indigenous policies and programmes.

The department continued to focus on improving the employment participation rates for people with disability and mental health conditions, as set out in whole-of-government strategies such as the National Disability Strategy (2010–2020), the Fourth National Mental Health Plan 2009–2014 and the Roadmap for National Mental Health Reform 2012–2022. The department also provided input to the development of the Council of Australian Governments' response to the National Mental Health Commission's first national report card on mental health and suicide prevention.

The department continued its partnership with the Department of Social Services on the OECD Mental Health and Work Project. The Australia country report is expected to be released in late 2014 and the cross-nation synthesis report is scheduled for release in 2015.

The department provided advice to the government on portfolio interests in migration programmes and free trade agreements (including temporary entry commitments, labour market, workplace rights and government procurement) and other bilateral and multilateral international agreements and forums.

In May 2014, the department made a submission to the independent review of the Temporary Work (Skilled) (subclass 457) visa programme that addressed labour market and workplace relations issues.

Research and evaluation

Targeted research, analysis and evaluation activities underpin the department's policy development and programme management work and help to drive continuous improvement in employment policy. These activities combine in-house expertise in administrative data systems with research and surveys conducted by external consultants.

Data from the department's research and evaluation database and employment services system was used extensively to inform policies to achieve the objectives of the department. Most notably in 2013–14, monitoring and evaluation of Job Services Australia helped to inform the development of the next employment services model and new tables were developed to support research into the labour force potential of Disability Support Pension recipients.

Major evaluations of the Helping Young Parents and Supporting Jobless Families trials and the Family Centred Employment Project also progressed during the year. The findings will enhance our understanding of what works when encouraging disadvantaged groups to prepare for work.

The department's ongoing survey programme continued in 2013–14. New internet-based solutions to improve the Post-Programme Monitoring Survey of job seekers assisted through employment services were implemented in late 2013. In addition to the traditional paper-based and telephone surveys, job seekers are now also contacted by email and text message for this important survey used in annual key performance indicators, quarterly published reports and programme evaluation. The annual surveys of employment service providers conducted in March 2014 surveyed over 900 sites that delivered the Job Services Australia programme providing the department with information on providers' experiences of interacting with the department and their approaches to servicing job seekers and employers.

Highlights for 2013–14 included:

- analysis of employment and workforce data for the automotive manufacturing sector to support the government's response to the announced withdrawal from Australian manufacturing of Ford, Holden and Toyota
- analysis of regional demand for labour to inform the design of the new employment regions for the 2015 employment services arrangements.

Planning and design work began for evaluations of the Tasmanian Jobs Programme, Relocation Assistance, Restart wage subsidy, and Job Commitment Bonus, highlighting a full research and evaluation agenda to support the government's election commitments.

Surveys of employers' recruitment experiences

In 2013–14 the department surveyed around 13,200 employers from 34 regions across Australia about their recent recruitment experiences.

The survey collects information on employer demand for labour and skills by looking at employers' recent recruitment experiences and future recruitment intentions.

The survey programme has focused on the priority employment areas that were identified as likely to be adversely affected by the global financial crisis, as well a number of other regions where recruitment activity is strong, particularly those with prominent resources sectors.

The survey findings, together with other labour market information, are used to develop strategies to better match job seekers with job opportunities. The 2013–14 survey results showed that, regardless of the strength of the labour market in regional areas, there are still opportunities for job seekers across all skill levels. The survey also provided insights into what employers are looking for in job applicants and how job seekers can better connect with employment opportunities.

The department uses the results of the surveys in reports and presentations for a wide range of events including:

- whole-of-government forums attended by stakeholders such as Job Services Australia providers, training organisations, federal and state departments and local councils, to develop local solutions to regional employment challenges
- youth transitions, pathways from school to work and careers events aimed at teachers and career advisers
- business breakfasts for employers.

In 2013–14, the department delivered 59 presentations across the country to more than 2500 stakeholders. The presentations provide participants with targeted information on their local labour market. Feedback has been overwhelmingly positive and copies of the presentations and related information are distributed widely across the regions.

The reports and presentations are published on the department's website at www.employment.gov.au/regionalreports and on the Labour Market Information Portal at <http://lmip.gov.au>.

Engagement with international organisations

The department's strategic investment in international engagement spans various areas of the organisation. The three main goals of the department's international engagement are building the evidence base for domestic policy development and programme delivery; extending Australia's influence internationally in relation to workplace relations and employment, including sharing policy and programme experience with other countries and international organisations; and meeting Australia's international obligations.

On 1 December 2013, Australia took over the G20 presidency from Russia. The department represented Australia at the concluding task force meeting of Russia's G20 presidency. In 2014, the department hosted a series of task force meetings to discuss employment strategies ahead of the G20 Labour and Employment Ministerial Meeting in September 2014.

In 2013–14, the department hosted a number of visiting international delegations from both government and non-government organisations, particularly those with an interest in Australia's best practice public employment system and policies. The delegations included an OECD team conducting a review of social policies for youth in Australia.

Customer service statistics

Since 1 July 2013, the department's Employment Services Information Line and Customer Service Line collectively handled more than 158,000 calls from the public about employment support services. These calls related to all government-funded employment services, including Job Services Australia, Disability Employment Services and the Remote Jobs and Communities Programme.

The Customer Service Line managed 30,744 Job Services Australia feedback items, including 8563 complaints, 4658 requests for information and 14,501 transfers of job seekers between employment services providers (Table 8).

Table 8 Breakdown of feedback by type, 2013–14

Feedback type	Percentage of total	Number
Complaints	27.85	8563
Requests for information	15.15	4658
Transfers of job seekers	47.17	14,501
Other (e.g. compliments and suggestions)	9.83	3022
Total	100	30,744

Departmental outputs

Table 9 Departmental outputs for Outcome 1—Programme management

Performance indicators	2013–14 estimate	2013–14 actual
Employment IT applications—defect density for important defect types is measured by the mean defect from the International Software Benchmarking Standards Group repository of major defects	Benchmark: mean defect density (major severity) = 15 defects per 1000 function points (measured four weeks after software release)	2 defects per 1000 function points
Employment IT applications services—construction and redevelopment of internally developed software	Cost benchmark is \$1250 per function point. Target is \$1250 or less	\$901.00
Employment IT applications availability	Target is 99.5%	99.60%
Services provided by the Department of Human Services (DHS) on behalf of the Department of Employment’s programmes satisfy jointly agreed performance requirements including detailed key performance measures with specific targets	The department continuously monitors the performance of DHS against agreed performance requirements as outlined in the bilateral management agreement. The department works collaboratively to address performance issues where targets are not met.	The department monitored the performance of DHS against agreed performance requirements as outlined in the bilateral management agreement.

Table 10 Departmental outputs for Outcome 1—client satisfaction

Client satisfaction	2013–14 estimate	2013–14 actual
Level of satisfaction of service providers with contracted information and support	Target is 80%	91.6%
High-quality advice as measured by the level of satisfaction by Commonwealth public sector agencies and organisations	Qualitative evaluation of satisfaction using feedback from Commonwealth public sector agencies and organisations	Satisfied

Looking ahead

The department will continue to assist the Australian Government to create an environment of opportunity for more Australians to gain paid employment, providing benefits to individuals and communities.

To achieve this, the department will implement a number of initiatives in 2014–15, including the following:

- The employment services model will be redesigned to promote stronger workforce participation by people of working age, and help more job seekers move from welfare to work. The department will provide policy advice to the government and implement the new arrangements, which will start when current contracts expire on 30 June 2015. The new model will:
 - provide a stronger mutual obligation framework that encourages job seekers to do all they can to move from welfare to work
 - direct resources to job seekers with the most complex employment-related issues
 - reward employment services providers for outcomes rather than process
 - reduce prescription and red tape for providers.
- The Job Commitment Bonus provides an incentive for young Australians aged 18–30 to find a job, keep it and stay off welfare. Eligible young Australians will receive a bonus payment if they find a job and stay off welfare for 12 months, and another payment if they remain in work and off welfare for 12 more months (24 months altogether). The initiative will begin on 1 July 2014 and the first payments will be available in July 2015.
- The Relocation Assistance to Take Up a Job programme takes over from Move 2 Work. The programme provides practical and financial assistance to eligible long-term unemployed job seekers who relocate to take up ongoing employment. Families with dependent children can receive up to an extra \$3000 of assistance. The programme will begin on 1 July 2014.
- The Restart programme will support employers that hire eligible job seekers who are 50 years of age or older and have been unemployed on income support for six months or more. An employer will be eligible to receive up to \$10,000 in assistance over two years for a full-time employee. The department will conduct a communications campaign during 2014–15 to promote the programme and raise awareness of the benefits of employing mature-age job seekers. The programme will begin on 1 July 2014.



Outcome 2

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

The department, with its portfolio agencies, works to achieve this outcome through managing the workplace relations legislative framework, conducting policy research and analysis and operating a guarantee of employee entitlements.

During 2013–14, the department progressed the Australian Government’s workplace relations’ priorities by supporting the introduction of legislation into parliament and conducting several policy reviews.

The department continued to administer the Fair Entitlements Guarantee, which assists people who have lost their jobs due to the insolvency of their employer and are owed outstanding employment entitlements. In 2013–14, more than 9000 people were paid their entitlements.

The department has once again made an important contribution to the annual wage review conducted by the Fair Work Commission. The department worked closely with the Treasury to provide the Fair Work Commission with up-to-date economic and labour market information to inform its decisions on minimum wages and appeared in front of a full bench of the commission to put forward the government’s evidence. The department has also been working, in conjunction with the Fair Work Commission, on the four-yearly modern awards review.

Using data gathered from the workplace agreements database, the department publishes a quarterly report, *Trends in federal enterprise bargaining*, which provides information on wage increases and agreement-making under the federal workplace relations system. This information is used by the Reserve Bank of Australia and other analysts to monitor wage developments in federal enterprise agreements across the economy.

Major achievements

The department, through Outcome 2, achieved the following:

- Development of Bills to re-establish the Australian Building and Construction Commission, to establish the Registered Organisations Commission.
- Provision of policy and legal advice to the government during the development of the Fair Work Amendment Bill 2014, which implements a number of the government's election commitments to improve the Fair Work laws.
- Development of the Safety, Rehabilitation and Compensation Legislation Amendment Bill 2014, which was introduced into parliament in March 2014. The amendments expand eligibility for companies to self-insure and reduce the red tape associated with the application process. They also exclude compensation for injuries occurring during recess breaks away from work and injuries resulting from serious and wilful misconduct.
- Review of the *Safety, Rehabilitation and Compensation Amendment (Fair Protection for Firefighters) Act 2011*. The review was finalised on 24 December 2013 and a report was released on 3 February 2014.
- Through its membership of Safe Work Australia, the development of model codes of practice to explain how employers and employees can comply with the work health and safety laws.
- Advancement of around \$197 million under the Fair Entitlements Guarantee and the General Employee Entitlements and Redundancy Scheme to 11,255 Australian workers after they lost their jobs as a result of their employers' insolvency.
- Establishment of the Centre for Workplace Leadership in mid-2013. The centre was launched by Senator the Hon. Eric Abetz, Minister for Employment, at the University of Melbourne on 20 February 2014.
- Support for the development of the National Strategic Plan for Asbestos Awareness and Management.
- Support for an independent consultant to review the Road Safety Remuneration System. The aims of the review were to examine and report on the operation of the *Road Safety Remuneration Act 2012* and the Road Safety Remuneration Tribunal and to assess whether the system is an effective and appropriate means of addressing safety concerns in the road transport industry.

Challenges

During 2013–14, significant changes were made to the administration of claims under the Fair Entitlements Guarantee to finalise the transition to the legislative arrangements for the scheme that were introduced in 2012–13. Business processes and workflows were redesigned and business systems were reconfigured to increase the quality and efficiency of the administration of the programme and achieve stronger programme compliance. These changes to the operating environment resulted in transitional disruptions to the claims workflow and delays in finalising claim assessments. The department is closely monitoring the timeliness of claims processing and ensuring that there are minimal delays for claimants.

Programme 2.1 Employee assistance

Fair Entitlements Guarantee and General Employee Entitlements and Redundancy Scheme

The department administers the Fair Entitlements Guarantee (FEG) and General Employee Entitlements and Redundancy Scheme (GEERS), which provide a safety net to protect the entitlements of workers who have lost their jobs as a result of the bankruptcy or liquidation of their employer. The FEG provides assistance to employees whose employer went bankrupt or entered liquidation on or after 5 December 2012; GEERS applies if an employer went bankrupt or entered liquidation before 5 December 2012.

The schemes cover five basic employment entitlements: unpaid wages (up to 13 weeks), unpaid annual leave, unpaid long service leave, unpaid payment in lieu of notice (up to five weeks) and unpaid redundancy (up to four weeks for each full year of service). Payments are also subject to a maximum weekly wage cap.

During 2013–14:

- more than \$16.48 million was recovered from liquidated companies on behalf of the Commonwealth through creditor dividends in the winding-up process. The recoveries relate to advances made within or before 2012–13.
- a total of \$197,193,316 was paid under the FEG and GEERS to 11,255 eligible claimants from 1536 insolvent entities
 - \$182,137,836 was paid to 9952 people under the FEG
 - \$15,055,480 was paid to 1303 people under the GEERS
- the FEG/GEERS hotline handled 38,734 inquiries about the operation of the schemes
- the department initiated an internal review of 767 FEG claim decisions under section 37 of the *Fair Entitlements Guarantee Act 2012* (4.8 per cent of the total number of employees claiming assistance)
- claimants made formal requests for review of 452 FEG decisions under section 38 of the Act (3 per cent of the total number of employees claiming assistance)
- claimants dissatisfied with the outcome of their claim following internal review lodged 50 appeals under GEERS (25 per cent of the total number of employees requesting a GEERS review)
- nine appeals to the Administrative Appeals Tribunal were lodged under the FEG by claimants who were dissatisfied with the outcome of their claim following internal review (2 per cent of the total number of employees requesting a section 38 review). Of the seven matters finalised by 30 June 2014, three resulted in the department's decision being affirmed by the tribunal, three were withdrawn by the applicants, and one was dismissed by the tribunal on the basis of no jurisdiction
- the department responded to three matters from the Commonwealth Ombudsman relating to FEG assistance. In each case the Commonwealth Ombudsman closed its inquiry without making any adverse findings about the administration of the FEG.

In administering the FEG and GEERS, the department worked closely with insolvency practitioners to verify unpaid employment entitlements and distribute approved payments to employees.

The department surveyed a random sample of insolvency practitioners involved in supporting the programme during 2013–14 to gauge their level of satisfaction with the department's administration of the schemes. The ratings from the 129 insolvency practitioners who participated in the survey were as follows: 18.8 per cent very satisfied, 56 per cent satisfied, 18 per cent neutral, 5.5 per cent dissatisfied and 1.6 per cent very dissatisfied. Feedback provided in the survey will assist the department to further enhance its relationships with insolvency practitioners.

The Fair Entitlements Guarantee helps redundant Brindabella Airlines employees

On 4 February 2014, Brindabella Airlines Pty Ltd entered liquidation, making 94 permanent and casual employees redundant. Most of the employees (83) were left with unpaid employment entitlements on termination and applied for financial assistance under the Fair Entitlements Guarantee.

At 30 June 2014, the department had assessed 71 claims and advanced more than \$1.25 million to 70 eligible employees. The average time taken to assess the claims was 2.9 weeks after receipt of verified data from the insolvency practitioner. The amount advanced included \$144,429.62 in unpaid wages, \$405,385.84 in annual leave, \$16,446.46 in long service leave, \$325,113.29 in payment in lieu of notice and \$359,676.43 in redundancy pay.

Brindabella Airlines is one example of the 1536 cases where assistance under the Fair Entitlements Guarantee or the General Employee Entitlements and Redundancy Scheme was provided to 11,255 Australian workers in 2013–14.

Programme 2.2 Workplace assistance

The objective of this programme is to ensure the successful operation of the workplace relations system, particularly through initiatives designed to demonstrate the benefit of cooperative workplace relations, and to assist employers and employees to understand their rights and obligations under the system.

Protected action ballots scheme

Under the *Fair Work Act 2009*, a ballot of eligible workers is required before protected industrial action can be taken to pursue claims during bargaining for an enterprise agreement, except when the action is in response to industrial action by the other party. During 2013–14 the government met the full cost of 578 ballots, paying \$0.863 million under the scheme.

Fair Work Principles and the Commonwealth Cleaning Services Guidelines

The department implemented the government's decision, announced in March 2014, to revoke the Fair Work Principles and the Commonwealth Cleaning Services Guidelines by 30 June 2014. The principles and guidelines were procurement policies of the Commonwealth connected to the government's financial management framework and their revocation is expected to reduce compliance costs for firms tendering for and providing goods and services to the government.

National Workplace Education Programme

In 2013–14 the department implemented the former government's decision to fund the National Workplace Education Programme. The programme provided a one-off grant of \$10 million to the Union Education Foundation in 2010 to deliver national workplace education programmes to employee representatives over a five-year period to 30 June 2015.

Productivity Education and Training Fund

In 2013–14 the department implemented the former government's decision to fund the Productivity Education and Training Fund. The fund provided funding to peak employer and employee organisations to develop and deliver education programmes to enhance workplace productivity. The programmes are being delivered by the Union Education Foundation, the Australian Chamber of Commerce and Industry and the Australian Industry Group.

The programmes started in 2012–13 and will run for between five and 10 years.

Ethical Clothing Australia Education and Compliance Programme

The department administered the Ethical Clothing Australia Education and Compliance Programme, which included the provision of taxpayer funding to Ethical Clothing Australia, a joint business–union body, to administer the Homeworkers Code of Practice. The code is a voluntary accreditation scheme relating to outworkers in the textile, clothing and footwear industry.

The department implemented the government's decision to cease funding Ethical Clothing Australia from 30 June 2014.

Gender equality reporting

The department has policy responsibility for the *Workplace Gender Equality Act 2012*, which sets out the requirements for certain employers to report annually on six gender equality indicators.

Throughout 2013–14 the department undertook consultations to examine the reporting requirements outlined in the Workplace Gender Equality (Matters in relation to Gender Equality Indicators) Instrument 2013 (No. 1). This review was part of the government's commitment to ensuring that reporting delivers real benefits in the workplace commensurate with the effort required from employers. In addition, consistent with the requirements under the Act, the government introduced a new minimum standard, set out in the Workplace Gender Equality (Minimum Standards) Instrument 2014, to better support gender equality and diversity in the workplace. In March 2014, the government announced further public consultations on the reporting requirements.

The department also provided policy advice on increasing the workforce participation of women, parents and carers.

Engagement with international organisations

During the year, the department's international engagement included representing Australia on employment and workplace relations issues in various international multilateral organisations, such as the International Labour Organization (see Part 4), the G20 and the Organisation for Economic Co-operation and Development (OECD). The department is assisted by a Minister-Counsellor who is part of Australia's permanent delegation to the OECD based in Paris and Australia's Special Labour Adviser to the International Labour Organization.

Programme 2.3 Workers' compensation payments

Special appropriations to Comcare are provided through the Department of Employment. This includes special appropriations under the *Safety, Rehabilitation and Compensation Act 1988* for the payment of pre-premium claim expenses (before 1 July 1989) and under the *Asbestos-related Claims (Management of Commonwealth Liabilities) Act 2005* for asbestos-related claims settlements. Expenses for claims accepted since 1 July 1989 do not require appropriation as they are funded from Comcare's premium revenue.

Further information regarding the operations of Comcare can be found at www.comcare.gov.au.

Programme performance

During 2013–14 Comcare paid \$35.2 million for incapacity, treatment and other costs for claims resulting from injuries that occurred before 1 July 1989 (pre-premium). Incapacity payments were made to 1138 injured workers with pre-premium claims. The net outstanding claims provision for pre-premium claims reduced from \$429.7 million in 2012–13 to \$409.2 million in 2013–14.

In 2013–14 Comcare released the Guided Choice Model and Guided Choice Fact Sheet, which explain the choices available to Commonwealth employees with asbestos-related diseases and their dependants.

Table 11 Programme 2.3 key performance indicators

Key performance indicator	2013–14 estimate	2013–14 actual
Durable return to work rate (ie the percentage of injured workers with 10 or more days lost time who were working in a paid job seven to nine months after lodging their claim)	89%	81%
Funding ratio (ie percentage of premium-related total assets to premium-related total liabilities)	70%	68%
Percentage of licensees compliant with licensing obligations	100%	97%
Commonwealth average premium rate	1.82	2.12

In 2013–14, the final projects funded by the three-year, \$1.5 million Asbestos Innovation Fund were completed. The fund supported researchers, medical providers, community groups and others to complete 12 projects for the prevention and better management of asbestos exposure and improved treatment of asbestos disease sufferers.

Comcare's timeliness in resolving asbestos claims within 180 days improved from 63 per cent in 2010–11 to 75 per cent in 2013–14. Comcare has reached or surpassed the 65 per cent target for the last three reporting periods. This target is governed by the rules and timetables of the courts of each jurisdiction. Performance can be affected and slowed by the involvement of third parties.

Comcare recovered 8 per cent of the value of asbestos claims settlements from third parties in 2013–14. This result is above the 5 per cent target and is an improvement on the 2012–13 rate of 7 per cent. However, for a variety of reasons, particularly the degradation or loss of evidence and exhaustion of third-party insurance policies, the recovery environment has become volatile.

Table 12 Asbestos claim settlements

Key performance indicator	2013–14 estimate	2013–14 actual
Timeliness—resolution of asbestos claims (proportion settled by Comcare within 180 days)	65%	75%
Percentage of the value of asbestos claim settlements recovered from third parties	5%	8%

Note: The Department of Employment and Comcare are reviewing performance indicators associated with these appropriations to increase effectiveness in the 2014–15 reporting period.

Workplace relations policy advice

Building and construction industry

During 2013–14, the department continued to implement and advise on the government’s workplace relations policies relating to the building and construction industry. Key roles included promoting and improving workplace health and safety in the industry by administering the Australian Government Building and Construction OHS Accreditation Scheme (through the Office of the Federal Safety Commissioner) and providing policy advice on the requirements for industry participants who wish to undertake Commonwealth-funded building work.

Re-establishment of the Australian Building and Construction Commission

The Building and Construction Industry (Improving Productivity) Bill 2013 and the Building and Construction Industry (Consequential and Transitional Provisions) Bill 2013 were introduced into parliament in late 2013. The department provided advice to the government on the development of the Bills, which would re-establish the Australian Building and Construction Commission as the specialist workplace relations regulator for the building and construction industry and implement a range of other industry-specific measures.

Building Code 2014

The department developed a new building code, the Building and Construction Industry (Fair and Lawful Building Sites) Code 2014, following consultations with building industry employer associations, unions and relevant state governments.

The new code will come into effect when the Building and Construction Industry (Improving Productivity) Bill 2013 commences and will apply, prospectively, to new projects. The code sets out the standard of workplace relations conduct expected from contractors who wish to perform building work funded by the government. An advance release of the new code was published by the government on 17 April 2014.

The code, to be administered by the Australian Building and Construction Commission, will ensure that contractors bidding for Commonwealth-funded building work do not have agreements or other arrangements that are discriminatory or involve restrictive work practices.

The department continued to provide advice and assessment services to employers on the compliance of their enterprise agreements with the Building Code 2013. The department also conducted interim assessments of draft agreements for compliance with the advance release of the new code, at the request of industry parties.

Fair Work Amendment Bill 2014

The department provided policy and legal advice to the government during the development of the Fair Work Amendment Bill 2014, which was introduced into parliament on 27 February 2014. The Bill amends the Fair Work Act to give effect to a number of the government's workplace relations election commitments, including changes in relation to right of entry, greenfields agreements, enterprise bargaining and individual flexibility arrangements. The Bill also responds to a number of recommendations of the 2012 review of the Fair Work Act. The department consulted with employer organisations, unions and state and territory governments on the proposed amendments.

Post-implementation review of the Fair Work Amendment (Transfer of Business) Act 2012

The department began a post-implementation review of the *Fair Work Amendment (Transfer of Business) Act 2012*, which provides the legislative framework for employees transferring from state system employers to national system employers in certain circumstances.

A post-implementation review was required because the legislation had not been subject to a regulatory impact analysis before it was implemented. The department developed a targeted consultation strategy to inform the review process. Submissions were invited from state governments affected by the legislation and from members of the National Workplace Relations Consultative Council and the Community and Public Sector Union. The review is ongoing and will be completed in 2014–15.

Post-implementation review of the Fair Work Amendment (Textile, Clothing and Footwear Industry) Act 2012

The department began a post-implementation review of the *Fair Work Amendment (Textile, Clothing and Footwear Industry) Act 2012*. Submissions to the review closed on 14 May 2014. The department is preparing a report on whether the Act is working effectively and efficiently to provide the required levels of protection for workers and a reasonable regulatory framework for business. The report is expected to be released in 2014–15.

Transparency and accountability of registered organisations

During 2013–14, the department provided advice and assistance to the government on the implementation of its election commitment for better transparency and accountability of registered organisations. The new policy outlines the government's commitments to strengthen reporting and disclosure requirements for registered organisations, increase civil penalties and introduce criminal penalties, and establish a Registered Organisations Commission as an independent monitor and regulator of registered organisations.

The government's election commitment required introduction of laws to give effect to these measures in the first sitting week of the new parliament and the department contributed to the development of the Fair Work (Registered Organisations) Bill 2013 and the Fair Work (Registered Organisations) Bill 2014 to achieve this.

Centre for Workplace Leadership

The department contributed funding to the Centre for Workplace Leadership. Total funding for the centre comprises \$12 million over four years from the government, of which around \$3.5 million was provided in 2013–14, and around \$5 million in cash and in-kind contributions from businesses and the University of Melbourne.

The centre was launched at the University of Melbourne on 20 February 2014. It pools the efforts of industry, government and academia to encourage new ways of increasing the competitiveness, innovation and productivity of Australian workplaces through improved leadership and management practices.

In April 2014 the centre held its inaugural national conference, *The Future of Work: People, Place, Technology*.

The University of Melbourne has established an advisory board to help guide the long-term strategic direction of the centre and foster industry partnerships. The Secretary of the Department of Employment is a member of the board.

Review of the Road Safety Remuneration Tribunal

The government's pre-election policy to improve the Fair Work laws included a commitment to review the operation of the Road Safety Remuneration Tribunal.

The Road Safety Remuneration System was established under the *Road Safety Remuneration Act 2012* and comprises the Road Safety Remuneration Tribunal and a separate education and compliance framework administered by the Fair Work Ombudsman. The purpose of the review was to assess the operation of the Act and the tribunal and advise government on whether the system is an effective and appropriate means of addressing safety concerns in the road transport industry.

The independent review was conducted by Mr Rex Deighton-Smith. The department provided administrative support including undertaking research and analysis to assist the review. The department is currently working with the government on its response to the report on the review.

Safety net and awards policy

The Fair Work Commission began its first four-yearly review of modern awards in January 2014. The department prepared a submission on behalf of the government for the initial stage proceedings and senior departmental officials appeared before the commission. The department will continue to provide policy advice to the government throughout the review process.

During the year, the department continued to advise other government departments on modern awards and the safety net. For example, the department provided advice to the Department of Social Services on its involvement in proceedings before the Fair Work Commission concerning wage assessment tools in the Supported Employment Services Award 2010.

Annual minimum wage review

Together with the Treasury, the department managed the government's participation in the Fair Work Commission's Annual Wage Review 2013–14. This included drafting submissions on behalf of the government and preparing responses to questions asked by the commission. Officials from the department also took part in public hearings.

On 4 June 2014, the commission released its decision to increase minimum wages and award wages by 3 per cent from 1 July 2014, resulting in an increase in the national minimum wage to \$640.90 per week (\$16.87 per hour).

Equal Remuneration Case 2013–14

In 2013, United Voice, the Australian Education Union and the Independent Education Union filed applications with the Fair Work Commission seeking an equal remuneration order for child care workers and teachers working in long day care centres and preschools. The department has been working with the Department of Education and central agencies to provide advice and represent the government's views in the case.

During the first half of 2014, the Fair Work Commission sought oral and written submissions from the applicant unions, employer and industry groups and governments on the legislative and conceptual issues of the case. The department, on behalf of the government, provided four written submissions to the Fair Work Commission.

Superannuation

The department worked with the Treasury to prepare a discussion paper, *Better regulation and governance, enhanced transparency and improved competition in superannuation*. The discussion paper was released by the Assistant Treasurer, Senator the Hon. Arthur Sinodinos, on 28 November 2013.

The discussion paper covered a range of superannuation topics, including the government's election commitment to increase competition in the default superannuation industry. Submissions closed on 12 February 2014. The department is considering the submissions and developing policy to implement the election commitment.

Review of coastal trading

In April 2014, the government released an options paper on approaches to regulating coastal shipping in Australia. The department participated in consultations with stakeholders on the options paper to consider workplace relations aspects of the coastal shipping regime. The consultations were led by the Department of Infrastructure and Regional Development.

Paid parental leave policy

The department assisted the lead agency, the Department of Social Services, with developing policy and implementation details of the government's paid parental leave scheme, particularly the workplace relations elements.

International engagement

The department represented the government at three meetings of the International Labour Organization (ILO) governing body—in November 2013, March 2014 and June 2014—as well as at the 103rd session of the International Labour Conference held in Geneva in June 2014.

For the 2013–14 term of the governing body, Mr David Garner, the department's Special Labour Adviser, was chair of the Far-East Asia Sub Pacific Group of countries. At the conference, the government was re-elected to the governing body. Australia will represent the Far-East Asia Sub Pacific Group of countries on the governing body for a three-year term until 2017.

Departmental delegates to the conference participated in drafting a new protocol and recommendation on strengthening action on forced labour, discussions on measures to improve employment outcomes around the world, and initial discussions on a possible new recommendation on transitioning from an informal to a formal economy.

Australian Government representatives and Australia's social partners at the ILO—the Australian Chamber of Commerce and Industry and the Australian Council of Trade Unions—work closely on ILO matters.

The social partners continue to jointly administer the Pacific Growth and Employment Programme and recently reported increased local participation. The programme is due to conclude on 30 November 2014 and is funded under the ILO – Australian Government Partnership Agreement 2010–2015.

Workplace relations legal advice

During 2013–14, the department provided legal advice to portfolio ministers, portfolio agencies and other stakeholders about:

- the operation of the Fair Work framework and the national workplace relations system
- developments arising from court and tribunal decisions in federal, state and territory jurisdictions
- work health and safety, workers' compensation and public sector employment matters.

Primary legislation

The department prepared legislation to implement the government's workplace relations priorities and supported its passage through parliament.

Amendments to the *Fair Work Act 2009* relating to default superannuation funds in modern awards implemented by the former government through the *Fair Work Amendment Act 2012*, took effect on 1 January 2014.

The family-friendly measures at Schedule 1 to the *Fair Work Amendment Act 2013* started on 1 July 2013. These amendments implemented a number of recommendations of the Fair Work Act review. The *Fair Work Amendment Act 2013* also made amendments to the statutory right of entry regime that started on 1 January 2014.

The *Fair Work Amendment Act 2013* also amended the *Fair Work (Registered Organisations) Amendment Act 2012* to delay the commencement of certain parts of the registered organisations amendments. The *Fair Work (Registered Organisations) Amendment Act 2012* received royal assent on 29 June 2012.

An anti-bullying jurisdiction implemented by the *Fair Work Amendment Act 2013* started on 1 January 2014. Under the legislation, workers who have been bullied at work are able to apply to the Fair Work Commission for an order to stop the bullying. The Fair Work Commission is required to start dealing with an application within 14 days and is able to make any appropriate orders to stop the bullying (other than orders for payment).

The provisions in the *Asbestos Safety and Eradication Agency Act 2013* that established the Asbestos Safety and Eradication Agency started on 1 July 2013. The agency's functions include advocating, coordinating, monitoring and reporting on the implementation of the National Strategic Plan for Asbestos Awareness and Management and providing advice to the Minister for Employment about asbestos safety. The Asbestos Safety and Eradication Council also commenced on 1 July 2013. Its role includes providing advice to the chief executive officer of the Asbestos Safety and Eradication Agency and monitoring the adoption of the national strategic plan.

The Fair Work (Registered Organisations) Amendment Bill 2013 was introduced in the House of Representatives in late 2013. It will amend the *Fair Work (Registered Organisations) Act 2009* to establish the Registered Organisations Commission, strengthen officers' and organisations' disclosure and transparency obligations, increase civil penalties and introduce certain criminal penalties. The Bill was reintroduced into parliament in the same form as the Fair Work (Registered Organisations) Amendment Bill 2014.

The Fair Work Amendment Bill 2014 was introduced into parliament in early 2014 to amend the Fair Work Act to implement elements of the government's 2013 election commitments.

The Safety, Rehabilitation and Compensation Legislation Amendment Bill 2014 was introduced into parliament in early 2014. It would amend the *Safety, Rehabilitation and Compensation Act 1988* and the *Work Health and Safety Act 2011* to:

- introduce a new national employer test for licence eligibility to self-insure under the Comcare scheme
- create a group licensing system to allow corporate employers to centralise their compensation and rehabilitation obligations and capabilities across a corporate group
- make changes to certain eligibility requirements for workers' compensation.

Regulations

The department prepares regulations that are necessary under enabling legislation to give effect to the government's workplace relations priorities.

During 2013–14, two provisions of the Fair Work Amendment Regulation 2013 (No. 2) commenced:

- A minor amendment to the Fair Work Regulations 2009, about the entitlement to request flexible working arrangements under the National Employment Standards for inclusion in the Fair Work Information Statement, commenced on 1 July 2013.
- The model consultation term set out in the Fair Work Regulations 2009 was replaced by a model consultation term that meets the requirements of subsections 205(1) and (1A) of the Fair Work Act as amended. These amendments commenced on 1 January 2014.

The following regulations were made during 2013–14:

- Amendment No. 1 to the Building Code 2013 amended the code to clarify the interaction between the code and concurrently applicable state guidelines as they relate to building contractors and building industry participants.
- The Fair Work Amendment (Anti-Bullying) Regulation 2013 prescribed the fee that is to be paid by persons making an application to the Fair Work Commission for an order to stop bullying and the indexation method for that fee.
- The Road Safety Remuneration Amendment Regulation 2013 amended the list of state and national heavy vehicle laws that are capable of operating concurrently with the *Road Safety Remuneration Act 2012*. It also established a code of conduct for bargaining for road transport collective agreements and prescribed additional functions for the Road Safety Remuneration Tribunal.

- The Coal Mining Industry (Long Service Leave) Legislation Amendment Regulation 2013 extended deadlines for when the Coal Mining Industry (Long Service Leave Funding) Corporation must notify certain former eligible employees about records and when it must seek actuarial advice as to the sufficiency of the Coal Mining Industry (Long Service Leave) Fund.
- The Fair Work and Other Legislation Amendment (AusAID) Regulation 2013 amended the Fair Work Regulations 2009 to reflect the integration of the Australian Agency for International Development into the Department of Foreign Affairs and Trade.
- The Fair Entitlements Guarantee (Indexation of Maximum Weekly Wage) Regulation 2013 set out the mechanism for the annual indexation of the maximum weekly wage amount for the purposes of the *Fair Entitlements Guarantee Act 2012*.
- The Fair Entitlements Guarantee (Indexation of Maximum Weekly Wage) Amendment Regulation 2014 gave effect to a measure announced in the 2014–15 Budget to pause the annual indexation of the maximum weekly wage amount for the purposes of the *Fair Entitlements Guarantee Act 2012* for a period of four years, with indexation to re-commence on 1 July 2018.
- The Work Health and Safety Amendment (Licences) Regulation 2014 prescribed fees for applications for new or additional high-risk work licences, replacement of a high-risk work licence and renewal of a high-risk work licence. It also extended the transitional period for certain operators of reach stackers to obtain a high-risk work licence until 1 January 2016.
- The Fair Work Amendment (Protected Industrial Action) Regulation 2014 amended the Fair Work Regulations 2009 to prescribe certain persons for the purpose of subparagraph 424(2)(b)(iii) of the Fair Work Act.

Workplace safety

Office of the Federal Safety Commissioner

The Office of the Federal Safety Commissioner administers the Australian Government Building and Construction OHS Accreditation Scheme and works closely with Australian Government agencies and industry to ensure effective implementation of the health and safety requirements of the *Fair Work (Building Industry) Act 2012*.

The scheme aims to establish best practice in health and safety systems of building companies that wish to undertake Commonwealth-funded building work. At 30 June 2014, 325 companies were accredited under the scheme. The Office of the Federal Safety Commissioner had been notified of 1135 directly and indirectly funded contracts for building work covered by the scheme with a combined value of \$58.55 billion.

In the first half of 2014, the department conducted a review of the scheme to identify ways in which it could be modernised and streamlined without affecting workplace safety outcomes. The review was assisted by an advisory panel comprising representatives from key industry associations, unions, government agencies and the Federal Safety Commissioner. Feedback was received from stakeholders through submissions on a discussion paper issued in February 2014. Recommendations from the review were provided for government consideration in June 2014.

In March 2014 the Office of the Federal Safety Commissioner conducted a survey of all accredited contractors. Responses were received from 126 companies (41 per cent of all accredited companies). Almost 80 per cent of respondents believed that accreditation had improved workplace safety in their organisation; 95 per cent of small companies also had that view. Around 78 per cent said that accreditation had helped them achieve a whole-of-organisation improvement to safety culture, both on site and in the head office.

Concerns were raised about costs and value for money, particularly for small and medium-sized companies. The survey also revealed that there were misconceptions about the scheme, which can act as a barrier to companies pursuing accreditation. Stakeholder consultations identified a number of areas for improvement and ways to address barriers to entry to the scheme.

Effectiveness indicators

The effectiveness of Outcome 2 in achieving the government’s policy and programme objectives is measured through the indicators set out in Table 13–15 and described in greater detail below.

The department closely monitors and analyses these indicators and advises the Minister accordingly.

Table 13 The federal workplace relations system supports improved productivity outcomes

Key performance indicator	Year to June quarter 2013	Year to June quarter 2014
Labour productivity as measured by gross value added per hour worked in the market sector (annual, trend terms)	2.43%	3.3%
ABS wage price index (annual, seasonally adjusted terms)	2.8%	2.6%

Table 14 Low incidence of industrial action (allowing for variations in the bargaining cycle)

Key performance indicator	Year to June quarter 2013	Year to June quarter 2014
Working days lost per thousand employees	20.2	8.45

Table 15 Collective bargaining is widely used by employers and employees to negotiate pay and conditions

Key performance indicator	Year to June quarter 2013	Year to June quarter 2014
Number of workplaces whose employees had their pay determined by an enterprise agreement made under the <i>Fair Work Act 2009</i> ^a	6768 Fair Work Act agreements approved	6410 Fair Work Act agreements approved

- a. Information on the number of workplaces covered by the enterprise agreement stream of the Fair Work Act is not available and therefore the number of employers whose employees had their pay determined by an enterprise agreement made under the Fair Work Act has been used as the best available current proxy. However, it should be noted that the number of employers is an approximation only of the number of workplaces covered, since it is common for a single employer to use an enterprise agreement to cover more than one workplace.

Wages and earnings

The Australian Bureau of Statistics' wage price index is the preferred measure of wages growth. The index increased by 2.6 per cent (seasonally adjusted) over the year to the June quarter 2014, down from 2.8 per cent over the year to the June quarter 2013. The softening of wages growth reflects the current state of the labour market.

Public sector wages grew by 2.8 per cent and private sector wages increased by 2.4 per cent over the same period.

In industry terms (original data), over the year to the June quarter 2014, the highest rate of increase in the index was in education and training (3.2 per cent). The lowest annual increase was in professional, scientific and technical services (2.0 per cent) and wholesale trade (2.0 per cent).

Productivity

Labour productivity—as measured by real gross value added per hour worked in the market sector—increased by 3.3 per cent (trend terms) over the year to the June quarter 2014 (up from 2.4 per cent over the year to the June quarter 2013).

Market sector real gross value added increased by 3.3 per cent, while hours worked (in the market sector) were unchanged. It should be noted that short-term measures of productivity are prone to volatility and cyclical effects and should therefore be interpreted with caution.

Industrial disputes

Rates of industrial disputation declined over the year. Through the year to the June quarter 2014, 8.5 working days were lost per thousand employees. This was down from 20.2 working days lost per thousand employees in June 2013 and is the second lowest annual rate of industrial disputation since 1985. The decline was mainly due to reduced rates of industrial disputes in the coal mining and construction industries. It should be noted that industrial disputes data are prone to short-term fluctuations and should be treated with caution.

Through the year to the June quarter 2014, 88,900 working days were lost due to industrial disputes. The education and training and health care and social assistance industries accounted for the largest number of working days lost (38,600), followed by construction (21,000).

Agreement-making

A total of 6410 enterprise agreements were approved by the Fair Work Commission in the year to 30 June 2014 (latest available data), compared to 6768 agreements approved in the year to 30 June 2013. Almost all industries experienced a lower rate of agreement-making, but in terms of number of agreements, the decrease was most pronounced in the construction and manufacturing industries. This is at least partly due to industry bargaining cycles, with enterprise agreements typically lasting three to four years. The average annualised wage increase under the enterprise agreements approved in the year to 30 June 2014 (latest available data) was 3.4 per cent (up slightly from 3.3 per cent in the year to 30 June 2013).

Departmental outputs

Table 16 Departmental outputs for Outcome 2

Performance indicator	2013–14 estimate	2013–14 actual
GEERS—timeliness of processing claims ^a	80% processed within 16 weeks of receipt	65.3%
	98% processed within four weeks of receipt of verified entitlement data	92.5%
GEERS—accuracy of stakeholders (insolvency practitioners)	Over 98% of payments not varied after appeal	99.1%
GEERS—satisfaction of stakeholders (insolvency practitioners)	Satisfied or above	74.8% of surveyed practitioners gave a rating of satisfied or above
Fair Entitlements Guarantee—timeliness of processing claims ^b	90% of requests for verified entitlement data are initiated within two weeks of claim receipt or liquidation date (whichever is later)	52.8%
	90% of eligibility and advance decisions are made within four weeks of receiving verified entitlement data	85.9%
Fair Entitlements Guarantee—accuracy of processing claims	90% of eligibility and advance decisions are accurate having regard to the information available when making the decision	98.7%
Fair Entitlements Guarantee—stakeholder satisfaction	80% of stakeholders (insolvency practitioners) are satisfied with the administration of FEG	74.8% of surveyed stakeholders gave a rating of satisfied or above
Timeliness of departmental responses to client requests for assessment of industrial instruments against the code and guidelines	95% completed within 10 working days	98% completed within 10 working days

Performance indicator	2013–14 estimate	2013–14 actual
Level of satisfaction of clients with the provision of advice, information, education and promotion of safer workplaces on Australian Government construction sites by the Office of the Federal Safety Commissioner	Effective or above	Effective

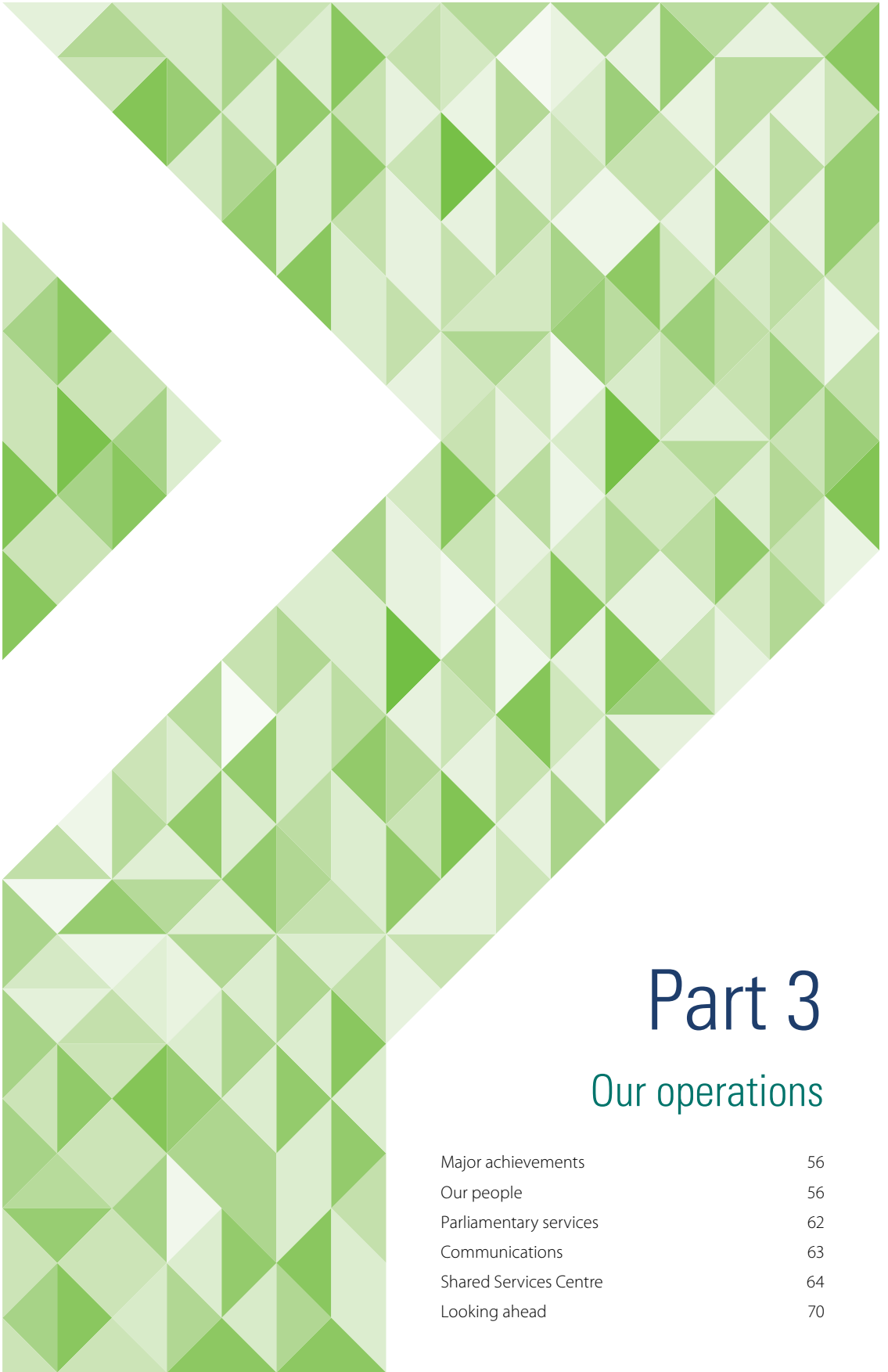
- a. Over 2013–14 the volume of matters falling within the scope of GEERS reduced as more claims became covered under the scope of FEG, introduced from 5 December 2012 as the successor to GEERS. A large proportion of GEERS claims finalised related to aged and complex matters—489 new GEERS claims were received and 1471 GEERS claims were finalised. This has significantly skewed performance against GEERS performance indicators in 2013–14.
- b. See the discussion of Outcome 2 challenges—significant transitional impact of implementing new business processes, system and workflow arrangements affected timeliness in processing claims in 2013–14.

Looking ahead

In 2014–15 the department will continue to support the government to deliver national workplace relations systems which support jobs growth and promote fair and safe workplaces for all Australians.

The department’s strategies for achieving this will include:

- providing legal and policy advice to the government on the implementation of its workplace relations, workplace health and safety and workers’ compensation reform agenda and on the operation of the workplace relations framework
- working with state and territory governments, employers and their representatives to support the implementation of the governments reforms
- working closely with portfolio agencies
- supporting other government departments to implement government reforms and priorities which have workplace relations or workplace health and safety, and workers’ compensation implications.



Part 3

Our operations

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Our operations

Major achievements

We effectively managed the large and complex machinery-of-government change creating the Department of Employment from the previous Department of Education, Employment and Workplace Relations (DEEWR). This included transferring programmes and more than 600 employees to the Department of the Prime Minister and Cabinet and the Department of Social Services.

We conducted an effective campaign to promote awareness of the Tasmanian Jobs Programme and prepared for the launch of the Restart wage subsidy and mature-age employment campaign.

The creation of the Shared Services Centre, while managing machinery-of-government and system changes required to establish the partner departments and the centre, was a milestone achievement for all involved.

Our people

Our people are central to the department's ability to support the government, our ministers and the community. They uphold and promote the Australian Public Service Values and Code of Conduct, demonstrate leadership and take personal responsibility. These approaches, values and behaviours define the department's culture. To maintain and strengthen this we will focus on the following priorities: a positive culture, an engaged workforce, a capable and innovative workforce and an adaptive, responsive workforce.

Work is underway on finalising our People and Capability Strategy, which incorporates both our leadership statement and how we will deliver on our people priorities. Overseen by the People and Capability Committee, over two years, the strategy will guide the department's approach to ensuring people are at the core of our business.

The creation of the department provided the opportunity to set the strategic direction for our people. The department created the People Capability Committee to oversee the effective management of people and organisational strategies.

At 30 June 2014 the department had 1843 employees—1829 ongoing and 14 non-ongoing.

Table 17 Ongoing employees by employment status at 30 June 2014

Employment status	Female	Male	Total
Full-time	765	790	1555
Part-time	226	48	274
Total	991	838	1829

Table 18 Non-ongoing employees by employment status at 30 June 2014

Employment status	Female	Male	Total
Full-time	5	5	10
Part-time	3	1	4
Total	8	6	14

Employees were located across eight Australian locations and two overseas postings.

Table 19 Employees by location at 30 June 2014

Location	Female	Male	Total
New South Wales	64	83	147
Victoria	31	21	52
Queensland	44	24	68
Western Australia	16	10	26
South Australia	23	11	34
Tasmania	9	4	13
Australian Capital Territory	805	687	1492
Northern Territory	6	3	9
Overseas	1	1	2
Total	999	844	1843

Table 20 Employees by classification at 30 June 2014

Classification	Female	Male	Total
Cadets	1	1	2
Indigenous Australian Government Development Programme Trainees	1	3	4
Graduates	12	11	23
APS Level 1	0	0	0
APS Level 2	2	1	3
APS Level 3	40	31	71
APS Level 4	118	92	210
APS Level 5	175	130	305
APS Level 6	237	200	437
Executive Level 1	253	239	492
Executive Level 2	91	75	170
Information Technology Specialist	2	14	16
Government Lawyer	7	2	9
Senior Government Lawyer	11	8	19
Principal Government Lawyer	16	6	22
SES Band 1	19	25	41
SES Band 2	11	6	16
SES Band 3	2	0	2
Secretary	1	0	1
Total	999	844	1843

Diversity

The department is committed to diversity in everything we do and to building an environment that supports and embraces all elements of diversity. In March 2014, the Secretary joined the Australian Public Service Diversity Council. In addition, the department has established the role of Disability Champion to support our employees with disability and improve their employment outcomes.

The Disability Champion is a significant role for the department. In addition to providing important leadership and support internally, the champion represents the department externally and provides leadership across the APS through contributing to the APS Disability Champions Network as well as other related forums.

Work is well advanced to establish a disability employee network to build the department's effectiveness by being an employer of choice for people with disability. The network will assist the department to develop the right organisational culture by having systems and policies in place for people with a disability to be confident and supported in their work environment.

Work is also underway on the agency multicultural plan in line with requirements under the government's Multicultural Access and Equity Policy.

Indigenous business is our business

While some of the department's work has changed with the machinery-of-government changes, Indigenous business remains our business. We are committed to building a department which is not only an employer of choice for Indigenous people, but is one which actively welcomes the contribution of Aboriginal and Torres Strait Islander employees and works towards positive outcomes for Indigenous Australians.

We contribute to the government's priority of getting more Indigenous Australians into work to close the gap on Indigenous disadvantage.

The department has an Indigenous Leader who advises the Executive on matters of importance to Indigenous employees, jointly chairs the Indigenous Staff Committee, and takes part in key governance committees.

The work of the Indigenous Leader is complemented by that of the department's Indigenous Champion. The Indigenous Champion has a role in our efforts to increase, retain and develop our Indigenous presence in the organisation and taking forward the key actions in our Reconciliation Action Plan but also taking on external representational and leadership roles across the APS.

Reconciliation Action Plan

The department's Reconciliation Action Plan is being developed in consultation with employees. A draft plan was released by the Secretary in May 2014 as part of National Reconciliation Week. The Reconciliation Action Plan outlines actions and targets to ensure everyone in the department can identify their contribution to making Indigenous business our business.

Workforce planning and employee retention

Entry-level recruitment programmes

The department offers career opportunities to university graduates interested in supporting national policies and programmes that help Australians find and keep employment and work in safe, fair and productive workplaces. The graduate programme is a 10-month programme offering workplace learning and development in a supportive environment. By June 2014, the department had 23 graduates.

The department also supports the Indigenous Cadetship Programme. The programme offers career development opportunities for Aboriginal and Torres Strait Islander students by providing an opportunity to study full-time as well gain work experience in a government agency. By June 2014 the department had two cadets.

The Indigenous Australian Government Development Programme is another entry-level programme for Aboriginal and Torres Strait Islander people. In addition to ongoing employment, participants undertake a Diploma of Government qualification and are provided with other professional and personal development opportunities to enhance their capability to undertake a career within the APS. By June 2014, the department had four participants in the programme.

Remuneration and conditions of employment

A new Administrative Arrangements Order was issued on 18 September 2013 to give effect to a range of changes to the machinery of government.

On the same day, the Minister Assisting the Prime Minister for the Public Service, Senator the Hon. Eric Abetz, signed a determination under section 24(3) of the *Public Service Act 1999* that preserved the conditions of employment for non-SES and SES employees that applied to them immediately before the Administrative Arrangements Order was made. The previously existing enterprise agreement provided core conditions of employment and a range of flexible working arrangements to assist employees to balance their personal and professional lives.

At 30 June 2014, 1783 non-SES employees in the department were covered by the section 24(3) determination that preserved their previous enterprise agreement. Nine employees retained individual flexibility arrangements, and 10 employees received supplementary section 24(1) determinations. These determinations will remain in place until the new enterprise agreement, which is currently being developed, comes into effect.

On 27 June 2014, a new section 24(1) determination was made for the department's SES employees to ensure consistency with the Australian Government Public Sector Workplace Bargaining Policy.

At 30 June 2014, 59 SES employees had section 24(1) determinations in place.

Table 21 Salary ranges by classification at 30 June 2014

Classification	Salary range (\$)
APS Level 1	27,172 – 49,516
APS Level 2	53,190 – 56,680
APS Level 3	59,400 – 61,870
APS Level 4	64,615 – 69,103
APS Level 5	71,342 – 76,271
APS Level 6	80,204 – 88,197
Executive Level 1	98,624 – 109,001
Executive Level 2	116,056 – 139,311
Information Technology Specialist	114,451 – 119,901
Government Lawyer	61,870 – 88,197
Senior Government Lawyer	98,624 – 120,814
Principal Government Lawyer	132,400 – 142,794
SES Band 1	140,000 – 245,000
SES Band 2	206,000 – 279,000
SES Band 3	270,000 – 300,000

Note: The Secretary is not included in these figures as remuneration arrangements for departmental secretaries are set out under a separate instrument.

Table 22 Employment agreement statistics at 30 June 2014

Classification	Section 24(1) determinations	Enterprise agreement	Total
SES	59	0	59
Non-SES	10	1773	1783
Total	69	1773	1842

Note: The Secretary is not included in these figures.

Non-salary benefits

Non-SES employees are eligible for a paid allowance if undertaking recognised workplace responsibility roles such as first aid officer, emergency warden or health and safety representative.

Performance pay

No SES employees were granted performance pay for the 2013–14 performance cycle. The DEEWR Enterprise Agreement 2012–2014, which covers all non-SES employees, does not provide access to performance pay.

Work health and safety

The department is committed to providing a safe and healthy work environment for all employees, with a focus on strong communication, effective consultation and the development of targeted health and safety initiatives in the workplace. Health and safety arrangements are in accordance with the *Work Health and Safety Act 2011*.

During 2013, DEEWR established a Work Health Safety and Environment Committee under the Act. The committee provided a forum for consultation and consideration of strategic work health and safety issues for the former department.

Following the machinery-of-government changes, the department continued to meet all employer obligations and to effectively manage health and safety risks.

Work health and safety incident reporting

Reporting for 2013–14 is split into two periods, the first for DEEWR for the period 1 July 2013 to 17 September 2013, and the second for the Department of Employment from 18 September 2013 to 30 June 2014.

Falls, including slips and trips, made up the highest proportion of reported incidents for both periods (34 per cent for DEEWR and 30 per cent for the Department of Employment). The incidence of muscle stressing decreased from 16 per cent in 2012–13 to 11 per cent for DEEWR and 5 per cent for the Department of Employment.

Between 1 July 2013 and 17 September 2013, DEEWR notified Comcare of two incidents pursuant to section 38 of the Work Health and Safety Act; between 18 September 2013 and 30 June 2014, the Department of Employment reported two incidents. This compares with nine incidents reported to Comcare by DEEWR in 2012–13.

Table 23 Work health and safety incidents by type, 2013–14

Mechanism of incident	DEEWR incidents (%)	Department of Employment incidents (%)
Falls on the same level (including trips and slips)	34	30
Miscellaneous and uncategorised mechanisms	5.6	15
Vehicle accident	5.6	10
Unspecified mechanism of injury	1.9	10
Repetitive movement with low muscle loading	17	7.5
Being hit by moving objects	0	7.5
Other muscular stress	11.3	5
Single contact with chemical or substance (excluding insect and spider bites and stings)	0	5
Hitting objects with the body	3.8	2.5
Other and multiple mechanisms of injury	1.9	2.5
Fall from a height	0	2.5
Exposure to variations in pressure (other than sound)	0	2.5
Exposure to mental stress factors	7.5	0
Other contact with chemical or substance (including insect and spider bites and stings)	3.8	0
Contact or exposure to heat and cold	3.8	0
Contact with electricity	1.9	0

Note: DEEWR work health and safety incidents by type, 1 July 2013 to 17 September 2013. Department of Employment work health and safety incidents by type, 18 September 2013 to 30 June 2014.

Parliamentary services

The department’s parliamentary team plays a key role in providing specialised expertise and support to the portfolio’s ministers and the department. This includes coordination and management of all parliamentary business such as quality assurance and processing of ministerial correspondence and briefings, coordinating question time briefs, contributing to Senate Estimates and other parliamentary committees and supporting the Executive and ministers’ offices.

In 2014 the department will move to the whole-of-government parliamentary workflow solution to manage all of our parliamentary records and business.

Communications

The department has a specialised communication function that supports the department's business areas to develop and implement communication strategies and campaigns to provide information about government programmes and to manage events, media (including social media), speechwriting and staff communications.

The department works with ministers' offices, the Executive, business areas, journalists and other stakeholders to produce high-quality communication products such as publications, media releases, speeches and online content to ensure that the Australian public has access to comprehensive and accurate information about Australian Government policies and programmes.

A strong internal communication function was critical during the establishment phase of the new department and to assist our employees during periods of organisational change.

Consistent with Australian Government guidelines on information and advertising campaigns, the department undertakes paid advertising to inform affected members of the Australian community about the range of programmes and initiatives it administers. More information on Department of Employment advertising can be found in Appendix 2.

Tasmanian Jobs Programme campaign

Tasmanian businesses that provide jobs to people who have been unemployed for at least six months may be able to get financial assistance from the Australian Government. The Tasmanian Jobs Programme campaign began in April 2014 and included two phases of targeted advertising activity. Print advertising was placed in Tasmanian newspapers in April and May and radio advertising was added to further print advertising in June.

Advertising activity has been supported by two mail-outs from the Minister for Employment, Senator the Hon. Eric Abetz, to Tasmanian employers and the engagement of local stakeholders through social media and editorial content. Information brochures and posters have also been distributed to local employment services providers and members of parliament.

Further information on the Tasmanian Jobs Programme campaign is available at www.employment.gov.au/tassiejobs and in the reports on Australian Government advertising prepared by the Department of Finance (available at www.finance.gov.au/advertising/campaign-advertising-reports.html).

Restart wage subsidy and mature-age employment communication campaign

The Restart wage subsidy and mature-age employment communication campaign aims to promote positive employer attitudes towards employing mature-age job seekers, and to raise awareness and encourage take-up of the Restart wage subsidy.

Developmental research and creative development for the campaign started in 2013–14. The campaign, due to launch on 16 July 2014, includes press, magazine, radio and digital advertising.

Further information on the Restart wage subsidy campaign is available at <http://employment.gov.au/restart-wage-subsidy> and in the reports on Australian Government advertising prepared by the Department of Finance (available at www.finance.gov.au/advertising/campaign-advertising-reports.html).

Shared Services Centre

In December 2013 the Department of Employment partnered with the Department of Education to establish a Shared Services Centre to deliver corporate and enabling services to both departments as an innovative and efficient response to the recent machinery-of-government changes.

By setting up the Shared Services Centre the departments were able to share over 600 employees and aim to avoid extra costs in establishing both departments by maintaining existing economies of scale.

The partner departments fund the Shared Services Centre through their annual appropriations, so financial accountability flows through both departments to parliament. As the Shared Services Centre is not a separate legal entity, its activities must be reported through both departments' annual reports. For 2013–14, it is not possible to separate all partner departments' activities managed by the Shared Services Centre; this is noted in this section where relevant.

In setting up the Shared Services Centre, the departments aimed to create a robust business model for achieving efficiencies in the delivery of corporate services. During 2013–14 the centre provided a range of services to the partner departments and other agencies in line with arrangements in place for DEEWR.

Governance and structure

The Shared Services Centre's strategic direction and priorities are overseen by a governance board. The board membership, as at 30 June 2014, is detailed in Table 24.

Table 24 Shared Services Centre governance board members at 30 June 2014

Name	Role
Renée Leon PSM (Chair)	Secretary of the Department of Employment
Lisa Paul AO PSM	Secretary of the Department of Education
Craig Storen PSM	Interim Chief Executive Officer of the Shared Services Centre
Stephen Sedgwick AO	Australian Public Service Commission representative
Jenet Connell	Department of Finance representative
Natalie James (Fair Work Ombudsman)	Client agency representative
Julian Barrington-Smith	Independent member

Information technology

Delivery of the department's outcomes is supported by a range of information technology services, including application development and support, business analytics and geospatial reporting, application hosting, infrastructure provisioning and other support services. Responsibility for the department's information technology is shared between the department, which continues to sustain and develop its major business applications, and the Shared Services Centre, which manages the rest of the information technology services for the department.

During 2013–14, the Shared Services Centre piloted a new set of tools to support mobile computing to enhance employees' productivity when they are away from the office. The tools include a laptop that acts as a desktop replacement for mobile users, and a smartphone and tablet that enable users to access key business applications anywhere there is a connection to the internet.

The Shared Services Centre piloted the use of cloud computing to source computing and storage services for application development and testing. This work will position the department to take advantage of the flexibility and efficiency offered by cloud computing where privacy and performance constraints allow.

The Shared Services Centre also worked on implementing advanced application performance monitoring to improve its ability to monitor and manage IT services for clients, respond quickly to issues and reduce system downtime.

Environmental performance

The department's environmental management is administered by the Shared Services Centre as part of its property management function. At 30 June 2014, accommodation and operations of the department were not fully separated from those of the Department of Education. This section therefore provides an aggregated report for both departments.

Environmental management for the departments is focused on reducing impacts from energy consumption, waste, water consumption, vehicle fleet, air travel, paper consumption, and procurement policies and practices. Progress of the departments is summarised in Tables 25–31.

Effect of the departments' activities on the environment

The departments use an environmental management system to monitor and report on environmental performance, reduce negative environmental impacts and minimise pollution.

Over the past five years, the departments have significantly reduced both total electricity usage and per capita energy intensity (Table 25). The reductions were achieved by rationalising the property portfolio into fewer, more efficient tenancies and rolling out new desktop computers, including single split-screen monitors.

Table 25 Energy usage, 2009–10 to 2013–14

Year	Total kWh used	Change (%)	Intensity (MJ/FTE)	Change (%)	Total cost (\$)	Change (%)
2009–10	15,489,622	–	9,618	–	2,492,673	–
2010–11	12,383,849	–20	8,180	–15	2,182,450	–12
2011–12	10,635,473	–14	7,303	–11	1,951,531	–11
2012–13	7,164,658	–33	6,461	–12	1,575,379	–19
2013–14	6,863,055	–4	6,432	–0.5	1,649,544	+5

kWh = kilowatt hour; MJ/FTE = megajoules per full-time equivalent.

Because the energy efficiency of the departments' property portfolio and ICT infrastructure were relatively unchanged in 2013–14, performance was maintained but the rate of improvement has slowed. As a result of ongoing price rises, total electricity costs rose by 5 per cent in 2013–14—the first increase in four years.

Office and building

In 2013–14, the departments achieved a small reduction in light and energy use to 6326 megajoules per person per year. This is well below the Energy Efficiency in Government Operations Policy target of 7500 megajoules.

The largest tenancy, 50 Marcus Clarke Street in Canberra, maintained excellent results in the most comprehensive range of formal environmental ratings gained by any building in Australia:

- 6 Star Green Star As Built (whole of building)
- 5 Star Green Star Office Interiors
- 5.5 Star National Australian Built Environment Rating System (NABERS) Energy (for both base building and tenancy)
- 5 Star NABERS Water
- 5 Star NABERS Indoor Environment
- 4 Star NABERS Waste.

The other main Canberra tenancy, at 10 and 12 Mort Street in Canberra, received a NABERS Energy rating of 5.5 stars—an outstanding result for a refurbished property.

Table 26 Summary of office and building energy use, 2012–13 and 2013–14

Indicator	2012–13	2013–14	Change (%)
Total office tenant light and power electricity consumption (kWh)	7,164,658	6,863,055	-4.21
Total office tenant light and power energy consumption (MJ)	25,792,768	24,706,998	-4.21
Office tenant light and power energy use per full-time equivalent (MJ/FTE)	6,461.11	6,432.44	-0.44
Office tenant light and power energy use per square metre (MJ/m ²)	239.95	222.68	-7.20
Greenhouse emissions attributed to office tenant light and power energy use (tonnes CO ₂ -e)	6,362.23	6,087.30	-4.31
Green power purchased (kWh)	605,587	418,287	-30.93

CO₂-e = carbon dioxide equivalent; kWh = kilowatt hour; MJ = megajoule; MJ/FTE = megajoules per full-time equivalent.

Table 27 Summary of greenhouse emissions, 2012–13 and 2013–14

Indicator	2012–13	2013–14	Change (%)
Total greenhouse emissions (tonnes CO ₂ -e)	6,675.70	6,228.92	-5.79
Total greenhouse emissions per FTE (tonnes CO ₂ -e/FTE)	1.67	1.64	-1.80

CO₂-e = carbon dioxide equivalent; FTE = full-time equivalent.

Information and communications technology

The departments have reduced the running costs, resource consumption and environmental impacts of ICT operations through initiatives such as the use of energy-efficient monitors, virtual servers and print-on-demand for multifunction devices that default to duplex and black-and-white printing.

The combination of an increased proportion of efficient desktops, an increase in the number of desktops going to sleep over night, and a reduction in the wait time before a computer goes to sleep (from 30 minutes to 15 minutes) has lowered yearly desktop energy use per end user by 12.5 per cent from 264 kilowatt hours in 2012–13 to 231 kilowatt hours in 2013–14.

Table 28 Summary of ICT sustainability, 2012–13 and 2013–14

Indicator	2012–13	2013–14	Change (%)
Desktop devices per end user (including laptops)	1.54	1.84	+19.5
Desktop computers to printer ratio	14:1	13:1	-7.1
Percentage of desktop computers off (or sleeping) after hours	88	93	+5.7
Desktop energy per end user (kWh per annum, averaged across the departments)	264	231	-12.5

kWh = kilowatt hour.

Vehicle fleet and air travel

The average Green Vehicle Guide rating of the vehicle fleet improved by 3.9 per cent to a rating of 13.3. This, together with a reduction in fuel consumption, demonstrates the departments' continued commitment to minimising the fleet's environmental impact.

Total air kilometres travelled decreased by 30.08 per cent from 14,338,871 kilometres in 2012–13 to 10,026,378 kilometres in 2013–14. This outcome reflects the departments' diligent approach to pursuing alternatives to air travel and increased use of ICT, such as videoconferencing.

Table 29 Summary of vehicle fleet use, 2012–13 and 2013–14

Indicator	2012–13	2013–14	Change (%)
Total number of fleet vehicles	148	140	-5.41
Average green vehicle rating of fleet	12.8	13.3	+3.90
Total fuel purchased (kilolitres)	133.47	86.73	-35.02
Total distance travelled (kilometres)	1,366,707	900,520	-34.11
Average fuel consumption of vehicle fleet (litres/100 km)	9.77	9.63	-1.43
Total direct greenhouse emissions of fleet (tonnes CO ₂ -e)	308.92	201.62	-34.73

CO₂-e = carbon dioxide equivalent.

Table 30 Summary of air travel, 2012–13 and 2013–14

Indicator	2012–13	2013–14	Change (%)
Total number of flights	15,822	12,746	-19.44
Total distance of flights (km)	14,338,871	10,026,378	-30.08

Resource efficiency and waste

Paper use rose from 7.3 to 7.9 reams per person per annum in 2013–14. Despite the increase, paper use remains below the Australian Government ICT Sustainability Plan 2010–2015 target of 9 reams per person per annum by July 2015.

The departments purchased 100 per cent post-consumer recycled stock for all standard A4 and A3 paper.

The waste management system in Canberra diverted an impressive 25 tonnes of organic material from landfill to professional vermiculture, reducing emissions and producing beneficial worm castings and compost.

In 2013–14 the departments worked in close partnership with their cleaning contractors to:

- support the outstanding NABERS Indoor Environment rating by ensuring that only the lowest-impact cleaning products—in both environmental and health terms—are used
- maintain the highest workplace health and safety standards in storage and handling of cleaning products
- train all cleaning employees to ensure they are able to maintain the highest environmental and health and safety standards
- source and supply paper products with the highest recycled content available
- ensure that waste streams that have been separated by employees are correctly handled to the point of removal from buildings for recycling
- monitor and streamline the base-building waste removal arrangements, achieving a 25 per cent cost saving.

Table 31 Summary of resource efficiency and waste, 2012–13 and 2013–14

Indicator	2012–13	2013–14	Change (%)
Office paper purchased by FTE (A4 reams/FTE)	7.3	7.9	+8.22
Percentage of paper purchased with recycled content	98.67	97.90	-0.78
Office paper recycled (tonnes)	168.08	122.12	-27.34
Total waste produced (tonnes)	139.93	115.00	-17.82
Total waste produced per FTE (kg/FTE)	45.50	29.94	-34.20
Percentage of waste diverted from landfill	90.25	88.50	-1.94

Note: Waste and recycling data is only available for tenancies across Canberra.

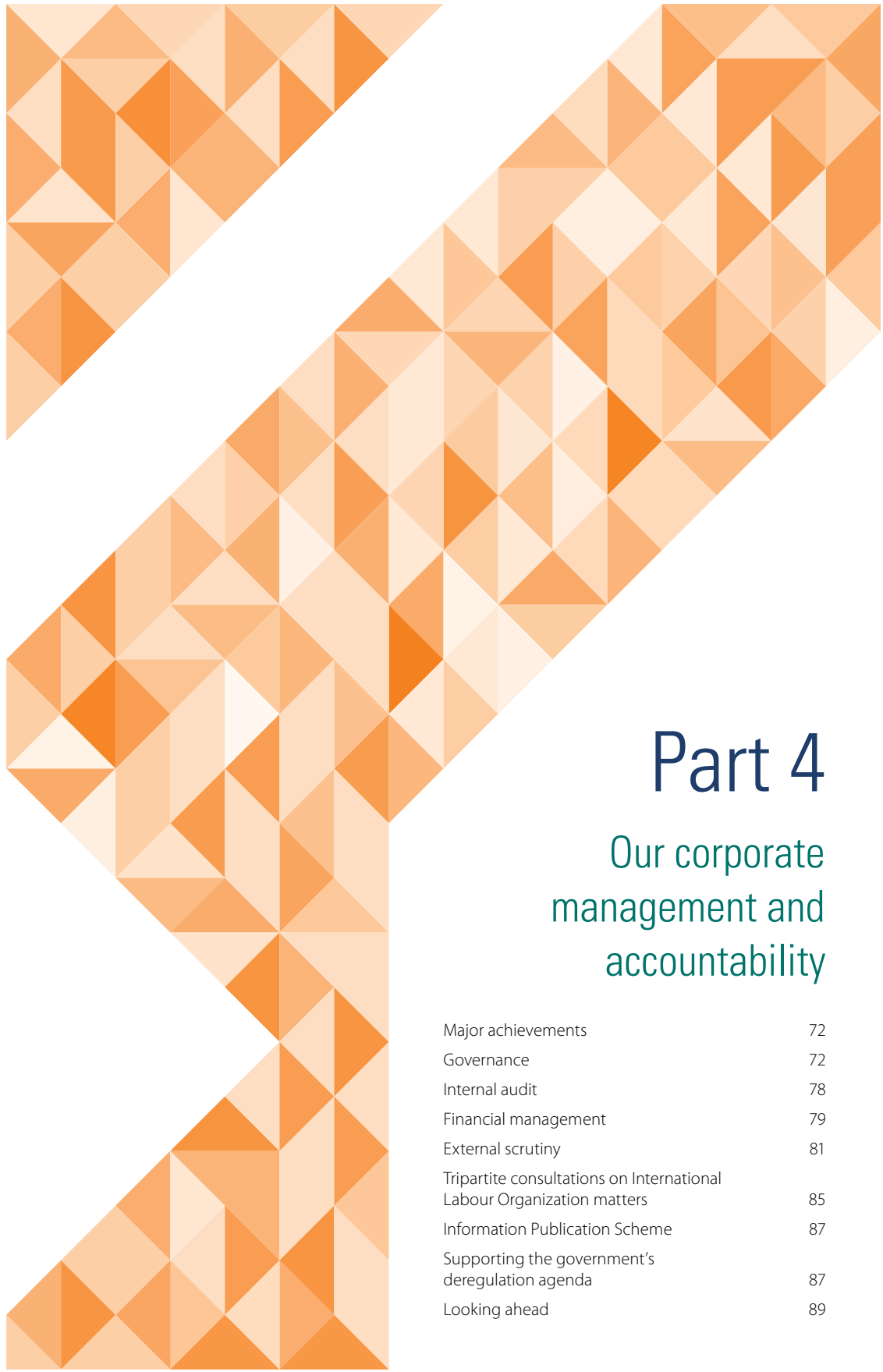
Looking ahead

The department will be focusing on delivering the priorities established in our People and Capability Strategy to ensure that we have an inspired and engaged workforce with the capability to meet our current and future organisational objectives.

The department will continue to be forward-thinking and innovative in communication solutions to ensure that the government’s policies and programmes are understood by and accessible to the public.

As well as continuing the business of providing services to customers, the Shared Services Centre is focusing on a range of separate projects to develop and define how it works. Key priorities and challenges for 2014–15 include:

- exploring the full capability of the SAS Visual Analytics tool to improve policy advice by transforming the way the partner departments deal with high volumes of information
- implementing a major data centre migration strategy, including modernising infrastructure to take advantage of higher quality data centre facilities available under the whole-of-government panel
- following up the success of the cloud computing and mobile computing pilots with full implementations
- continuing to advance systems security to meet emerging cybersecurity threats and challenges
- maturing the Shared Service Centre’s relationships with the partner departments and customers to ensure the continued delivery of innovative, cost-effective and high-quality services matched to their needs
- exploring the use of social media and web collaboration software to transform the way employees interact with each other and with external stakeholders
- increasing the Shared Services Centre’s environmental efforts by improving signage, systems and employee training to ensure the Department of Employment is achieving the maximum possible results from its sophisticated waste-management system.



Part 4

Our corporate management and accountability

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Our corporate management and accountability

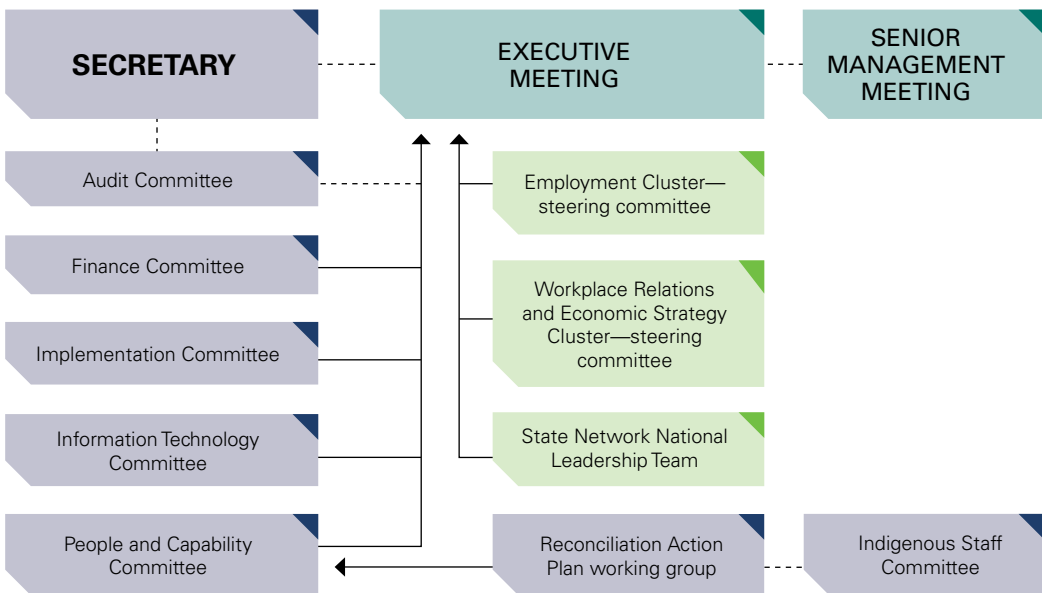
Major achievements

Establishing the governance structure and the risk management framework to support the achievement of the department's priorities has been a highlight for 2013–14. The release of the department's first strategic plan set the direction for how we will achieve our vision of *More Jobs. Great Workplaces.*

Governance

The department's governance framework (Figure 3) forms the structure for providing leadership; overseeing decision making, accountability and management; and ensuring effective policy development and efficient service delivery. The components of the governance framework were established within the first six weeks of the creation of the department.

Figure 3 Governance framework



Executive Meeting

The Executive Meeting supports the Secretary in making key decisions for the department and consists of the Secretary, deputy secretaries and corporate area group managers. Meetings are held weekly and focus on the delivery of outcomes, collective decision making and operational matters.

The Executive Meeting facilitates work across the department to deliver on the government's priorities, and promotes the fundamentals of governance: leadership, systems and processes that are fit for purpose, performance orientation, transparency and effective collaboration.

Governance committees

The department's governance committees support the department to meet its legislative obligations and achieve its strategic priorities.

Audit Committee

The department's Audit Committee for 2013–14 was constituted in accordance with section 46 of the *Financial Management and Accountability Act 1997* (FMA Act) and regulation 22C of the FMA Regulations.

The committee:

- assists the department to comply with its obligations under the FMA Act, the FMA Regulations and the Finance Minister's Orders
- provides a forum for communication between the Secretary, senior managers and the internal and external auditors of the department.

The committee is chaired by a deputy secretary and membership is drawn from senior executives across the department. It also has one independent external member. The committee holds quarterly ordinary meetings and convenes for an additional special meeting to sign the financial statements. The committee met three times during 2013–14, noting that the department was created on 18 September 2013.

Finance Committee

The Finance Committee considers and oversees the appropriation, expenditure and use of money and resources to ensure the department is able to meet its business goals. The committee advises on:

- strategic decisions on financial management matters and policies, including the allocation of departmental budgets
- the department's compliance with the Commonwealth financial framework; in 2013–14 this included consideration of the impact of the *Public Governance, Performance and Accountability Act 2013*, which commences on 1 July 2014
- communication and training to ensure transparency and accountability and increase knowledge across the department
- financial policies and guidelines, including their compliance with relevant legislation
- the financial performance of the department.

The committee operates separately from and alongside the Financial Statements Steering Committee, which provides overarching governance of the financial statements process.

The committee's members are the Group Manager, Finance and Business Services (chair), the Chief Finance Officer and senior executives from across the department. Between its establishment in November 2013 and the end of the financial year, the committee held four meetings.

Implementation Committee

The Implementation Committee considers, supports and provides strategic oversight on the department's implementation of government initiatives. The committee:

- provides strategic direction on the implementation of monitored initiatives
- reports to the Secretary and deputy secretaries on emerging issues and pressures
- confirms governance arrangements, including the existence of appropriate arrangements for local governance
- confirms that risk and implementation plans are drafted and reviewed
- considers cross-departmental issues such as staffing, systems support, finances, devolution, accommodation, evaluation and procurement
- ensures reporting obligations to the portfolio ministers, the Cabinet Implementation Unit and gateway reviews are met
- monitors deregulation targets
- analyses information from implementation reporting to identify lessons learned and disseminates that information throughout the department
- oversees the development of tools to assist with effective implementation of key initiatives
- maximises delivery outcomes
- exercises due diligence to ensure the department complies with relevant workplace frameworks and obligations.

The committee's members are the Deputy Secretary, Workplace Relations and Economic Strategy (chair) and five representatives from relevant areas of the department. The Chief Internal Auditor attends as an observer. Under its terms of reference, the committee meets at least 10 times per year. Between its establishment in November 2013 and the end of the financial year, the committee held six meetings.

Information Technology Committee

The Information Technology Committee considers and oversees the management of information technology tools and policies and knowledge management to ensure the department is able to meet its business goals. The committee:

- ensures the strategic use of information technology to enable the department to meet its programme and corporate objectives
- plans and directs a programme of work to achieve stated IT objectives
- develops policies and guidelines that direct the proper and effective use of information technology including compliance with relevant legislation
- ensures that investment decisions make the best use of available IT funding
- implements effective IT portfolio and project management practices
- identifies risks that threaten the achievement of IT performance goals and ensures that risk treatments are adequate
- ensures that services delivered and procured meet standards prescribed in service-level agreements including with external agencies and vendors
- considers and responds to audit findings that improve the efficiency and effectiveness of IT performance plans and implements activities that provide the necessary IT workforce capabilities and capacity
- ensures adequate provisions are made to support business continuity in the event of disaster
- ensures that the department actively contributes to the achievement of whole-of-government IT-enabled initiatives, and monitors the performance and benefits of IT against a comprehensive IT performance framework.

The committee comprises six group managers from relevant areas of the department and an external member, currently a deputy commissioner from the Australian Taxation Office. The committee meets at least four times a year. It held six meetings between its establishment in December 2013 and the end of the financial year.

People and Capability Committee

The People and Capability Committee considers and oversees the management of people and organisational strategies to ensure the department is able to meet its business goals. The committee advises on:

- strategic decisions on people management issues, policies and initiatives
- the development of a people and capability strategic plan
- progress of the department’s enterprise agreement
- continuation and innovation of people capability and development
- people policies and guidelines, including their compliance with relevant legislation.

The committee also considers whether mechanisms are in place to ensure the department complies with relevant work health and safety duties and obligations.

The committee is chaired by a deputy secretary and membership includes a representative from each cluster, employees with relevant specialist knowledge and the department’s Indigenous Leader. The committee meets at least four times a year or as needed; six meetings were held in 2013–14.

Strategic plan

The department’s strategic plan describes how we will deliver on the government’s priorities, work together and build the culture of the department. The plan provides direction to achieve our vision—*More Jobs. Great Workplaces.*



The plan was developed in consultation with employees through a series of focus groups in the national and state offices. It was launched on 30 April 2014.

The plan centres on four themes—we are a department that:

- *delivers* on the government's agenda and its priorities
- is *forward looking* and strives to be innovative in everything we do
- *collaborates* meaningfully across the public service
- has *people* at the core of our business.

The vision that underlies the plan reflects the government's priorities to create jobs, help job seekers into work and foster great workplaces to build Australia's participation and productivity.

Through the plan we demonstrate our commitment to achieving reconciliation between Aboriginal and Torres Strait Islander peoples and the wider Australian community.

The strategic plan is put into action through the annual business planning process, with business plan templates streamlined to focus on the deliverables and four themes outlined in the plan: delivery, collaboration, forward looking and people. The plan is available on the department's website at <http://strategicplan.employment.gov.au>.

Business planning

Business plans are developed by each area of the department at the cluster, group, branch and state levels. Development of plans is the opportunity to consider what we do, how we do it and how we measure our successes. The plans outline the deliverables for the year ahead and how they will be measured and provide a link between the department's goals and the work of employees in individual performance agreements.

The business planning process is integrated with other corporate activities such as:

- conducting assessments of strategic risks, including fraud
- developing business continuity plans for mission-critical activities
- identifying activities that further our commitment to reconciliation.

The business planning process is also an opportunity to consider other corporate activities to help achieve our goals, such as business improvement, communication, information technology, research and evaluation, and workforce planning.

The plans can be reviewed and updated as needed to reflect any changes in priorities and are reviewed biannually to track progress.

Risk management

The department's priority for risk management is to mitigate the effect of uncertainty on departmental and government objectives.

The department manages risk through its risk management framework, which is underpinned by the risk management policy and Secretary's Instruction 1.1. Since the creation of the department, the framework has supported the enterprise-wide management of risk and ensured that risk management processes are integrated across all levels of the department. Results from a May 2014 employee survey indicate a strong level of engagement with and awareness of risk management.

The department participated in the 2014 Comcover benchmarking survey and scored 8.1 out of 10, which resulted in an 8.33 per cent discount on the department's insurance premiums for 2014–15. The results also identified several areas in which improvements had been made since the last survey in 2012. Areas below current self-selected targets were also identified, and the department will continue to work on those areas during 2014–15.

The department integrates risk management into its business planning process to ensure that risks to the department's delivery of its objectives are identified and actively managed and monitored.

Throughout the year, risk management plans were also developed for all major projects and programmes, with individual risks given risk ratings.

During 2013–14 the department established the Implementation Committee. The committee focused on broadening its involvement with risk, seeking to improve how the department's risk management framework is applied in practice and the underlying risk culture. The committee reviewed the department's risk management framework, including areas of high risk, and discussed the implications of identified risks to programme deliverables.

Provider risk—the risk posed to the department by contractors that provide employment services—is managed through a specialised provider risk framework and risk management system. The ongoing management and operational aspects of provider risk are undertaken by the department's state network. The national office coordinates and reports on these activities and provides expertise in both risk management and programme assurance, supported by a number of specialist employees trained in the use of data mining and analysis and statistical techniques.

Change management

In 2013–14 the department created a specialist change management group to oversee organisational change management across the department and ensure business goals were met. The group is formalising a change management framework based on its common practices, which is expected to be released during 2014–15.

The framework will outline practical approaches to planning, managing and supporting change. It will also identify actions that leaders can take to implement change as efficiently and effectively as possible. The framework will advise employees of what to expect from their managers during times of change and assist employees to manage change effectively at all levels of the department.

Business improvement

The Business Improvement team works closely with policy, programme and corporate support areas across the department to improve work practices, processes and systems to better position the department to achieve its strategic priorities.

The team offers a range of services such as workshop facilitation, process exploration and rolling reviews to help teams develop more efficient and effective ways to reach their performance targets.

In 2013–14 these services were particularly important as the newly formed department settled into new ways of doing business both externally and internally, including the establishment and implementation of the Shared Services Centre.

Service charter

The department's client service charter is a statement of what we do and the standards of service our stakeholders can expect.

The charter outlines how our stakeholders can help us improve our processes, how to provide feedback and the rights of our clients to have decisions reviewed or to lodge complaints. The charter also reinforces the department's commitment to the Australian Public Service Values and Code of Conduct, the *Privacy Act 1998* and the *Freedom of Information Act 1982*.

We use the charter as a guide to measure and monitor our performance, and review and update the content on an annual basis. Links to the service charter are featured on the department's intranet and internet sites.

Internal audit

Internal audit is an important component of the department's control framework. It provides independent assurance to the Executive and the Audit Committee that resources are being used efficiently, effectively and ethically to:

- promote strong performance management and accountability in departmental programmes, systems and practices
- promote better practice within the department
- improve controls and governance within a risk management environment.

Internal auditors monitor the implementation of both internal and external audit recommendations and report progress to the Audit Committee.

Fraud control and investigations

Fraud control

As required by the Commonwealth Fraud Control Guidelines 2011 and the *Financial Management and Accountability Act 1997*, the department has a fraud control plan, supported by guidelines and policies that underpin fraud control in the department. These documents establish the framework for managing fraud risks, including prevention and detection and conducting investigations. Implementation of fraud control mechanisms is managed by the Investigations Branch. The branch has promoted fraud awareness and managed fraud risks for the department by:

- providing face-to-face fraud awareness training to employees
- providing an interactive online fraud awareness training package for employees
- maintaining a suite of fraud control guidance documents for all employees
- requiring staff to consider fraud risks as an integral part of risk management
- developing a new fraud control plan
- providing advice to programme and policy areas on fraud risk analysis and management
- investigating instances of possible fraud in accordance with the Australian Government Investigations Standards and the Commonwealth Fraud Control Guidelines.

Investigations

The Investigations Branch provides a fraud investigation service, from initial assessment of allegations through to criminal prosecution where warranted. All fraud investigations are conducted by formally qualified investigators to the criminal standard (beyond reasonable doubt) in accordance with the requirements of all relevant legislation and Commonwealth standards, guidelines and policies.

Financial management

The department operated from 18 September 2013 to 30 June 2014 for the 2013–14 financial year. Before depreciation, amortisation and revaluations, the department reported an operating surplus for of \$17.9 million (5.9 per cent of departmental revenue). The department incurred administered expenses of \$1.7 billion for 2013–14.

Consultants

Through the Shared Services Centre, the department engages consultants to provide independent and expert advice or services, taking into account the skills and resources required for the task, the skills available internally and the cost-effectiveness of those options. The decision to engage a consultant is made in accordance with the *Financial Management and Accountability Act 1997* and related regulations.

The methods of selection used for consultancies are open tender, prequalified tender, limited tender and panel arrangements (initially selected through either an open tender or prequalified tender process). Consultants are typically engaged to investigate or diagnose a defined issue or problem; carry out defined research, reviews or evaluations; or provide independent advice, information or creative solutions to assist the department in decision making.

During 2013–14, the department entered into 26 new consultancies, involving total actual expenditure of \$2,175,676. In addition, 20 ongoing consultancy contracts were active during 2013–14, involving total actual expenditure of \$2,709,919.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website at www.tenders.gov.au.

Grants programmes

Information on grants awarded by the department during 2013–14 is available at www.employment.gov.au.

Purchasing

The department's procurement policies and practices, implemented by the Shared Services Centre, are consistent with all relevant Commonwealth laws, the Commonwealth financial framework (including the Commonwealth Procurement Rules) and other relevant policies. Specialist legal and probity advice is available to all areas of the department engaged in procurement. The department uses AusTender to publish its procurement activities and plans. As a result, the department's procurement activities are readily communicated and accessible to all business enterprises.

The department implements the Indigenous Opportunities Policy and internal procurement policies aimed at increasing opportunities for businesses owned by Aboriginal and Torres Strait Islander people. The department works in partnership with Supply Nation in applying the policies to support participation of Aboriginal and Torres Strait Islander businesses in Australian Government procurement activities.

There were no contracts exempt from being reported on AusTender during 2013–14.

Shared Services Centre team wins Supply Nation Supplier Diversity Award



Dinesh Kumar, Assistant Director, and Amanda Harris, Director, Procurement and Grants Support team.

The Shared Services Centre's Procurement and Grants Support team was recognised at the Supply Nation Supplier Diversity Awards in May 2014 for their leadership and advocacy in promoting Indigenous suppliers within the partner departments of Education and Employment.

The awards recognise private sector organisations and government agencies for their efforts in using Indigenous businesses to supply goods and services.

The team won the prestigious Government Member of the Year category by ensuring that Indigenous businesses were front and centre in the minds of those responsible for procurement in the two partner departments.

Shared Services Centre Deputy CEO Danny Jones said, 'This is a fantastic result which underlines our commitment to helping our partner departments achieve their Reconciliation Action Plan goals and to supporting their approach to Indigenous business more generally. On behalf of the Shared Services Centre executive, I would like to extend my hearty congratulations to the Procurement and Grants Support team for this outstanding result.'

The team took the opportunity to provide input into the design of the new procurement system, simplifying the procurement exemption provisions and promoting the use of Supply Nation-certified suppliers. Through these initiatives, the team raised awareness of Indigenous businesses that might meet the partner departments' procurement needs.

Asset management

The department's asset management functions were moved into the Shared Services Centre after its establishment, while the policy function remains within the department.

The department's asset management policies and procedures emphasise whole-of-life asset management. The department's activities during 2013–14 included:

- completing a stocktake to confirm the existence and location of the department's assets
- conducting an asset impairment review in accordance with Australian Accounting Standard 136—Impairment of Assets to ensure that the department only carries assets at a value above the recoverable amount
- revaluing land and buildings including leasehold fit-outs as at 30 June 2014
- assessing asset values (other than land and buildings) to ensure they were reported at fair value at 30 June 2014.

External scrutiny

Reports by the Auditor-General

During 2013–14, the Australian National Audit Office (ANAO) tabled one report in parliament that made recommendations relating to the department:

- Audit Report No. 37 2013–14: *Management of services delivered by Job Services Australia.*

The department was also involved in the following cross-portfolio reviews conducted by the ANAO:

- Audit Report No. 13 2013–14: *Audits of the financial statements of Australian Government entities for the period ended 30 June 2013*
- Audit Report No. 33 2013–14: *Indigenous employment in Australian Government entities*
- Audit Report No. 40 2013–14: *Trials of intensive service delivery*
- Audit Report No. 44 2013–14: *Interim phase of the audits of the financial statements of major general government sector agencies for the year ending 30 June 2014*
- Audit Report No. 47 2013–14: *Managing conflicts of interest in FMA agencies.*

Judicial and administrative tribunal decisions

There were no judicial decisions or decisions of administrative tribunals in 2013–14 that had a significant impact on the operations of department. During the year the department was involved in the following significant matters before courts and administrative tribunals.

Transitional review of modern awards

The Fair Work Commission largely completed the two-year transitional review of modern awards in 2013. The previous government was involved in a number of proceedings as part of the review, including the full bench matter concerning an application by the Shop, Distributive and Allied Employees' Association to vary junior rates in the General Retail Industry Award 2010. The previous government supported the application to increase rates of pay for 20-year-old employees from 90 per cent of the adult rate to 100 per cent of the adult rate.

On 16 and 17 July 2013, the government appeared before the full bench in support of its written submission of 17 May 2013. On 21 March 2014, the full bench decided to vary the award to provide that 20-year-old employees are entitled to 100 per cent of the adult rate if they have worked for their employer for six months or more. The National Retail Association is seeking judicial review of this decision before the Federal Court and the matter is ongoing.

Four-yearly review of modern awards

On 1 January 2014, the Fair Work Commission formally began its four-yearly review of modern awards. The Minister for Employment wrote to the commission on 9 December 2014 indicating that the government would monitor the progress of the review and, where appropriate, direct the department to actively engage in proceedings.

On 3 February 2014, the government made a submission in the initial stage proceedings. The government suggested, among other things, that modern awards should support job creation and be simple and easy to understand. Departmental officials appeared at conferences and hearings before the commission in the initial stage proceedings on 5 and 26 February and 6 March 2014.

The commission completed the initial stage of the review on 17 March 2014, when it released a decision on the legislative framework for the review and a statement on the process for the review. There are two concurrent stages to the review—the common issues stage and the award stage. The review is expected to be completed in 2015.

Annual Wage Review 2014

In the 2014 review of minimum wages, the Australian Government argued that the Fair Work commission should take a 'cautious approach' in setting minimum wages and 'consider the softening economic...and labour market outcomes'. The Australian Government provided the commission with:

- an initial submission laying out the government's positions (28 March 2014)
- responses to questions raised by the commission (1 April 2014)
- responses to further questions raised by the commission (16 May 2014)
- a post-budget submission outlining the budget forecasts and relevant budget measures (16 May 2014).

On 21 May 2014, officials from the department and the Treasury appeared before the commission to outline and explain the government's position.

On 4 June 2014, the commission released its decision to increase minimum wages and award wages by 3 per cent from 1 July 2014. The decision will increase the national minimum wage to \$640.90 per week (\$16.87 per hour).

***Toyota Motor Corporation Australia Limited v Marmara* VID1364/2013**

On 19 December 2013, Toyota appealed the Federal Court's decision in *Marmara v Toyota Motor Corporation Australia Limited* [2013] FCA 1351. The primary judge found that the employer's proposal to vary an enterprise agreement during its nominal term was a contravention of the 'no extra claims' clause in that agreement. His Honour found that the employer had contravened section 50 of the *Fair Work Act 2009* and issued an injunction preventing it from conducting, organising, promoting or facilitating a vote on the variations.

On 26 and 27 May 2014, a full court of the Federal Court heard the appeal. The Minister for Employment intervened to make submissions in support of the applicant. The Minister argued that 'no extra claims' clauses in enterprise agreements are of no effect to the extent that they are inconsistent with the variation provisions in the Fair Work Act. At 30 June 2014, the appeal had not been determined.

***Peabody Moorvale Pty Ltd v Construction, Forestry, Mining and Energy Union* [2014] FWCFB 2042**

On 27 February 2014, a full bench of the Fair Work Commission heard an application for approval of the Peabody Energy Australia Moorvale Enterprise Agreement 2013. The matter was referred to a full bench to determine the question of whether a notice of employee representational rights is invalid if it is accompanied by additional material. The Fair Work Commission cannot approve an enterprise agreement unless a valid notice has been provided.

The Minister for Employment made submissions in this matter after the Fair Work Commission issued directions extending an invitation to do so. On 2 April 2014, the full bench, consistent with the Minister's submissions, found that employers are not restricted from providing additional material to employees at the same time as they provide a notice of employee representational rights. However, section 174(1A) of the Fair Work Act makes it clear that there can be no departure from the form and content of the notice that is prescribed in the Fair Work Regulations 2009. The full bench found that it is a question of fact as to whether the additional material forms part of, or is separate to, the notice of employee representational rights.

***State of Victoria v Construction, Forestry, Mining and Energy Union* [2013] FCAFC 160**

On 11 to 13 November 2013, a full court of the Federal Court heard appeals by the State of Victoria against the decisions in *Construction, Forestry, Mining and Energy Union v McCorkell Constructions* [2013] FCA 446 and *Construction, Forestry, Mining and Energy Union v State of Victoria* [2013] FCA 445 that it had breached the general protections provisions of the Fair Work Act by requiring contractors to comply with the Victorian Building Code and Guidelines.

The Minister for Employment intervened in the appeals to make submissions about the operation of the Fair Work Act.

On 19 December 2013, the court allowed Victoria's appeals and set aside the penalty orders. The court also dismissed the union's cross-appeal that the Victorian Building Code and Guidelines were an invalid exercise of the state's executive power. There was no order as to costs.

On 16 January 2014, the union applied to the High Court for special leave to appeal the Federal Court's decision to dismiss its cross-appeal. The special leave application has not yet been listed for hearing.

Equal remuneration applications C2013/5139 and C2013/6333

On 15 July 2013, United Voice and the Australian Education Union filed an application with the Fair Work Commission for an equal remuneration order for employees in long day care centres. On 8 October 2013, the Independent Education Union filed an application for early childhood teachers in long day care centres. The applications were later expanded to include employees working in preschools.

The matters are being heard together by a full bench of the commission and the Commonwealth is named as a respondent to both applications.

The full bench has decided to initially deal with a range of threshold legal and conceptual issues concerning the equal remuneration provisions before it assesses the merits of the applications.

The Commonwealth made submissions on the threshold legal and conceptual issues identified by the full bench. The Commonwealth proposed that a rigorous approach be taken to assessing whether the requirements of the provisions have been met and each case should be dealt with on its merits.

A decision on the threshold issues is still pending, and the full bench has not started its examination of the merits of the applications.

Financial Services Council Pty Ltd v Industry Super Australia Pty Ltd and Anor NSD 4447/2014

On 6 June 2014, a full court of the Federal Court heard an appeal by the Financial Services Council Pty Ltd regarding the constitution of the expert panel undertaking the four-yearly review of default fund terms of modern awards. The Minister for Employment intervened in the appeal to make submissions about the operation of the Fair Work Act.

The seven-member expert panel originally included three members; however, two of the panel members were directed by the president of the Fair Work Commission on 7 March 2014 to no longer deal with the matter due to 'potential conflicts' within the meaning of the Fair Work Act. The president directed that another member be appointed to form part of the expert panel, and subsequently gave directions on 17 April 2014 appointing himself to the expert panel.

On 6 June 2014, the full Federal Court declared invalid the president's direction that he form part of the expert panel. Further, the court found that, as currently purportedly reconstituted, the expert panel was not reconstituted as required under the Fair Work Act. On 10 June 2014 and in consequence of the order, the president issued a statement saying that the expert panel as currently purportedly reconstituted would not deal further with the matter.

Parliamentary committee inquiries

The department appeared before Senate Estimates on three occasions during 2013–14 for a total of seven days:

- Supplementary Budget Estimates—22 and 23 October 2013
- Additional Budget Estimates—26 and 27 February 2014
- Budget Estimates—2 and 3 June 2014.

The department also gave evidence and made submissions to the following parliamentary committee inquiries.

Senate Education and Employment Legislation Committee

- Building and Construction Industry (Improving Productivity) Bill 2013 and Building and Construction Industry (Consequential and Transitional Provisions) Bill 2013
- Fair Work (Registered Organisations) Amendment Bill 2013
- Fair Work Amendment Bill 2014
- Safety, Rehabilitation and Compensation Legislation Amendment Bill 2014.

Senate Education and Employment References Committee

- Government's approach to re-establishing the Australian Building and Construction Commission
- Fair Work (Registered Organisations) Amendment Bill 2013.

Changes to disability reporting in annual reports

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy.

In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available at www.apsc.gov.au.

From 2010–11, departments and agencies have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level, two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these reports will be available in late 2014 and can be found at www.dss.gov.au.

Tripartite consultations on International Labour Organization matters

The department has primary responsibility for International Labour Organization (ILO) matters that affect the Australian Government. Australia is required to report on the tripartite consultations concerning international labour standards in accordance with obligations under the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144). Australia ratified the convention in June 1979.

Tripartite consultation on ILO international standards occurs in a number of ways. Meetings of the International Labour Affairs Committee—a committee of the National Workplace Relations Consultative Council—are held regularly. Direct consultation also takes place between the department and the representative employer and employee organisations—the Australian Chamber of Commerce and Industry and the Australian Council of Trade Unions.

The International Labour Affairs Committee was established in 1978 under section 12(1) of the *National Labour Consultative Council Act 1977*. Its terms of reference are to consider matters of substance relating to the ILO and other relevant international bodies. The committee met once during the reporting period, on 5 March 2014.

Article 5 of Convention 144 requires consultation on several matters. These are discussed in the following sections, together with the action that took place during the reporting period.

Government replies to questionnaires

During 2013–14 the International Labour Office, the permanent secretariat to the International Labour Organization, asked for responses to questionnaires dealing with the following matters:

- the proposed convention and recommendation on strengthening the response to forced labour—in preparation for standard setting at the 2014 International Labour Conference
- the proposed recommendation on transitioning from the informal to the formal economy—in preparation for the first discussion on standard setting at the 2014 International Labour Conference. This recommendation will again be on the agenda at the 2015 International Labour Conference.

The Australian Government submitted responses to these questionnaires on 17 January 2014. The Australian Chamber of Commerce and Industry and the Australian Council of Trade Unions were invited to contribute to the Australian Government's responses, and their comments were forwarded to the International Labour Office in January 2014.

New protocol adopted by the ILO

On 12 June 2014, the Australian Government joined the international community in supporting the adoption of a new ILO protocol seeking to eliminate forced labour, including human trafficking and slavery.

The new protocol was adopted at the International Labour Conference in Geneva, and supplements the Forced Labour Convention, 1930 (No. 29), which Australia ratified in 1932. The protocol encourages practical measures aimed at preventing forced labour as well as measures to protect and assist victims of forced labour.

Australia chaired the Committee on Forced Labour at the conference, and members of the Australian delegation were active and influential participants in the drafting process. The protocol was also strongly supported by the Australian Chamber of Commerce and Industry and the Australian Council of Trade Unions.

Re-examination at appropriate intervals of unratified conventions and recommendations

In March 2014, in accordance with Article 19 of the ILO Constitution, a report was submitted to the ILO on the following ILO instruments that Australia has not ratified:

- Rural Workers' Organisations Convention, 1975 (No. 141)
- Rural Workers' Organisations Recommendation, 1975 (No. 149).

Under the Declaration of Fundamental Principles and Rights at Work, countries that have not ratified the Minimum Age Convention, 1973 (No. 138) are requested to provide an annual review report on new developments over the last 12 months. Australia provided a report to the ILO in September 2013.

Questions arising out of reports made to the ILO under Article 22 of the ILO Constitution

In September 2013, in accordance with Article 22 of the ILO Constitution, reports were submitted to the ILO on the following ILO conventions that Australia has ratified:

- Forty-Hour Week Convention, 1935 (No. 47)
- Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)
- Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
- Human Resources Development Convention, 1975 (No. 142)
- Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144)
- Asbestos Convention, 1986 (No. 162)
- Part-Time Work Convention, 1994 (No. 175).

Information Publication Scheme

Agencies subject to the *Freedom of Information Act 1982* are required to publish information to the public as part of the Information Publication Scheme. This requirement is in Part II of the Act and has replaced the former requirement to publish a section 8 statement in an annual report. The department's plan is available at <http://docs.employment.gov.au/pages/information-publication-scheme-ips>.

Supporting the government's deregulation agenda

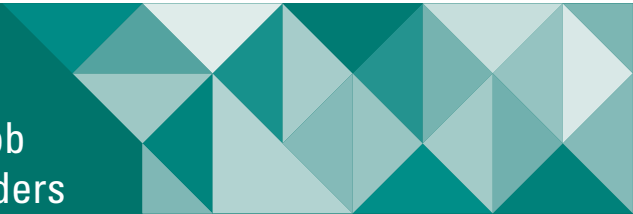
The Australian Government is committed to regulatory reform in order to reduce the burden of regulation, boost productivity, increase competitiveness, reduce unnecessary regulation and lift regulatory performance. The department is contributing to the deregulation agenda by cutting the cost of red tape to businesses, community organisations and individuals.

Soon after its creation, the department established a Deregulation Unit to coordinate regulatory reduction opportunities from across the employment portfolio. Since this time, the portfolio has identified around

\$130 million in deregulation savings. The measures contributing to these savings included:

- amending the *Fair Work Act 2009* to introduce realistic timeframes for greenfields agreement negotiations so that major projects are not delayed
- reduce workers' compensation compliance costs for eligible businesses operating across several states by broadening access to the national workers' compensation regime by lifting the moratorium on private corporations seeking to become self-insurers under the Commonwealth workers' compensation scheme
- reducing and streamlining reporting requirements for Job Services Australia providers—see the 'Reducing red tape for Job Services Australia providers' case study for more information
- introducing the Small Business Helpline to give small businesses priority access to workplace relations advice from the Fair Work Ombudsman. Small business operators who rely on that advice will not be subject to prosecution if the information turns out to be incorrect
- revoking the Fair Work Principles and the Commonwealth Cleaning Services Guidelines to reduce the compliance burden for companies tendering for Australian Government business.

To cut unnecessary and costly legislation and regulation, the government held its first parliamentary repeal day on 26 March 2014. In the government's first report to parliament on red tape reduction, the Prime Minister identified more than 9500 regulations and 1000 acts of parliament that would be repealed. The employment portfolio was able to contribute 118 spent and redundant instruments for repeal on the day.



Reducing red tape for Job Services Australia providers

The department has introduced measures that reduce red tape for Job Services Australia providers. These measures include simplifying paperwork for employers who give job seekers an opportunity to work, using new technology to assist job seekers and streamlining claims processes.

Some of the changes were relatively simple. For example, providers have to lodge special claims if they miss the reporting deadline for outcome payments. When the department extended the deadline from 28 days to 56 days, there was a 45 per cent drop in the number of special claims lodged. This measure has provided efficiency benefits for both the department and Job Services Australia providers.

The department has also worked to reduce the duplication of administrative processes across Commonwealth agencies.

For example, Jobs Services Australia providers will no longer need to collect documentary evidence from employers to verify a job seeker's employment. Instead, the department will use information collected by the Department of Human Services on individuals' earnings and hours of employment. This alone will save more than \$13 million in compliance costs for employers and Jobs Services Australia providers.

Looking ahead

The department will review the governance framework in 2014–15 to ensure it continues to meet our requirements through transparent reporting, accountability and decision making.

The implementation of the *Public Governance, Performance and Accountability Act 2013* from 1 July 2014 will necessitate changes to some departmental structures to ensure compliance with all requirements of the Act by 1 July 2015.

The department will continue to support the government's deregulation agenda.

The Shared Services Centre will be developing the department's fraud control plan for 2015–2018.



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Department of Employment



INDEPENDENT AUDITOR'S REPORT

To the Minister for Employment

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

Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Independence

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

Opinion

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

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

Australian National Audit Office



Kristian Gage
Acting Executive Director

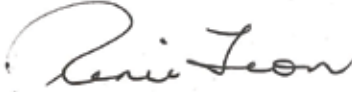
Delegate of the Auditor-General

Canberra

8 October 2014

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

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



Signed.....

René Leon PSM
Chief Executive

8/10/14



Signed.....

Justine Potter
Chief Finance Officer

8 October 2014.

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

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

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

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

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

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

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

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

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

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

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

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

Department of Employment
SCHEDULE OF COMMITMENTS
as at 30 June 2014

	2014 \$'000
BY TYPE	
Commitments receivable	
Sublease rental income ¹	(10,424)
Net GST recoverable on commitments	(10,694)
Total commitments receivable	<u>(21,118)</u>
Commitments payable	
Other commitments	
Operating leases ¹	81,028
IT commitments ²	27,164
Research and development	30
Other ³	22,628
Total other commitments	<u>130,850</u>
Net commitments by type	<u>109,732</u>
BY MATURITY	
Commitments receivable	
Operating lease income	
Within one year	(4,374)
Between one to five years	(4,924)
More than five years	(1,126)
Total operating lease income	<u>(10,424)</u>
Other commitments receivable	
Within one year	(5,209)
Between one to five years	(4,931)
More than five years	(554)
Total other commitments receivable	<u>(10,694)</u>
Total commitments receivable	<u>(21,118)</u>
Commitments payable	
Operating lease commitments¹	
Within one year	30,360
Between one to five years	43,442
More than five years	7,226
Total operating lease commitments	<u>81,028</u>
IT commitments²	
Within one year	13,680
Between one to five years	13,484
Total IT commitments	<u>27,164</u>
Research and development commitments	
Within one year	30
Total research and development commitments	<u>30</u>

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

Department of Employment
SCHEDULE OF COMMITMENTS
as at 30 June 2014

	2014
	\$'000
Other commitments³	
Within one year	19,665
Between one to five years	2,963
Total other commitments	22,628
Total commitments payable	130,850
Net commitments by maturity	109,732

Note: Commitments are GST inclusive where relevant.

¹ 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.
Sub lease revenue for office accommodation	Vacant office space is sub leased where possible. The total of future minimum lease payments expected to be received over the next five years is \$9.3 million including GST.
Agreement for provision of motor vehicles to senior executive officers	No contingent rentals exist. There are no renewal or purchase options available to the department.

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

³ Other commitments include a range of contracts such as fees for provision of services.

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

Department of Employment
SCHEDULE OF CONTINGENCIES
as at 30 June 2014

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

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

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

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

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

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

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

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

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

**Department of Employment
ADMINISTERED RECONCILIATION SCHEDULE**

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

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

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

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

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

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

	2014
	\$'000
BY TYPE	
Commitments receivable	
Net GST recoverable on commitments	(145,685)
Total commitments receivable	<u>(145,685)</u>
Commitments payable	
Other commitments	
Employment programs	1,592,246
Goods and services	3,519
Grants	6,770
Total other commitments	<u>1,602,535</u>
Net commitments by type	<u><u>1,456,850</u></u>
BY MATURITY	
Commitments receivable	
Within one year	(144,861)
Between one to five years	(824)
Total commitments receivable	<u>(145,685)</u>
Commitments payable	
Other Commitments	
Within one year	1,593,469
Between one to five years	9,066
Total other commitments	<u>1,602,535</u>
Net commitments by maturity	<u><u>1,456,850</u></u>

Note: All commitments are GST inclusive where relevant.

The value of commitments is determined based on expected value of services contracted, but yet to be performed under the agreement.

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

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

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

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

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

Department of Employment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

Department of Employment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of Employment

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

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

The department is structured to meet the following outcomes:

Outcome 1: Employment

Outcome 2: Workplace Relations

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

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

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

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

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

1.2 Basis of Preparation of the Financial Statements

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

The financial statements have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

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

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

Department of Employment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.3 Significant Accounting Judgements and Estimates

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

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

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

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

The following new standards, amended standards or interpretations were issued by the Australian Accounting Standards Board prior to the sign off date that are applicable to the current reporting period and have a material impact on the department.

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

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

Future Australian Accounting Standard Requirements

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

AASB 1055	Budgetary Reporting - March 2013 (Principal) – this new requirement will require the department to explain significant variances between budget and actual expenditure
-----------	--

1.5 Revenue

Revenue from the sale of goods is recognised when:

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

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

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

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

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

Department of Employment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Resources received free of charge

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

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

Revenue from Government

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

Appropriations receivable are recognised at their nominal amounts.

1.6 Gains

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

Sale of assets

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

1.7 Transactions with the Government as Owner

Equity injections

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

Restructuring of administrative arrangements

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

Other distributions to Owners

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

1.8 Employee Benefits

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

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

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

Leave

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

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

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

Department of Employment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Separation and redundancy

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

Superannuation

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

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

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

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

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

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

1.9 Leases

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

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

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

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

Lease incentives

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

1.10 Fair value measurements

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

1.11 Cash

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

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

Department of Employment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.12 Financial Assets

The department classifies its financial assets in the following categories:

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

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

Effective interest method

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

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

Available-for-sale financial assets

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

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

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

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

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

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

1.13 Financial Liabilities

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

Financial liabilities at fair value through profit or loss

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

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Other financial liabilities

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

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

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

1.14 Contingent Liabilities and Contingent Assets

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

1.15 Acquisition of Assets

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

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

1.16 Property, Plant and Equipment

Asset recognition threshold

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

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

Revaluations

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

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

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

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

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

Depreciation

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

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

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

Asset Class	2014
Leasehold improvements	Lease term
Infrastructure, plant and equipment	3-25 years

Impairment

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

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

Derecognition

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

Assets not previously recognised

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

1.17 Intangibles

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

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

All software assets were assessed for indications of impairment as at 30 June 2014.

Department of Employment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.18 Taxation

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

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

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

1.19 Reporting of Administered Activities

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

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

Administered cash transfers to and from the Official Public Account

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

Revenue

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

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

Loans and receivables

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

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

Administered investments

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

Administered investments other than those held for sale are classified as available-for-sale and are measured at their fair value as at 30 June 2014. Fair value has been taken to be the Australian Government's proportional interest in the net assets of the entities as at the end of the reporting period.

Grants and subsidies

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

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

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth* (2014) HCA 23, as they contribute to the

Department of Employment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

Personal Benefits

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

Payments to CAC Act bodies

Payments to Comcare from amounts appropriated for that purpose are classified as administered expenses of the relevant portfolio department. The appropriation to the department is disclosed in Table A of the appropriation note.

Note 2: Events After the Reporting Period

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

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

Note 3: Expenses

2014
 \$'000

Note 3A: Employee Benefits

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

Note 3B: Suppliers

Goods and services supplied or rendered

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

Goods supplied in connection with

Related parties	84
External parties	3,536
Total goods supplied	3,620

Services rendered in connection with

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

Other suppliers

Operating lease rentals in connection with

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

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

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

2014
 \$'000

Note 3C: Grants

Private sector	
Non-profit organisations	1,139
Other	786
Total grants	1,925

Note 3D: Depreciation and Amortisation

Depreciation	
Leasehold improvements	6,753
Infrastructure, plant and equipment	5,602
Total depreciation	12,355
Amortisation	
Intangibles	31,007
Total amortisation	31,007
Total depreciation and amortisation	43,362

Note 3E: Finance Costs

Unwinding of discount on provision for restoration	35
Total finance costs	35

Note 3F: Write-Down and Impairment of Assets

Asset write-downs and impairments from:	
Write-off of receivables - goods and services	13
Impairment of receivables - goods and services	10
Impairment of leasehold improvements	159
Write-off of infrastructure, plant and equipment	75
Impairment of infrastructure, plant and equipment	2,878
Write-off of intangibles	33
Impairment of intangibles	15,878
Total write-down and impairment of assets	19,046

Note 3G: Losses from Asset Sales

Leasehold Improvements	
Carrying value of assets sold	1,351
Infrastructure, plant and equipment	
Proceeds from sale	(5)
Carrying value of assets sold	230
Total losses from asset sales	1,576

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

Note 4: Income

	2014
OWN-SOURCE REVENUE	\$'000

Note 4A: Sale of Goods and Rendering of Services

Sales of goods in connection with	
External parties	5
Total sale of goods	<u>5</u>
Rendering of services in connection with	
Related parties	8,911
External parties	4,897
Total rendering of services	<u>13,808</u>
Total sale of goods and rendering of services	<u><u>13,813</u></u>

Note 4B: Other Revenue

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

GAINS

Note 4C: Gains from Sale of Assets

Leasehold Improvements	
Proceeds from sale	436
Carrying value of assets sold	-
Total gains from sale of assets	<u><u>436</u></u>

Note 4D: Other Gains

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

REVENUE FROM GOVERNMENT

Note 4E: Revenue from Government

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

Department of Employment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5: Fair Value Measurement

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

Note 5A: Fair Value Measurements

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

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

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

Fair value measurement - highest and best use

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

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

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

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

	Category (Level 2 or 3)	Fair Value \$'000	Valuation technique(s) ¹	Inputs used	Range (weighted average) ²
Non-financial assets					
Leasehold improvements	2	409	Replacement Cost	Replacement cost new (price per square metre)	
Leasehold improvements	3	20,608	Depreciated Replacement Cost	Replacement cost new (price per square metre) Useful life (consumed economic benefit/obsolescence of asset)	4.3% - 48.0% (13.4%) per annum
Infrastructure, plant and equipment (AUC)	2	101	Replacement Cost	Replacement cost new (price per square metre)	
Infrastructure, plant and equipment	2	4,433	Market approach	Adjusted market transactions	
Infrastructure, plant and equipment	3	7,951	Depreciated Replacement Cost	Replacement cost new (size, capacity, use, configuration, style, type) Useful life Useful life (consumed economic benefit/obsolescence of asset)	6.7% - 33.33% (16.5%) per annum
Infrastructure, plant and equipment (Library Collection)	3	617	Depreciated Replacement Cost	Adjusted market transactions (average price per title) Useful life (consumed economic benefit/obsolescence of asset)	\$15.00 - \$650.00 (\$320.00) 6.7% - 10.0% (6.7%) per annum

1. There have been no changes to valuation techniques.

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

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

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

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

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

Department of Employment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

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

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

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

Recurring Level 3 fair value measurements - sensitivity of inputs

Leasehold Improvements, infrastructure, plant and equipment - depreciated replacement cost valuation

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

Note 5C: Reconciliation for Recurring Level 3 Fair Value Measurements

There have been no transfers between levels during the period. The department's policy for determining when transfers between levels are deemed to have occurred can be found in Note 1.

Recurring Level 3 fair value measurements - reconciliation for assets

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

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

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

Note 6: Financial Assets

2014
 \$'000

Note 6A: Cash and Cash Equivalents

Cash on hand or on deposit	5,669
Total cash and cash equivalents	5,669

Note 6B: Trade and Other Receivables

Good and services receivables in connection with	
Related parties	5,763
External parties	1,296
Total receivables for goods and services	7,059

Appropriations receivables	
For existing programs	65,080
Total appropriations receivable	65,080

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

Less impairment allowance account	
Goods and services	(10)
Total impairment allowance account	(10)
Total trade and other receivables (net)	73,454

Trade and other receivables (net) expected to be recovered	
No more than 12 months	72,677
More than 12 months	777
Total trade and other receivables (net)	73,454

Trade and other receivables (gross) aged as follows	
Not overdue	72,068
Overdue by	
0 to 30 days	232
31 to 60 days	153
61 to 90 days	218
More than 90 days	793
Total trade and other receivables (gross)	73,464

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

Impairment allowance account aged as follows

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

Credit terms are net 30 days.

Reconciliation of the Impairment Allowance

Movements in relation to 2014

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

2014
\$'000

Note 6C: Other Financial Assets

Accrued revenue	2,604
Total other financial assets	2,604

Other financial assets expected to be recovered in

No more than 12 months	2,604
Total other financial assets	2,604

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

Note 7: Non-Financial Assets

2014
 \$'000

Note 7A: Leasehold Improvements

Leasehold improvements

Work in progress	409
At valuation	21,190
Accumulated impairment losses	<u>(582)</u>
Total leasehold improvements	<u>21,017</u>
Total leasehold improvements	<u>21,017</u>

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

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

Note 7B: Infrastructure, Plant and Equipment

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

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

Revaluations of non-financial assets

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

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

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

Note 7C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2013-14)

	Leasehold improvements \$'000	Infrastructure, plant & equipment \$'000	Total \$'000
As at 19 September 2013			
Gross book value	25,283	18,267	43,550
Net book value 19 September 2013¹	25,283	18,267	43,550
Additions			
Purchase	360	3,367	3,727
First time recognition	380	309	689
Reclassification	-	(28)	(28)
Revaluations recognised in other comprehensive income	3,376	-	3,376
Impairments recognised in net cost of services	(159)	(2,878)	(3,037)
Depreciation expense	(6,753)	(5,602)	(12,355)
Disposals			
Restructuring (Note 10)	(119)	(28)	(147)
Other	(1,351)	(230)	(1,581)
Write-offs	-	(75)	(75)
Total as at 30 June 2014	21,017	13,102	34,119
Total as at 30 June 2014 represented by			
Gross book value	21,599	21,582	43,181
Accumulated depreciation and impairment	(582)	(8,480)	(9,062)
Total as at 30 June 2014	21,017	13,102	34,119

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

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

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

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

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

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

Note 7E: Reconciliation of the Opening and Closing Balances of Intangibles (2013-14)

	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 19 September 2013			
Gross book value	67,102	184	67,286
Net book value 19 September 2013¹	67,102	184	67,286
Additions			
Purchase	-	527	527
Internally developed	19,088	-	19,088
Impairments recognised in net cost of services	(15,824)	(54)	(15,878)
Amortisation	(30,920)	(87)	(31,007)
Reclassification	-	28	28
Disposals	-	-	-
Write-offs	-	(33)	(33)
Total as at 30 June 2014	39,446	565	40,011
Total as at 30 June 2014 represented by			
Gross book value	86,190	706	86,896
Accumulated amortisation and impairment	(46,744)	(141)	(46,885)
Total as at 30 June 2014	39,446	565	40,011

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

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

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

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

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

Note 8: Payables

2014

\$'000

Note 8A: Suppliers

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

Suppliers expected to be settled

No more than 12 months	4,047
More than 12 months	2,099
Total suppliers	6,146

Suppliers in connection with

Related parties	745
External parties	5,401
Total suppliers	6,146

Settlement is usually made within 30 days.

Note 8B: Other Payables

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

Other payables expected to be settled

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

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

Note 9: Provisions

2014
 \$'000

Note 9A: Employee Provisions

Leave	59,560
Total employee provisions	59,560

Employee provisions expected to be settled

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

Note 9B: Other Provisions

Provision for restoration	1,315
Total other provisions	1,315

Other provisions expected to be settled

No more than 12 months	315
More than 12 months	1,000
Total other provisions	1,315

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

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

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

Note 10: Restructuring

Note 10A: Departmental Restructuring

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

Department of Employment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Notes

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

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

Note 10B: Administered Restructuring			
	2014		
	Employment and Workplace Relations Functions	Indigenous Functions	Disability Employment Functions
	Department of Education, Employment and Workplace Relations¹	Department of the Prime Minister and Cabinet²	Department of Social Services³
	\$'000	\$'000	\$'000
FUNCTIONS ASSUMED			
Assets recognised			
Cash on hand	78	-	-
Trade and other receivables	17,357	-	-
Other non-financial assets	2,329	-	-
Investments	116,725	-	-
Total assets recognised	136,489	-	-
Liabilities recognised			
Payables	(2,840,851)	-	-
Total liabilities recognised	(2,840,851)	-	-
Net liabilities recognised	(2,704,362)	-	-
FUNCTIONS RELINQUISHED			
Assets relinquished			
Trade and other receivables	-	63	2,801
Total assets relinquished	-	63	2,801
Liabilities relinquished			
Payables	-	(4,556)	-
Total liabilities relinquished	-	(4,556)	-
Net (liabilities)/assets relinquished	-	(4,493)	2,801
Expenses			
Recognised by gaining entity	1,321,024	-	-
Recognised by losing entity	345,604	-	-
Total expenses	1,666,628	-	-
Income			
Recognised by gaining entity	153,802	-	-
Recognised by losing entity	24,266	-	-
Total income	178,068	-	-

Department of Employment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Notes

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

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

Note 11: Cash Flow Reconciliation

	2014
	\$'000
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	5,669
Statement of Financial Position	5,669
Discrepancy	<u>-</u>
Reconciliation of net cost of services to net cash from (used by) operating activities	
Net cost of services	(313,636)
Revenue from Government	288,195
Adjustments for non-cash items	
First time recognition of non-financial assets	(689)
Depreciation / amortisation	43,362
Net write-down and impairment of non-financial assets	19,023
Net losses from sale of assets	1,140
Finance costs - unwinding of discount on provision for restoration	35
Restructure	(39,572)
Movements in assets and liabilities	
Assets	
Decrease / (increase) in net receivables	(50,062)
Decrease / (increase) in accrued revenue	(2,604)
Decrease / (increase) in prepayments	(16,050)
Liabilities	
Increase / (decrease) in employee provisions	59,560
Increase / (decrease) in supplier payables	4,701
Increase / (decrease) in other provisions	1,315
Increase / (decrease) in other payables	30,412
Net cash from operating activities	<u><u>25,130</u></u>

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

Note 12: Contingent Assets and Liabilities

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

Quantifiable Contingencies

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

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

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

Unquantifiable Contingencies

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

Significant Remote Contingencies

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

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

There are no remote contingent liabilities in 2013-14.

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

Note 13: Senior Executive Remuneration

Note 13A: Senior Executive Remuneration Expenses for the Reporting Period

	2014
	\$'000
Short-term employee benefits	
Salary	4,855
Other ³	822
<i>Total short-term employee benefits</i>	<u>5,677</u>
Post-employment benefits	
Superannuation	953
<i>Total post-employment benefits</i>	<u>953</u>
Other long-term employee benefits	
Annual leave accrued	226
Long-service leave	317
<i>Total other long-term employee benefits</i>	<u>543</u>
Termination benefits	
Separation and redundancy payments	-
<i>Total termination benefits</i>	<u>-</u>
<i>Total senior executive remuneration expenses</i>	<u><u>7,173</u></u>

Notes

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

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

Note 13B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives during the Reporting Period

Average annual reportable remuneration paid to substantive senior executives in 2014

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

Notes:

1. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
 - a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
 - b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
 - c) reportable employee superannuation contributions; and
 - d) exempt foreign employment income.
3. The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.
4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. Existing remuneration arrangements for senior executives do not provide for the payment of performance bonus.

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

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

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

Note 14: Remuneration of Auditors

2014
 \$'000

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

Fair value of services received

Financial statement audit services	465
<i>Total fair value of services received</i>	<u>465</u>

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

Note 15: Financial Instruments

Note 15A: Categories of Financial Instruments

Financial Assets

Loans and receivables

Cash and cash equivalents	5,669
Goods and services receivables	<u>7,059</u>
<i>Total loans and receivables</i>	<u>12,728</u>

<i>Total financial assets</i>	<u>12,728</u>
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Financial Liabilities

Financial liabilities measured at amortised cost

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

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

Loans and receivables

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

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

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

Note 15C: Fair Value of Financial Instruments

	Carrying amount 2014 \$'000	Fair value 2014 \$'000
Financial Assets		
Cash and cash equivalents	5,669	5,669
Goods and services receivables	7,049	7,059
Total Financial Assets	12,718	12,728
Financial Liabilities		
Trade creditors	3,403	3,403
Total Financial Liabilities	3,403	3,403

Note 15D: Credit Risk

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

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

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

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

Credit quality of financial instruments not past due or individually determined as impaired	Not past due nor impaired 2014 \$'000	Past due or impaired 2014 \$'000
Cash and cash equivalents	5,669	-
Goods and services receivables	5,663	1,396
Total	11,332	1,396

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

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

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

Note 15E: Liquidity Risk

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

Maturities for non-derivative financial liabilities in 2014

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

Note 15F: Market Risk

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

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

Note 16: Financial Assets Reconciliation

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

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

Note 17: Administered - Expenses

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

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

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

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

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

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

Note 19: Administered - Fair Value Measurement

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

Note 19A: Fair Value Measurements

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

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

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

Note 19B: Valuation Technique and Inputs for Level 2 and Level 3 Fair Value Measurements

	Category (Level 2 or Level 3)	Fair value \$'000	Valuation technique(s)	Inputs used	Range (weighted average)
Financial assets					
Administered investments	3	145,477	Net assets of the entity	Net Assets	

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

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

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

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

There have been no transfers between levels during the period.

Recurring Level 3 fair value measurements - reconciliation for assets

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

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

Note 20: Administered - Financial Assets

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

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

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

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

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

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

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

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

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

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

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

¹ The amount payable to Comcare represents amounts payable by the Commonwealth for:

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

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

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

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

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

Note 24: Administered - Contingent Assets and Liabilities

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

Quantifiable Contingencies

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

Unquantifiable Contingencies

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

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

Significant Remote Contingencies

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

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

Note 25: Administered - Financial Instruments

2014
 \$'000

Note 25A: Categories of Financial Instruments

Financial Assets

Available-for-sale financial assets

Investments 145,477

Total available-for-sale financial assets 145,477

Loans and receivables

Goods and services receivables 402

Total loans and receivables 402

Total financial assets 145,879

Financial Liabilities

Financial liabilities measured at amortised cost

Trade creditors 21,641

Grants payables 459

Total financial liabilities measured at amortised cost 22,100

Total financial liabilities 22,100

Note 25B: Net Gains or Losses on Financial Assets

Available-for-sale financial assets

Gains recognised in equity 28,752

Net gains from available-for-sale financial assets 28,752

Loans and receivables

Interest revenue 6

Reversal of impairment - goods and services 155

Write-down and impairment (203)

Net losses from loans and receivables (42)

Net gains on financial assets 28,710

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

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

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

Note 25D: Credit Risk

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

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

The department held no collateral to mitigate against credit risk.

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

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

Note 25E: Liquidity Risk

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

Maturities for non-derivative financial liabilities in 2014

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

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

Note 25F: Market Risk

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

Note 26: Administered - Financial Assets Reconciliation

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

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

Note 27: Appropriations

Note 27A: Annual Appropriations ('Recoverable GST exclusive')

	2014 Appropriations							Appropriation applied in 2014 (current and prior years) \$'000	Variance ³ \$'000
	Appropriation Act		FMA Act			Total appropriation \$'000			
	Annual Appropriation \$'000	Appropriations reduced ¹ \$'000	AFM ² \$'000	Section 30 \$'000	Section 31 \$'000		Section 32 \$'000		
DEPARTMENTAL									
Ordinary annual services	195	-	-	-	16,672	309,265	326,132	274,060	52,072
Other services									
Equity	2,127	-	-	-	-	-	2,127	-	2,127
Total departmental	2,322	-	-	-	16,672	309,265	328,259	274,060	54,199
ADMINISTERED									
Ordinary annual services									
Administered items	14,321	(127,366)	-	1,440	-	1,576,708	1,465,103	1,439,078	26,025
Payments to CAC Act bodies	1,433	-	-	-	-	-	1,433	1,433	-
Other Services									
Administered assets and liabilities	2,967	(2,887)	-	-	-	-	80	80	-
Total administered	18,721	(130,253)	-	1,440	-	1,576,708	1,466,616	1,440,591	26,025

Notes:

1. Appropriations reduced under Appropriation Acts (No. 1, 3 & 5) 2013-14: sections 10,11 and 12 and under Appropriation Acts (No. 2, 4 & 6) 2013-14: sections 12, 13 and 14. Departmental appropriations do not lapse at the end of the financial year. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. As with departmental appropriations, the responsible Minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of the Appropriations Acts (Nos 1, 3 & 5) 2013-14 and section 12 of Appropriation Acts (No. 2, 4 & 6) 2013-14, the appropriation is taken to be reduced to the required amount specified in Table F of this note once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's determination which is disallowable by Parliament.
2. Advance to the Finance Minister (AFM) – Appropriation Acts (No. 1, 3 & 5) 2013-14: section 13 and Appropriation Acts (No. 2, 4 & 6) 2013-14: section 15.
3. Administered and departmental variances are due to the 18 September 2013 restructure and resultant section 32 transfers relating to opening and closing liabilities.

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

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

	2014 Capital Budget Appropriations				Capital Budget Appropriations applied in 2014 (current and prior years)			
	Appropriation Act		FMA Act		Payments for non-financial assets ³ \$'000	Payments for other purposes \$'000	Total payments \$'000	Variance \$'000
	Annual Capital Budget \$'000	Appropriations reduced ² \$'000	Section 32 \$'000	Total Capital Budget Appropriations \$'000				
DEPARTMENTAL Ordinary annual services Departmental Capital Budget ¹	-	-	21,265	21,265	-	-	-	21,265

Notes:

1. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1, 3 & 5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Table A: Annual appropriations.
2. Appropriations reduced under Appropriation Acts (No. 1, 3 & 5) 2013-14: sections 10, 11, 12 and 15 or via a determination by the Finance Minister.
3. Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

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

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

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

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

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

Note 27D: Special Appropriations (Recoverable GST exclusive)

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

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

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

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

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

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

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

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

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

2014	Amount required - by Appropriation Act ³	Total amount required ³	Total amount appropriated ⁴	Total reduction ⁵
Ordinary Annual Services	Act (No.1)	Act (No.3)		
Outcome 1	1,438,840,536.88	0.00	1,438,840,536.88	115,146,463.12
Outcome 2	22,721,000.00	3,534,930.14	26,255,930.14	12,219,069.86

2014	Amount required - by Appropriation Act ³	Total amount required ³	Total amount appropriated ⁴	Total reduction ⁵
Other Services	Act (No.2)	Act (No.4)		
Outcome 1	0.00	0.00	2,141,000.00	2,141,000.00
Outcome 2	0.00	80,000.00	826,000.00	746,000.00

Notes:

1. Numbers in this section are disclosed to the cent.
2. Administered items for 2014 were reduced to these amounts when these financial statements were tabled in Parliament as part of the department's 2014 annual report. This reduction is effective in 2015, but the amounts are reflected in Table A in the 2014 financial statements in the column 'Appropriations reduced' as they are adjustments to 2014 appropriations.
3. Amount required as per Appropriation Act (Act 1 s. 11; Act 2 s. 12).
4. Total amount appropriated in 2014.
5. Total reduction effective in 2015.

Department of Employment

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 28: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance (Finance) has issued a guidance paper on how Commonwealth Agencies were to address concerns about the potential for breaches of section 83 to occur. These requirements arose because Finance had become aware that there was an increased risk for all agencies of non-compliance with section 83 where payments are made from special appropriations that do not accord with conditions in the relevant legislation.

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

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

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

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

The department will continue to monitor its level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible.

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

Note 29: Compensation and Debt Relief

	2014 \$
Departmental	
No 'Act of Grace' payments were expensed during the reporting period.	-
One waiver of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> .	12,495
No ex-gratia payments were provided for during the period.	-
No payments were provided under the Compensation for Detriment caused by Defective Administration scheme during the reporting period.	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the <i>Public Service Act 1999</i> during the reporting period.	-

	2014 \$'000
Administered	
No 'Act of Grace' payments were expensed during the reporting period.	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> .	-
No ex-gratia payments were provided for during the reporting period.	-
No payments were provided under the Compensation for Detriment caused by Defective Administration Scheme during the reporting period.	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the <i>Public Service Act 1999</i> during the reporting period.	-

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

Note 30: Reporting of Outcomes

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

Note 30A: Net Cost of Outcome Delivery

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

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

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

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

Note 30B: Major Classes of Departmental Expense, Income, Assets and Liabilities by Outcome

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

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

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

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

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

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

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

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

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

Note 31: Net Cash Appropriation Arrangements

	2014 \$'000
<i>Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations¹</i>	21,297
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<u>(43,362)</u>
<i>Total comprehensive loss - as per the Statement of Comprehensive Income</i>	<u><u>(22,065)</u></u>

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

Department of Education, Employment and Workplace Relations



INDEPENDENT AUDITOR'S REPORT

To the Minister for Education
To the Minister for Employment

Report on the Financial Statements

I have audited the accompanying financial statements of the former Department of Education, Employment and Workplace Relations for the period ended 18 September 2013, which comprise a Statement by the Chief Executive and Chief Finance Officer; the Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; Schedule of Administered Commitments; Schedule of Administered Contingencies; and Notes to and forming part of the financial statements comprising a Summary of Significant Accounting Policies and other explanatory information.

Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the department's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the department's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive of the Department of Education, 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.

Opinion

In my opinion, the financial statements of the former Department of Education, Employment and Workplace Relations:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders, including the former department's financial position as at 18 September 2013 and its financial performance and cash flows for the period then ended.

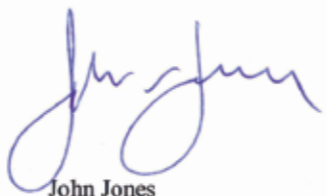
Report on Other Legal and Regulatory Requirements

As disclosed in Note 2 *Events After the Reporting Period*, during the financial year the High Court held in *Williams v Commonwealth [2014] HCA 23* that payments made under the National Schools Chaplaincy and Student Welfare program were invalid on the grounds that they were not supported by a Commonwealth constitutional head of power. The debts arising as a consequence of that decision were waived under section 34(1)(a) of the *Financial Management and Accountability Act 1997*. The total waived by the Minister for Finance was \$156.121 million, and included \$87.945 million paid by the Department of Education, Employment and Workplace Relations.

Note 33 *Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund* discloses information on the Department of Education, Employment and Workplace Relations' review of its exposure to risks of not complying with statutory conditions on payments from special appropriations and special accounts, and annual appropriations which fund statutory payments. Non-compliance with statutory conditions may lead to a contravention of section 83 of the Constitution, which requires that no money shall be drawn from the Treasury of the Commonwealth except under an appropriation made by law.

As disclosed in Note 33, 2013–14 payments potentially in breach of section 83 of the Constitution total \$1,064,031 under the *Student Assistance Act 1973* and \$27,619,159 under the *Social Security Administration Act 1999*.

Australian National Audit Office



John Jones

Executive Director


Delegate of the Auditor-General

Canberra

9 October 2014

**Department of Education, Employment and Workplace Relations
STATEMENT BY THE CHIEF EXECUTIVE AND CHIEF FINANCE OFFICER**

In our opinion, the attached financial statements for the year ended 18 September 2013 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Signed.....

Lisa Paul AO PSM
Chief Executive
Department of Education

7 October 2014

Signed.....

Craig Storen
Department of Education (formerly Chief Finance Officer of the
Department of Education, Employment and Workplace
Relations)

7 October 2014

Department of Education, Employment and Workplace Relations
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 18 September 2013

		2014	2013
	Notes	\$'000	\$'000
NET COST OF SERVICES EXPENSES			
Employee benefits	3A	91,914	423,228
Supplier expenses	3B	32,152	184,510
Grants	3C	1,027	2,913
Depreciation and amortisation	3D	14,184	60,739
Finance costs	3E	14	119
Write-down and impairment of assets	3F	17	1,149
Losses from asset sales	3G	13	288
Total expenses		<u>139,321</u>	<u>672,946</u>
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	7,446	45,130
Total own-source revenue		<u>7,446</u>	<u>45,130</u>
Gains			
Sale of assets	4B	-	46
Reversals of previous asset write-downs and impairment	4C	-	5
Other gains	4D	848	4,550
Total gains		<u>848</u>	<u>4,601</u>
Total own-source income		<u>8,294</u>	<u>49,731</u>
Net cost of (contribution by) services		<u>131,027</u>	<u>623,215</u>
Revenue from Government	4E	347,040	563,881
Surplus (Deficit) attributable to the Australian Government		<u>216,013</u>	<u>(59,334)</u>
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes to provision for restoration obligations		46	47
Total other comprehensive income		<u>46</u>	<u>47</u>
Total comprehensive income (loss) attributable to the Australian Government		<u>216,059</u>	<u>(59,287)</u>

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

Department of Education, Employment and Workplace Relations
STATEMENT OF FINANCIAL POSITION
as at 18 September 2013

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	6A	4,613	21,569
Trade and other receivables	6B	352,604	94,346
Other financial assets	6C	6,343	14,326
Total financial assets		<u>363,560</u>	<u>130,241</u>
Non-Financial Assets			
Land and buildings	7A	82,512	85,453
Infrastructure, plant and equipment	7B	29,577	31,290
Intangibles	7D	110,693	112,362
Other non-financial assets	7F	27,039	23,716
Total non-financial assets		<u>249,821</u>	<u>252,821</u>
Total assets		<u>613,381</u>	<u>383,062</u>
LIABILITIES			
Payables			
Suppliers	8A	13,397	37,917
Other payables	8B	44,653	52,296
Total payables		<u>58,050</u>	<u>90,213</u>
Provisions			
Employee provisions	9A	130,302	131,932
Other provisions	9B	3,390	3,422
Total provisions		<u>133,692</u>	<u>135,354</u>
Total liabilities		<u>191,742</u>	<u>225,567</u>
Net assets		<u>421,639</u>	<u>157,495</u>
EQUITY			
Contributed equity		408,447	360,363
Reserves		42,695	43,353
Retained surplus (accumulated deficit)		(29,503)	(246,221)
Total equity		<u>421,639</u>	<u>157,495</u>

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

Department of Education, Employment and Workplace Relations
STATEMENT OF CHANGES IN EQUITY
for the period ended 18 September 2013

	Retained earnings		Asset revaluation reserves		Contributed equity/capital		Total equity	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance								
Balance carried forward from previous period	(246,221)	(186,891)	43,353	44,346	360,363	312,474	157,495	169,929
Adjustment for errors ¹	-	4	1	(1,040)	-	-	1	(1,036)
Adjustment for changes in accounting policies	-	-	-	-	-	-	-	-
Adjusted opening balance	(246,221)	(186,887)	43,354	43,306	360,363	312,474	157,496	168,893
Comprehensive income								
Other comprehensive income	-	-	-	-	-	-	-	-
Adjustment to provision for restoration obligations	-	-	46	47	-	-	46	47
Surplus (Deficit) for the period	216,013	(59,334)	-	-	-	-	216,013	(59,334)
Total comprehensive income	216,013	(59,334)	46	47	-	-	216,059	(59,287)
Transactions with owners								
Distributions to owners								
Returns of capital:								
Restructuring (Note 10)	-	-	-	-	-	(1,777)	-	(1,777)
Contributions by owners								
Equity injection - Appropriation	-	-	-	-	2,672	5,607	2,672	5,607
Departmental capital budget	-	-	-	-	45,412	45,094	45,412	45,094
Return of Unspent Appropriation	-	-	-	-	-	(1,035)	-	(1,035)
Restructuring	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	48,084	47,889	48,084	47,889
Transfers between equity components ²	705	-	(705)	-	-	-	-	-
Closing balance as at 18 September	(29,503)	(246,221)	42,695	43,353	408,447	360,363	421,639	157,495

¹ The adjustment to the assets revaluation reserves relates to assets that were incorrectly re-valued and are no longer assets of the department as at 1 July 2012.

² The reclassification of equity components relates to an impairment of leasehold improvements in 2011-12 that should have been offset against asset revaluation reserves rather than an impairment expense as per 2012 Note 3F. Write-down and impairments of assets as the asset had been revalued.

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

Department of Education, Employment and Workplace Relations
CASH FLOW STATEMENT
for the period ended 18 September 2013

	Notes	2014 \$'000	2013 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		139,921	634,229
Sale of goods and rendering of services		6,757	27,294
Net GST received		7,336	21,245
Other		9	6,205
Total cash received		154,023	688,973
Cash used			
Employee benefits		94,220	422,820
Supplier expenses		69,950	202,423
Grants		1,068	2,913
Section 31 receipts transferred to the OPA		3,473	42,117
Total cash used		168,711	670,273
Net cash from (used by) operating activities	11	(14,688)	18,700
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of infrastructure, plant and equipment		6	26
Proceeds from sales of land and buildings		-	302
Total cash received		6	328
Cash used			
Purchase of infrastructure, plant and equipment		1,009	7,196
Purchase / development of intangibles		6,606	36,802
Purchase of land and buildings		256	1,341
Total cash used		7,871	45,339
Net cash from (used by) investing activities		(7,865)	(45,011)
FINANCING ACTIVITIES			
Cash received			
Contributed equity - capital injections		-	5,607
Contributed equity - capital budget		5,597	39,733
Total cash received		5,597	45,340
Net cash from (used by) financing activities		5,597	45,340
Net increase (decrease) in cash held		(16,956)	19,029
Cash and cash equivalents at the beginning of the reporting period		21,569	2,540
Cash and cash equivalents at the end of the reporting period	6A	4,613	21,569

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

Department of Education, Employment and Workplace Relations
SCHEDULE OF COMMITMENTS
as at 18 September 2013

	2014	2013
BY TYPE	\$'000	\$'000
Commitments receivable		
Sublease rental income ¹	(27,419)	(29,095)
Net GST recoverable on commitments	<u>(45,889)</u>	<u>(47,700)</u>
Total commitments receivable	<u>(73,308)</u>	<u>(76,795)</u>
Commitments payable		
Operating leases ¹	471,744	485,661
IT commitments ²	44,227	47,995
Research and development	31	40
Other ³	<u>23,647</u>	<u>26,605</u>
Total other commitments payable	<u>539,649</u>	<u>560,301</u>
Net commitments by type	<u><u>466,341</u></u>	<u><u>483,506</u></u>
BY MATURITY		
Commitments receivable		
Within 1 year	(12,609)	(16,096)
Between 1 to 5 years	(37,357)	(37,357)
More than 5 years	<u>(23,342)</u>	<u>(23,342)</u>
Total commitments receivable	<u>(73,308)</u>	<u>(76,795)</u>
Commitments payable		
Operating lease commitments¹		
Within 1 year	64,231	64,231
Between 1 to 5 years	197,496	197,496
More than 5 years	<u>210,017</u>	<u>223,934</u>
Total operating lease commitments	<u>471,744</u>	<u>485,661</u>
IT commitments²		
Within 1 year	17,389	17,389
Between 1 to 5 years	26,838	30,531
More than 5 years	<u>-</u>	<u>75</u>
Total IT commitments	<u>44,227</u>	<u>47,995</u>
Research and development commitments		
Within 1 year	31	40
Between 1 to 5 years	<u>-</u>	<u>-</u>
Total research and development commitments	<u>31</u>	<u>40</u>
Other commitments³		
Within 1 year	13,654	13,654
Between 1 to 5 years	<u>9,993</u>	<u>12,951</u>
Total other commitments	<u>23,647</u>	<u>26,605</u>
Net commitments by maturity	<u><u>466,341</u></u>	<u><u>483,506</u></u>

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

Department of Education, Employment and Workplace Relations
SCHEDULE OF COMMITMENTS
as at 18 September 2013

NB: Commitments are GST inclusive where relevant. The maturity range 'within 1 year' shows the period 19 September 2013 to 30 June 2014.

¹ 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.
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 \$24,329,381 (2013: \$25,812,561) including GST.
Agreement for provision of motor vehicles to senior executive officers	No contingent rentals exist. There are no renewal or purchase options available to the department.

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

³ Other commitments include a range of contracts such as fees for provision of services.

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

Department of Education, Employment and Workplace Relations
SCHEDULE OF CONTINGENCIES
as at 18 September 2013

	2014	2013
	\$'000	\$'000
Contingent liabilities		
Claims for damages or costs	<u>244</u>	<u>294</u>
Total contingent liabilities	<u>244</u>	<u>294</u>
<i>Net contingent assets (liabilities)</i>	<u><u>(244)</u></u>	<u><u>(294)</u></u>

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

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

Department of Education, Employment and Workplace Relations
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME
for the period ended 18 September 2013

	Notes	2014 \$'000	2013 \$'000
NET COST OF SERVICES			
EXPENSES			
Supplier expenses	17A	469,025	2,331,808
Subsidies	17B	29,408	240,227
Personal benefits	17C	4,784,618	20,283,124
Grants	17D	2,272,968	9,205,453
Finance costs	17E	-	47
Write-down and impairment of assets	17F	21,222	3,817
Payment to CAC Act bodies	17G	6,291	6,280
Total expenses administered on behalf of Government		7,583,532	32,070,756
INCOME			
Revenue			
Taxation revenue			
Other taxes	18A	21,039	172,567
Total taxation revenue		21,039	172,567
Non-taxation revenue			
Interest	18B	695	1,527
Commonwealth asset recoveries	18C	2,309	37,230
Other revenue	18D	146,660	29,022
Total non-taxation revenue		149,664	67,779
Total own-source revenue		170,703	240,346
Gains			
Fair value gains from financial instruments	18E	-	29,134
Reversals of previous asset write-downs and impairment	18F	-	19,205
Total gains		-	48,339
Total own-source income administered on behalf of Government		170,703	288,685
Net cost of (contribution by) services		7,412,829	31,782,071
Surplus (Deficit)		(7,412,829)	(31,782,071)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		116,725	(37,572)
Total other comprehensive income (loss)		116,725	(37,572)
Total comprehensive income (loss)		(7,296,104)	(31,819,643)

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

Department of Education, Employment and Workplace Relations
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES
as at 18 September 2013

		2014	2013
	Notes	\$'000	\$'000
ASSETS			
Financial assets			
Cash and cash equivalents	20A	139,495	2,118
Receivables	20B	1,215,380	1,345,773
Other investments	20C	123,712	6,987
Total financial assets		<u>1,478,587</u>	<u>1,354,878</u>
Non-financial assets			
Other non-financial assets	21A	68,173	3,493
Total non-financial assets		<u>68,173</u>	<u>3,493</u>
Total assets administered on behalf of Government		<u>1,546,760</u>	<u>1,358,371</u>
LIABILITIES			
Payables			
Suppliers	22A	59,478	145,279
Subsidies	22B	8,024	32,349
Personal benefits	22C	527,046	478,356
Grants	22D	13,799	43,084
Other payables	22E	2,807,241	2,827,840
Total payables		<u>3,415,588</u>	<u>3,526,908</u>
Provisions			
Provision of personal benefits	23A	624,484	742,404
Total provisions		<u>624,484</u>	<u>742,404</u>
Total liabilities administered on behalf of Government		<u>4,040,072</u>	<u>4,269,312</u>
Net assets (liabilities)		<u>(2,493,312)</u>	<u>(2,910,941)</u>

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

Department of Education, Employment and Workplace Relations
ADMINISTERED RECONCILIATION SCHEDULE

	2014	2013
	\$'000	\$'000
Opening assets less liabilities as at 1 July	(2,910,941)	(2,549,581)
Adjustment for errors	-	-
Adjustment for changes in accounting policies	-	-
Adjusted opening assets less liabilities	(2,910,941)	(2,549,581)
Net cost of (contribution by) services		
Income	170,703	288,685
Expenses		
Payments to Non-CAC Act bodies	(7,577,241)	(32,064,476)
Payments to CAC Act bodies	(6,291)	(6,280)
Other comprehensive income		
Revaluations transferred to (from) reserves	116,725	(37,572)
Transfers (to) from the Australian Government		
Appropriation transfers from Official Public Account		
Annual appropriations		
Payments to Non-CAC Act bodies	778,810	3,506,182
Payments to CAC Act bodies	6,291	6,300
Special appropriations (limited)		
Payments to Non-CAC Act bodies	164,276	149,654
Payments to CAC Act bodies	-	-
Special appropriations (unlimited)		
Payments to Non-CAC Act bodies	7,076,100	28,995,853
Payments to CAC Act bodies	16,637	67,551
Appropriation transfers to OPA	(305,369)	(1,267,259)
Restructuring	-	-
Withholdings	(23,297)	
Other movements	285	2
Closing assets less liabilities as at 18 September	(2,493,312)	(2,910,941)

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

Department of Education, Employment and Workplace Relations
ADMINISTERED CASH FLOW STATEMENT
for the period ended 18 September 2013

	Notes	2014 \$'000	2013 \$'000
OPERATING ACTIVITIES			
Cash received			
Interest		692	759
Net GST received		278,476	1,296,531
Levies		42,216	172,567
Other		191,275	214,270
Total cash received		512,659	1,684,127
Cash used			
Suppliers		874,990	3,460,537
Subsidies		53,733	239,906
Personal benefits		4,790,339	20,294,687
Grants		2,302,253	9,055,698
Interest		-	34
Payments to CAC Act bodies		6,291	6,280
Total cash used		8,027,606	33,057,142
Net cash flows from (used by) operating activities	24	(7,514,947)	(31,373,015)
INVESTING ACTIVITIES			
Cash received			
Repayments of advances and loans			
Repayments of advances and loans		17,551	200,419
Total cash received		17,551	200,419
Cash used			
Loans made		59,552	284,099
Total cash used		59,552	284,099
Net cash flows from (used by) investing activities		(42,001)	(83,680)
Net increase (decrease) in cash held		(7,556,948)	(31,456,695)
Cash and cash equivalents at the beginning of the reporting period		58	15
Cash from Official Public Account			
Appropriations		7,847,598	32,725,540
GST appropriations		255,494	306,020
Special accounts		348	654
Total cash from official public account		8,103,440	33,032,214
Cash to Official Public Account			
Appropriations		(130,291)	(1,267,259)
Return of GST appropriations		(278,476)	(307,329)
Special accounts		(137,225)	(888)
Total cash to official public account		(545,992)	(1,575,476)
Cash and cash equivalents at the end of the reporting period	20A	558	58

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

Department of Education, Employment and Workplace Relations
SCHEDULE OF ADMINISTERED COMMITMENTS
as at 18 September 2013

BY TYPE	2014 \$'000	2013 \$'000
Commitments receivable		
Net GST recoverable on commitments	<u>(7,343,096)</u>	<u>(7,591,420)</u>
Total commitments receivable	<u>(7,343,096)</u>	<u>(7,591,420)</u>
Commitments payable		
Other commitments		
Employment programmes	7,056,185	7,649,171
Goods and services ¹	269,146	312,169
Grants	455,375	549,966
Legislative obligations ²	109,973,138	112,134,857
Other	<u>67</u>	<u>85</u>
Total other commitments	<u>117,753,911</u>	<u>120,646,248</u>
Net commitments by type	<u>110,410,815</u>	<u>113,054,828</u>
BY MATURITY		
Commitments receivable		
Within 1 year	(897,785)	(1,146,109)
Between 1 to 5 years	(4,569,814)	(4,569,814)
More than 5 years	<u>(1,875,497)</u>	<u>(1,875,497)</u>
Total commitments receivable	<u>(7,343,096)</u>	<u>(7,591,420)</u>
Commitments payable		
Other Commitments		
Within 1 year	12,118,041	15,010,378
Between 1 to 5 years	72,844,563	72,844,563
More than 5 years	<u>32,791,307</u>	<u>32,791,306</u>
Total other commitments	<u>117,753,911</u>	<u>120,646,247</u>
Net commitments by maturity	<u>110,410,815</u>	<u>113,054,827</u>

NB: All commitments are GST inclusive where relevant. The maturity range 'within 1 year' shows the period 19 September 2013 to 30 June 2014.

The value of commitments is determined based on expected value of services contracted, but yet to be performed under the agreement.

¹ Goods and services contracts include amounts relating to consultancies.

² Legislative obligations relate to amounts specified in the legislation where a funding determination has not yet been made. The legislation comprises the *Australian Education Act 2013*, the *Schools Assistance Act 2008* and the *Indigenous Education (Targeted Assistance) Act 2000*.

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

Department of Education, Employment and Workplace Relations
SCHEDULE OF ADMINISTERED CONTINGENCIES
as at 18 September 2013

	2014	2013
	\$'000	\$'000
Contingent assets		
Claims for damages or costs	<u>17,561</u>	19,928
Total contingent assets	<u>17,561</u>	<u>19,928</u>
Contingent liabilities		
Claims for damages or costs	<u>90,127</u>	74,174
Total contingent liabilities	<u>90,127</u>	<u>74,174</u>
<i>Net contingent assets (liabilities)</i>	<u>(72,566)</u>	<u>(54,246)</u>

Details of each class of contingent assets and liabilities in the above table are disclosed in Note 25: Administered Contingent Assets and Liabilities, along with information on significant remote contingencies and contingencies that cannot be quantified.

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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Department of Education, Employment and Workplace Relations NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of the department

The Department of Education, Employment and Workplace Relations (the department) was an Australian Government controlled entity. It was a not-for-profit entity. The department was abolished on 18 September 2013 following the issue of a new Administrative Arrangements Order (AAO).

The department provided advice to the Government and administered programmes to achieve the Government's objectives for education, employment and workplace relations. The department worked in partnership with the states and territories, non-government authorities, providers and industry.

The department was structured to meet the following outcomes:

Outcome 1: Early Childhood Education and Child Care

Outcome 2: School Education

Outcome 3: Employment

Outcome 4: Workplace Relations

Following the abolition of the department, Indigenous functions transferred to the Department of the Prime Minister and Cabinet; Student Assistance, Working Age Payments and the Disability Employment Services Programme transferred to the Department of Social Services. The remaining functions transferred to the newly created Department of Education and the Department of Employment.

The existence of the department was dependent on Government policy and on funding by Parliament for the department's administration and programmes. On abolition of the department, all remaining funding was transferred in line with functions.

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

1.2 Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 49 of the *Financial Management and Accountability Act 1997*. The statements show the activity of the department for the period 1 July 2013 up to its abolition on 18 September 2013. These statements are prepared on an going concern basis as the department's functions were transferred to other entities from the date of abolition as described in Note 1.1 above.

The financial statements have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011;
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the statement of financial position when and only when it is probable that future economic benefits will flow to the department or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

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

Department of Education, Employment and Workplace Relations NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.3 Significant Accounting Judgements and Estimates

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

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

Child Care Fee Assistance

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

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

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

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

The following new standards, amended standards or interpretations that were issued by the Australian Accounting Standards Board prior to the sign off date are applicable to the current reporting period and have a material impact on the department:

AASB 13 Fair Value Measurement – December 2012 (Principal)

AASB 119 Employee Benefits – September 2011 (Principal)

1.5 Revenue

Revenue from the sale of goods is recognised when:

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

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

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

Department of Education, Employment and Workplace Relations

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

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

Revenue from Government

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

Appropriations receivable are recognised at their nominal amounts.

1.6 Gains

Resources received free of charge

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

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

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

Sale of assets

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

1.7 Transactions with the Government as Owner

Equity injections

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

Restructuring of administrative arrangements

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

Other distributions to Owners

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

1.8 Employee Benefits

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

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

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

Department of Education, Employment and Workplace Relations

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 2012. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

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

Superannuation

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

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

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

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

The liability for superannuation recognised as at 18 September 2013 represents outstanding contributions for the final fortnight of the statement period.

1.9 Leases

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

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

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

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

Lease incentives

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

1.10 Fair Value Measurement

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

Department of Education, Employment and Workplace Relations NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.11 Cash

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

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

1.12 Financial Assets

The department classifies its financial assets in the following categories:

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

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

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

Assets in this category are classified as current assets.

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

Available-for-sale financial assets

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

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

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

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Department of Education, Employment and Workplace Relations

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Impairment of financial assets

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

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

1.13 Financial Liabilities

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

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

1.14 Contingent Liabilities and Contingent Assets

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

Indemnities

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

1.15 Financial Guarantee Contracts

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

1.16 Acquisition of Assets

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

Department of Education, Employment and Workplace Relations NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

1.17 Infrastructure, Plant and Equipment including Land and Buildings

Asset recognition threshold

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

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

Revaluations

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

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

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

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of 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 and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

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

Asset Class	2014	2013
Buildings on freehold land	37-51 years	37-51 years
Buildings – leasehold improvements	Lease term	Lease term
Infrastructure, plant and equipment	3-25 years	3-25 years

Department of Education, Employment and Workplace Relations NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Impairment

All assets were assessed for impairment at 30 June 2013. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. The department has relied upon this assessment for the reporting period at 18 September 2013.

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

Derecognition

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

Assets not previously recognised

Equipment was brought to account as part of infrastructure, plant and equipment for the first time as at 18 September 2013.

1.18 Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the department's software are 2–15 years (2013: 2–15 years).

All software assets were assessed for indications of impairment as at 30 June 2013. The department has relied upon this assessment for the reporting period at 18 September 2013.

1.19 Taxation

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

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

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

Department of Education, Employment and Workplace Relations

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.20 Reporting of Administered Activities

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

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

Administered cash transfers to and from the Official Public Account

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

Revenue

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

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

Gains and losses

Administered gains or losses under the Student Financial Supplement Scheme (ABSTUDY) are recognised at 30 June each year based on an actuarial assessment of the fair value. No actuarial assessment was undertaken at 18 September 2013.

Loans and receivables

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

Administered receivables, including those relating to personal benefit overpayments, represent debts owed to the department by past and present customers. All debts known to be irrecoverable are excluded from the value of administered receivables. Irrecoverable debts comprise amounts written off pursuant to section 1236 of the *Social Security Act 1991* and amounts waived pursuant to section 1237 of the *Social Security Act 1991*. In accordance with departmental guidelines for the operation of waivers under section 1237 of the *Social Security Act 1991*, where a debt is not likely to exceed a threshold amount and it is not cost effective for the Australian Government to recover the debt, the debt is waived.

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

Administered investments

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

Administered investments other than those held for sale are classified as available-for-sale and are measured at their fair value as at 30 June 2013. Fair value has been taken to be the Government's proportional interest in the net assets of the entities as at the end of the reporting period.

Grants and subsidies

The department administered 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

Department of Education, Employment and Workplace Relations

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

been performed or criteria satisfied.

Under the Federal Financial Framework agreed with Council of Australian Governments, which came into effect on 1 January 2009, the Department of the Treasury is accountable for the payment of grants under the National Partnership Agreements to the states and territories. As a result the department reported payments made since the agreement came into effect as nation building transfers (Note 17D) for all payments made through state and territory governments.

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

Personal Benefits

The department administered a number of personal benefit programmes on behalf of the Government that provide income support, family assistance and other entitlements to individuals. Payments are determined in accordance with provisions under social security law and other legislation. Payments made under the *Social Security Act 1991*, *Social Security (Administration) Act 1999*, *A New Tax System (Family Assistance) Act 1999*, *A New Tax System (Family Assistance) (Administration) Act 1999* and *Student Assistance Act 1973* legislation are assessed, determined and paid by officers of the Department of Human Services (DHS) under delegation from the department.

Payments made by DHS appear in the financial statements of the department, which received appropriations for the payments.

The *Social Security (Administration) Act 1999*, *A New Tax System (Family Assistance) (Administration) Act 1999* and *Student Assistance Act 1973* imposes obligations on payment recipients to disclose to DHS information about financial and personal circumstances that affect entitlement to payment. Unreported changes in circumstances can lead to incorrect payment, even if deliberate fraud is not intended. However, risks associated with relying on voluntary disclosure are mitigated by a risk management strategy which focuses on prevention, detection and deterrence.

In addition, as part of its ongoing administration obligations DHS conducts a comprehensive program of reviews. Compliance reviews of payment recipient's circumstances contribute to the detection of overpayment and benefit fraud. Recipients are generally selected for compliance reviews based on risk categories and inconsistencies in income, assets or other data across DHS systems, or between DHS and data gathered through Job Services Australia, universities, or held by other agencies such as the Australian Taxation Office and financial institutions. DHS also undertakes reviews that are triggered by the length of time since a particular event has happened for a recipient. The department oversees a program of random sampling of recipients in order to identify emerging risks to payment accuracy.

Payments to CAC Act bodies

Payments to Comcare from amounts appropriated for that purpose are classified as administered expenses of the relevant portfolio department. The appropriation to the department is disclosed in Table A and Table D of the appropriation note.

Department of Education, Employment and Workplace Relations NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2: Events After the Reporting Period

In accordance with the Administrative Arrangements Order of 18 September 2013, the department was abolished and its functions transferred to the Department of Education, the Department of Employment, the Department of the Prime Minister and Cabinet and the Department of Social Services. Refer to Note 10 Restructuring for details of the transfers.

During the financial year the High Court in *Williams v Commonwealth [2014] HCA 23* held that payments made under the National Schools Chaplaincy and Student Welfare program were invalid on the grounds that they were not supported by a Commonwealth constitutional head of power. Consequently, the payments so made became debts owed to the Commonwealth. However, the Minister for Finance, the Hon Mathias Cormann, after considering all relevant matters waived those debts under s34(1)(a) of the *Financial Management and Accountability Act 1997* on 19 June 2014. The amount waived was \$156.121 million, this included \$87.945 million paid by the Department of Education, Employment and Workplace Relations.

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 3: Expenses

2014	2013
\$'000	\$'000

Note 3A: Employee benefits

Wages and salaries	64,417	287,826
Superannuation:		
Defined contribution plans	5,032	22,857
Defined benefit plans	10,269	44,374
Leave and other entitlements	11,489	64,826
Separations and redundancies	182	639
Other employee expenses	525	2,706
Total employee benefits	91,914	423,228

Note 3B: Supplier expenses

Goods and services supplied or rendered

Consultants	3,559	23,148
Contractors	1,955	17,657
Travel	1,036	8,695
IT services	7,414	42,580
Property	1,821	11,402
Resources received free of charge	504	1,610
Other	2,890	20,911
Total goods and services supplied or rendered	19,179	126,003

Goods and services are made up of:

Provision of goods – related entities	3	52
Provision of goods – external parties	339	2,568
Rendering of services – related entities	1,436	7,948
Rendering of services – external parties	17,401	115,435
Total goods and services supplied or rendered	19,179	126,003

Other supplier expenses

Operating lease rentals – external parties:		
Minimum lease repayments	11,954	51,884
Contingent rentals	64	297
Workers compensation expenses	955	6,326
Total other supplier expenses	12,973	58,507
Total supplier expenses	32,152	184,510

Note 3C: Grants

Public sector		
Australian Government entities (related entities)	83	93
Private sector		
Non-profit organisations	859	1,100
Other	85	1,720
Total grants	1,027	2,913

Department of Education, Employment and Workplace Relations
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	2014	2013
	\$'000	\$'000
<u>Note 3D: Depreciation and amortisation</u>		
Depreciation		
Infrastructure, plant and equipment	2,712	12,336
Buildings	17	83
Leasehold improvements	3,180	18,147
Total depreciation	5,909	30,566
Amortisation		
Intangibles:		
Computer software	8,275	30,173
Total amortisation	8,275	30,173
Total depreciation and amortisation	14,184	60,739
<u>Note 3E: Finance costs</u>		
Unwinding of discount on provision for restoration obligations	14	119
Total finance costs	14	119
<u>Note 3F: Write-down and impairment of assets</u>		
Write-off of receivables - goods and services	-	18
Impairment of intangibles	-	650
Write-off of non-financial assets – infrastructure, plant and equipment	17	253
Write-off of non-financial assets – land and buildings	-	228
Total write-down and impairment of assets	17	1,149
<u>Note 3G: Losses from asset sales</u>		
Infrastructure, plant and equipment		
Proceeds from sale	(6)	(26)
Carrying value of assets sold	19	314
Net loss from infrastructure, plant and equipment	13	288
Total losses from asset sales	13	288

Department of Education, Employment and Workplace Relations
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Note 4: Own- Source Income

	2014	2013
	\$'000	\$'000
Own-Source Income		

Note 4A: Sale of goods and rendering of services

Provision of goods - external parties	2	7
Rendering of services - related entities	6,656	40,469
Rendering of services - external parties	788	4,654
Total sale of goods and rendering of services	7,446	45,130

Gains

Note 4B: Sale of Assets

Land and buildings

Proceeds from sale	-	302
Carrying value of assets sold	-	(256)
Net gain from sale of land and buildings	-	46
Net gain from sale of assets	-	46

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

Reversal of impairment losses	-	5
Total reversals of previous asset write-downs and impairments	-	5

Note 4D: Other gains

Resources received free of charge	504	1,610
Gain on write back of restoration provision	-	1,446
First time recognition of assets – property, plant and equipment	26	56
First time recognition of assets – portable and attractive items	-	3
Other	318	1,435
Total other gains	848	4,550

REVENUE FROM GOVERNMENT

Note 4E: Revenue from Government

Appropriations:

Departmental appropriations	347,040	563,881
Total revenue from Government	347,040	563,881

Department of Education, Employment and Workplace Relations NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5: Fair Value Measurement

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

The different levels of the fair value hierarchy are defined as follows:

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

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

Level 3: Unobservable inputs for the asset or liability.

Note 5A: Fair Value Measurement

Fair value measurements at the end of the reporting period by hierarchy for non-financial assets as at 18 September 2013

	Fair value measurements at the end of the reporting period using			
	Fair value \$'000	Level 1 inputs \$'000	Level 2 inputs \$'000	Level 3 inputs \$'000
Non-financial assets				
Land and buildings	3,834	-	3,834	-
Leasehold improvements	78,678	-	445	78,233
Other property, plant and equipment	29,577	-	9,027	20,550
Total non-financial assets	112,089	-	13,306	98,783
Total fair value measurements of assets in statement of financial position¹	112,089	-	13,306	98,783
Assets not measured at fair value in the statement of financial position				
Total non-financial assets not measured at fair value in the statement of financial position	-	-	-	-

1. The department did not measure any non-financial assets at fair value on a non-recurring basis as at 18 September 2013. The department has a number of assets and liabilities not measured at fair value in the statement of financial position. The carrying amounts of these assets and liabilities are considered to be a reasonable approximation of their fair value.

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

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

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

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

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

	Category (Level 2 or Level 3)	Fair Value \$'000	Valuation technique(s) ¹	Inputs used	Range (weighted average) ²
Non-financial assets					
Leasehold improvements	2	445	Replacement Cost	Replacement Cost (price per sqm)	
Leasehold improvements	3	77,029	Depreciated Replacement Cost (DRC)	Replacement Cost (price per sqm)	
				Useful Life (consumed economic benefit/ obsolescence of asset)	4.3%-33.3% (8.0%) per annum
Leasehold improvements (make good)	3	1,204	Net Present Value	Current obligation costs (price per sqm), discount rate, indexation rates	\$85 - \$200, 3.75% - 4.24% (3.98%), 1.41% - 1.90%
Land and buildings	2	3,834	Market Approach	Adjusted market transactions	
Other property, plant and equipment	2	9,027	Market Approach	Adjusted market transactions	
Other property, plant and equipment	3	20,550	Depreciated Replacement Cost (DRC)	Replacement Cost New (size, capacity, use, configuration, style, type) Useful life	
				Useful Life (consumed economic benefit/ obsolescence of asset)	6.7% - 33.3% (15.6%) per annum

1. There have been no changes to valuation techniques.

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

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

The Australian Valuation Office provided a comprehensive valuation of all departmental non-financial assets as at 30 June 2012. The department has a policy of testing the currency of the valuation of various asset classes at least once every 12 months and to obtain a comprehensive valuation at least once every three years. The entity has engaged the Australian Valuation Solutions (AVS) to provide written assurance that the methodology developed by the department has complied with the requirements of the new *AASB 13 Fair Value Measurements* from 1 July 2013.

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

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

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

Department of Education, Employment and Workplace Relations NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

Leasehold Improvements – Depreciated Replacement Cost Valuation

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

Leasehold Improvements – Current Restoration Costs, Indexation Rates and Discount Rate

Applicable make good provisions have been determined in accordance with Australian Accounting Guidance Note 2010/1 Accounting for Decommissioning, Restoration and Similar Provisions ('Make Good'). Current restoration costs have been established based on analysed transactions, costing publications and industry sources. Current restoration costs have been indexed to the obligation date (generally the expiry of the lease term) using industry building cost indexes relevant to the asset's location and then discounted where the time value of money is material using the Australian Government 10 year bond rate. The estimated provision is depreciated in line with the corresponding leasehold improvement asset.

Other Property, Plant and Equipment – Depreciated Replacement Cost Valuation

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

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

Recurring Level 3 fair value measurements – sensitivity of inputs

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

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

Leasehold Improvements – Current Restoration Costs, Indexation Rates and Discount Rate

The significant unobservable inputs used in the fair value measurement of the department's leasehold restoration cost (make good) asset class relate to the current restoration costs, escalation rates and discount rates. A significant increase (decrease) in this cost and (or) escalation rate and decrease (increase) in the discount rate would result in a significantly higher (lower) fair value measurement.

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

Recurring Level 3 fair value measurements - reconciliation for assets

	Non-financial assets			
	Land and buildings	Property, plant and equipment	Leasehold improvements	Total
	2014	2014	2014	2014
	\$'000	\$'000	\$'000	\$'000
Opening balance¹	-	21,502	81,327	102,829
Total gains/(losses) in net cost of services ²	-	(1,576)	(3,180)	(4,756)
Purchases	-	623	86	709
Sales	-	-	-	-
Write-offs	-	-	-	-
Settlements	-	-	-	-
Transfers into Level 3 ³	-	-	-	-
Transfers out of Level 3 ⁴	-	-	-	-
Closing balance	-	20,549	78,233	98,782
Changes in unrealised gains/(losses) recognised in net cost of services for assets held at the end of the reporting period⁵	-	-	-	-

¹ Opening balance as determined in accordance with AASB 13.

² The presentation of these gains/(losses) in the Statement of Comprehensive Income under depreciation.

³ There have been no transfers between levels of the hierarchy during the year.

⁴ There have been no transfers between levels of the hierarchy during the year.

⁵ The presentation of unrealised gains/(losses) in the Statement of Comprehensive Income under other comprehensive income.

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

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Financial Assets

	2014	2013
	\$'000	\$'000
<u>Note 6A: Cash and cash equivalents</u>		
Cash on hand or on deposit	<u>4,613</u>	<u>21,569</u>
Total cash and cash equivalents	<u>4,613</u>	<u>21,569</u>
<u>Note 6B: Trade and other receivables</u>		
Goods and Services receivable in connection with		
Related parties	12,549	3,575
External parties	<u>2,269</u>	<u>2,636</u>
Total goods and services receivables	<u>14,818</u>	<u>6,211</u>
Appropriations receivable		
Existing programmes	<u>337,416</u>	<u>84,337</u>
Total appropriations receivable	<u>337,416</u>	<u>84,337</u>
Other receivables		
GST receivable from the Australian Taxation Office	<u>370</u>	<u>3,798</u>
Total other receivables	<u>370</u>	<u>3,798</u>
Total trade and other receivables (gross)	<u>352,604</u>	<u>94,346</u>
Less impairment allowance		
Goods and services	-	-
Total impairment allowance	<u>-</u>	<u>-</u>
Total trade and other receivables (net)	<u>352,604</u>	<u>94,346</u>
Trade and other receivables (net) expected to be recovered		
No more than 12 months	352,604	94,346
More than 12 months	<u>-</u>	<u>-</u>
Total trade and other receivables (net)	<u>352,604</u>	<u>94,346</u>
Trade and other receivables (gross) aged as follows		
Not overdue	345,874	93,492
Overdue by		
0 to 30 days	4,087	152
31 to 60 days	1,996	81
61 to 90 days	225	53
More than 90 days	<u>422</u>	<u>568</u>
Total trade and other receivables (gross)	<u>352,604</u>	<u>94,346</u>
The impairment allowance aged as follows		
Not overdue	-	-
Overdue by:		
0 to 30 days	-	-
31 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	<u>-</u>	<u>-</u>
Total impairment allowance	<u>-</u>	<u>-</u>

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Reconciliation of the Impairment Allowance

Movements in relation to 2014

	Goods and services \$'000	Total \$'000
Opening balance	-	-
Amounts written off	-	-
Amounts recovered and reversed	-	-
Increase/(decrease) recognised in net surplus	-	-
Closing balance	-	-

Movements in relation to 2013

	Goods and services \$'000	Total \$'000
Opening balance	(5)	(5)
Amounts written off	(18)	(18)
Amounts recovered and reversed	18	18
Increase/(decrease) recognised in net surplus	5	5
Closing balance	-	-

	2014 \$'000	2013 \$'000
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Note 6C: Other financial assets

Accrued revenue	<u>6,343</u>	<u>14,326</u>
Total other financial assets	<u><u>6,343</u></u>	<u><u>14,326</u></u>

Other financial assets expected to be recovered

No more than 12 months	<u>6,343</u>	<u>14,326</u>
More than 12 months	<u>-</u>	<u>-</u>
Total other financial assets	<u><u>6,343</u></u>	<u><u>14,326</u></u>

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Non-Financial Assets

	2014	2013
	\$'000	\$'000
<u>Note 7A: Land and buildings</u>		
Land		
Freehold land at fair value	1,910	1,910
Total land	1,910	1,910
Buildings on freehold land:		
Fair value	2,020	2,020
Accumulated depreciation	(96)	(79)
Total buildings on freehold land	1,924	1,941
Leasehold improvements:		
Work in progress	445	275
Fair value	97,240	97,154
Accumulated depreciation	(18,302)	(15,122)
Accumulated impairment losses	(705)	(705)
Total leasehold improvements	78,678	81,602
Total land and buildings	82,512	85,453

There are three residential properties to be sold within the next 12 months. The properties have a net book value of \$1,353,731 as at 18 September 2013.

There are two leased properties that the department manages which are due to be vacated within the next 12 months that have leasehold improvement assets. The total net book value of the leasehold improvements including restoration for these properties was \$242,103 as at 18 September 2013.

The impairment loss of \$704,536 was first recognised in 2011-12 for one property associated with surplus lease space.

Note 7B: Infrastructure, plant and equipment

Fair value	46,156	45,273
Accumulated depreciation	(16,579)	(13,983)
Total infrastructure, plant and equipment	29,577	31,290

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

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

Revaluations of non-financial assets

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

No revaluation increments for land (2013: nil), buildings on freehold land (2013: nil) and leasehold improvements (2013: nil) or decrements for infrastructure, plant and equipment (2013: nil) were credited to the asset revaluation surplus by asset class and included in the equity section of the balance sheet; no increments/decrements were expensed (2013: nil).

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

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

	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Total land and buildings \$'000	Other property, plant & equipment \$'000	Total \$'000
As at 1 July 2013						
Gross book value	1,910	2,020	97,429	101,359	45,273	146,632
Accumulated depreciation and impairment	-	(79)	(15,827)	(15,906)	(13,983)	(29,889)
Total as at 1 July 2013	1,910	1,941	81,602	85,453	31,290	116,743
Additions						
By purchase	-	-	256	256	1,009	1,265
By lease incentive	-	-	-	-	-	-
First time recognition	-	-	-	-	26	26
Leasehold restoration	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
Revaluations and impairments recognised in other comprehensive income	-	-	-	-	-	-
Impairments recognised in net cost of services	-	-	-	-	(17)	(17)
Depreciation	-	(17)	(3,180)	(3,197)	(2,712)	(5,909)
Other movements	-	-	-	-	-	-
Correction of Prior Year Revaluation Error (through ARR)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
From disposal of entities or operations (including restructuring)	-	-	-	-	-	-
Other	-	-	-	-	(19)	(19)
Write-offs	-	-	-	-	-	-
Total as at 18 September 2013	1,910	1,924	78,678	82,512	29,577	112,089
Total as at 18 September 2013 represented by						
Gross book value	1,910	2,020	97,685	101,615	46,156	147,771
Accumulated depreciation and impairment	-	(96)	(19,007)	(19,103)	(16,579)	(35,682)
Total as at 18 September 2013	1,910	1,924	78,678	82,512	29,577	112,089

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 7C: Reconciliation of the opening and closing balances of property, plant and equipment (2012-13)

	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Total land and buildings \$'000	Other property, plant & equipment \$'000	Total \$'000
As at 1 July 2012						
Gross book value	1,960	2,210	102,068	106,238	40,469	146,707
Accumulated depreciation and impairment	-	-	(1,378)	(1,378)	(3,527)	(4,905)
Total as at 1 July 2012	1,960	2,210	100,690	104,860	36,942	141,802
Additions						
By purchase	-	-	1,341	1,341	7,196	8,537
By lease incentive	-	-	-	-	-	-
First time recognition	-	-	-	-	56	56
Leasehold restoration	-	-	780	780	-	780
Reclassification	-	-	-	-	-	-
Revaluations and impairments recognised in other comprehensive income	-	-	-	-	-	-
Impairments recognised in net cost of services	-	-	-	-	-	-
Depreciation	-	(83)	(18,147)	(18,230)	(12,336)	(30,566)
Other movements	-	-	-	-	-	-
Correction of Prior Year Revaluation Error (through ARR)	-	-	(1,039)	(1,039)	-	(1,039)
Disposals						
From disposal of entities or operations (including restructuring)	-	-	(1,774)	(1,774)	(3)	(1,777)
Other	(50)	(186)	(21)	(257)	(313)	(570)
Write-offs	-	-	(228)	(228)	(253)	(481)
Total as at 30 June 2013	1,910	1,941	81,602	85,453	31,290	116,743
Total as at 30 June 2013 represented by						
Gross book value	1,910	2,020	97,429	101,359	45,273	146,632
Accumulated depreciation and impairment	-	(79)	(15,827)	(15,906)	(13,983)	(29,889)
Total as at 30 June 2013	1,910	1,941	81,602	85,453	31,290	116,743

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2014	2013
	\$'000	\$'000
Note 7D: Intangibles		
Computer software		
Internally developed – in progress	7,340	19,944
Internally developed – in use	240,342	221,132
Purchased	3,728	3,728
Total computer software (gross)	251,410	244,804
Accumulated amortisation – internally developed	(137,296)	(129,040)
Accumulated amortisation – purchased	(3,421)	(3,402)
Total computer software (net)	110,693	112,362
Total intangibles	110,693	112,362

No indicators of impairment were found for intangible assets.

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

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

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

	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2013			
Gross book value	241,076	3,728	244,804
Accumulated amortisation and impairment	(129,040)	(3,402)	(132,442)
Total as at 1 July 2013	112,036	326	112,362
Additions			
By Purchase	-	-	-
Internally developed	6,606	-	6,606
Revaluations and impairments recognised in other comprehensive income	-	-	-
Impairments recognised in net cost of services	-	-	-
Amortisation	(8,256)	(19)	(8,275)
Disposals	-	-	-
From disposal of entities or operations (including restructuring)	-	-	-
Other	-	-	-
Write-offs	-	-	-
Total as at 18 September 2013	110,386	307	110,693
Total as at 18 September 2013 represented by			
Gross book value	247,682	3,728	251,410
Accumulated amortisation and impairment	(137,296)	(3,421)	(140,717)
Total as at 18 September 2013	110,386	307	110,693

There were no write offs of internally developed software or purchased software.

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 7E: Reconciliation of the opening and closing balances of intangibles (2012-13)

	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2012			
Gross book value	208,253	3,381	211,634
Accumulated amortisation and impairment	(101,918)	(3,333)	(105,251)
Total as at 1 July 2012	106,335	48	106,383
Additions	-	-	-
Purchased	-	347	347
Internally developed	36,455	-	36,455
Impairments recognised in net cost of services	(650)	-	(650)
Amortisation	(30,104)	(69)	(30,173)
Disposals	-	-	-
From disposal of entities or operations (including restructuring)	-	-	-
Write-offs	-	-	-
Total as at 30 June 2013	112,036	326	112,362
Total as at 30 June 2013 represented by			
Gross book value	241,076	3,728	244,804
Accumulated amortisation and impairment	(129,040)	(3,402)	(132,442)
Total as at 30 June 2013	112,036	326	112,362

In the 2012-13 financial year write offs of \$2.841 million were carried out for internally developed software. There were no write offs of purchased software.

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2014	2013
	\$'000	\$'000
<u>Note 7F: Other non-financial assets</u>		
Prepayments	<u>27,039</u>	<u>23,716</u>
<i>Total other non-financial assets</i>	<u>27,039</u>	<u>23,716</u>
Other non-financial assets expected to be recovered		
No more than 12 months	<u>24,231</u>	20,614
More than 12 months	<u>2,808</u>	3,102
<i>Total other non-financial assets</i>	<u>27,039</u>	<u>23,716</u>

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

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Payables

2014	2013
\$'000	\$'000

Note 8A: Suppliers

Trade creditors and accruals	3,467	28,140
Operating lease rentals	9,930	9,777
Total suppliers	13,397	37,917

Suppliers expected to be settled

No more than 12 months	3,610	28,367
More than 12 months	9,787	9,550
Total suppliers	13,397	37,917

Suppliers in connection with

Related parties	704	2,195
External parties	12,693	35,722
Total suppliers	13,397	37,917

Settlement is usually made within 30 days.

Note 8B: Other payables

Wages and salaries	8,678	10,380
Superannuation	3,307	1,779
Separations and redundancies	-	280
Other employee benefits	91	313
Lease incentives	25,420	26,325
Unearned income	574	717
Payable to the Official Public Account	1	1
Accrued expenses	4,132	9,738
Surplus lease space	2,450	2,763
Total other payables	44,653	52,296

Other payables expected to be settled

No more than 12 months	21,185	30,150
More than 12 months	23,468	22,146
Total other payables	44,653	52,296

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 9: Provisions

	2014	2013
	\$'000	\$'000
Note 9A: Employee provisions		
Leave	<u>130,302</u>	<u>131,932</u>
Total employee provisions	<u><u>130,302</u></u>	<u><u>131,932</u></u>
Employee provisions expected to be settled		
No more than 12 months	39,666	40,046
More than 12 months	<u>90,636</u>	<u>91,886</u>
Total employee provisions	<u><u>130,302</u></u>	<u><u>131,932</u></u>
Note 9B: Other provisions		
Provision for restoration obligations	2,026	2,058
Provision for legal obligations	<u>1,364</u>	<u>1,364</u>
Total other provisions	<u><u>3,390</u></u>	<u><u>3,422</u></u>
Other provisions expected to be settled		
No more than 12 months	186	1,550
More than 12 months	<u>3,204</u>	<u>1,872</u>
Total other provisions	<u><u>3,390</u></u>	<u><u>3,422</u></u>

	Provision for restoration obligations \$'000	Provision for legal obligations \$'000	Total \$'000
As at 1 July 2013	2,058	1,364	3,422
Additional provisions made	-	-	-
Amounts reversed	-	-	-
Amounts used	-	-	-
Unwinding of discount or change in discount rate	(32)	-	(32)
Adjustments to asset revaluation reserve	-	-	-
Total as at 18 September 2013	2,026	1,364	3,390

The department currently has five (2013: 5) agreements for the leasing of premises which have provisions requiring the department to restore the premises to their original condition at the conclusion of the lease. The department has made a provision to reflect the present value of this obligation.

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 10: Restructuring

Note 10A: Departmental restructuring

Function	2014			2013	
	Education including: Early Childhood Education and Care and Schools and Youth	Employment and Workplace Relations	Education and Employment functions as they relate to Indigenous affairs	Tertiary Education: including Higher Education, Vocational Education and International Education	ASQA: a national VET regulator, responsible for registering training organisations and accrediting courses.
Entity	Department of Education ¹	Department of Employment ²	Department of the Prime Minister and Cabinet ³	Department of Industry, Innovation, Science, Research and Tertiary Education ⁵	Australian Skills Quality Authority ⁶
	\$'000	\$'000	\$'000	\$'000	\$'000
FUNCTION RELINQUISHED					
Assets relinquished					
Cash and cash equivalents	(2,618)	(1,995)	-	-	-
Trade and other receivables	(19,789)	(21,860)	(3,942)	-	-
Other financial assets	(2,395)	(3,948)	-	-	-
Land and buildings	(57,229)	(25,283)	-	-	-
Property, plant and equipment	(11,310)	(18,267)	-	(3)	(1,774)
Intangibles	(43,407)	(67,286)	-	-	-
Other non-financial assets	(8,145)	(18,894)	-	-	-
Total assets relinquished	(144,893)	(157,533)	(3,942)	(3)	(1,774)
Liabilities relinquished					
Suppliers	8,203	5,194	-	-	-
Other payables	27,309	17,344	-	-	-
Employee provisions	59,126	71,176	-	-	-
Other provisions	1,864	1,526	-	-	-
Total liabilities relinquished	96,502	95,240	(3,942)	(3)	(1,774)
Net assets relinquished⁷	(48,391)	(62,293)	(3,942)	(3)	(1,774)

Department of Education, Employment and Workplace Relations NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Notes:

- ¹ The Early Childhood Education and Care and Schools and Youth Education functions were relinquished to the Department of Education following the Administrative Arrangement Order changes on 18 September 2013.
- ² The Employment and Workplace Relations functions in relation to the former DEEWR were relinquished to the Department of Employment following the Administrative Arrangement Order changes on 18 September 2013.
- ³ Indigenous functions relating to education and employment were relinquished to the Department of the Prime Minister and Cabinet during 2013–14 following the Administrative Arrangement Orders of 18 September 2013.
- ⁴ Working age payments and disability employment service functions were relinquished to the Department of Social Security during 2013–14 following the Administrative Arrangement Orders of 18 September 2013.
- ⁵ The tertiary education functions, including higher education, vocational education and international education were relinquished to the former Department of Industry, Innovation, Science, Research and Tertiary Education during 2011–12 due to Administrative Arrangements Order changes on 13 December 2011 and 9 February 2012.
- ⁶ Responsibility for registering training organisations and accrediting courses was relinquished to the national VET regulator, the Australian Skills Quality Authority on 1 July 2011. As at 30 June 2012 some assets had not been transferred to the Australian Skills Quality Authority. An additional transfer of land and buildings (\$1.774 million) was completed in July 2012.
- ⁷ The net assets relinquished to all entities were \$116.974 million (2013 \$1.777 million)

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 10B: Administered restructuring

Function	2014		2014		2014	
	Education including: Early Childhood Education and Care and Schools and Youth	Department of Education ¹ \$'000	Employment and Workplace Relations	Department of Employment ² \$'000	Education and Employment functions as they relate to Indigenous affairs	Department of the Prime Minister and Cabinet ³ \$'000
Entity	Department of Education ¹ \$'000	Department of Employment ² \$'000	Department of the Prime Minister and Cabinet ³ \$'000	Department of Social Services ⁴ \$'000		
FUNCTIONS RELINQUISHED						
Assets relinquished						
Cash and cash equivalents	(139,331)	(78)	-	-	-	-
Trade and other receivables	(9,478)	(17,357)	(946)	-	-	-
Personal benefit receivables	(295,752)	-	-	-	(781,622)	-
Advances and loans	(11,885)	-	-	-	(98,255)	-
Investments	(6,987)	(116,725)	-	-	-	-
Other non-financial assets	(3,864)	(2,329)	-	-	(61,980)	-
Total assets relinquished	(467,297)	(136,489)	(946)	(941,857)		
Liabilities recognised						
Suppliers	33,327	26,014	138	-	-	-
Subsidies	-	8,025	-	-	-	-
Personal benefits	118,561	2,277	-	-	406,208	-
Grants	13,663	-	-	-	-	-
Other payables	2,794	2,804,447	-	-	-	-
Provision of personal benefits	624,484	-	-	-	-	-
Total liabilities relinquished	792,829	2,840,763	138	406,208		
Net assets relinquished⁵	325,532	2,704,274	(808)	(535,649)		

Department of Education, Employment and Workplace Relations NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Notes

- ¹ The Early Childhood Education and Care and Schools and Youth Education functions were relinquished to the Department of Education following the Administrative Arrangement Order changes on 18 September 2013.
- ² The Employment and Workplace Relations functions in relation to the former DEEWR were relinquished to the Department of Employment following the Administrative Arrangement Order changes on 18 September 2013.
- ³ Indigenous functions relating to education and employment were relinquished to the Department of the Prime Minister and Cabinet during 2013–14 following the Administrative Arrangement Orders of 18 September 2013.
- ⁴ [Working age payments and disability employment service functions were relinquished to the Department of Social Security during 2013–14 following the Administrative Arrangement Orders of 18 September 2013.
- ⁵ The net assets/liabilities relinquished to all entities were \$2,493 billion (2013: nil).

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11: Cash Flow Reconciliation

	2014	2013
	\$'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	4,613	21,569
Statement of financial position	4,613	21,569
Discrepancy	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from (used by) operating activities		
Net (cost of) contribution by services	(131,027)	(623,215)
Revenue from Government	347,040	563,881
Adjustments for non-cash items		
First time recognition of non-financial assets	(26)	(56)
Reversal of impairment losses	-	(5)
Other gains	(309)	(1,449)
Depreciation / amortisation	14,184	60,739
Net write-down and impairment of assets	17	1,149
Net losses from sale of assets	13	242
Finance costs - unwinding of discount on provision for restoration obligations	14	119
Movements in assets and liabilities		
Assets		
Decrease / (increase) in net receivables	(216,310)	26,151
Decrease / (increase) in accrued income	7,983	(13,835)
Decrease / (increase) in prepayments	(3,323)	1,654
Liabilities		
Increase / (decrease) in employee provisions	(1,630)	8,293
Increase / (decrease) in supplier payables	(29,430)	(3,801)
Increase / (decrease) in other provisions	-	(3,366)
Increase / (decrease) in other payables	(1,884)	2,199
Net cash from (used by) operating activities	<u>(14,688)</u>	<u>18,700</u>

**Department of Education, Employment and Workplace Relations
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Note 12: Contingent Assets and Liabilities

	Indemnities		Claims for damages or costs		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Contingent assets						
Balance from previous period	-	-	-	-	-	-
New contingent assets recognised	-	-	-	-	-	-
Re-measurement	-	-	-	-	-	-
Assets realised	-	-	-	-	-	-
Rights expired	-	-	-	-	-	-
Total contingent assets	-	-	-	-	-	-
Contingent liabilities						
Balance from previous period	-	-	294	3,961	294	3,961
New contingent liabilities recognised	-	-	-	19	-	19
Re-measurement	-	-	(3)	(1,221)	(3)	(1,221)
Liabilities realised	-	-	(47)	(2,465)	(47)	(2,465)
Obligations expired	-	-	-	-	-	-
Total contingent liabilities	-	-	244	294	244	294
Net contingent assets (liabilities)	-	-	(244)	(294)	(244)	(294)

Department of Education, Employment and Workplace Relations NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Quantifiable Contingencies

The schedule of contingencies reports contingent liabilities in respect of indemnities and claims for damages of \$0.244 million (2013: \$0.294 million).

The schedule also reports contingent assets in respect of claims for damages of nil (2013: nil).

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

Unquantifiable Contingencies

As at 18 September 2013, the department had contingent liabilities likely to be paid in respect of damages and claims that are not quantifiable. There were five open matters in the hands of the department's legal representatives (2013: 1). 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.

Significant Remote Contingencies

The department has one (2013: 3) contingent asset where the likelihood of receipt is remote. The value of contingent liabilities where the likelihood of payment is remote is nil (2013: nil). These are not included in the Schedule of Contingencies.

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

Department of Education, Employment and Workplace Relations
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Note 13: Senior Executive Remuneration

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

	2014	2013
	\$'000	\$'000
Short-term employee benefits		
Salary (including annual leave taken)	-	24,498
Other	-	4,515
Total short-term employee benefits	<u>-</u>	<u>29,013</u>
Post-employment benefits		
Superannuation	-	4,701
Total post-employment benefits	<u>-</u>	<u>4,701</u>
Other long-term employee benefits		
Annual leave accrued	-	381
Long-service leave	-	589
Total other long-term benefits	<u>-</u>	<u>970</u>
Termination benefits	<u>-</u>	<u>302</u>
Total senior executive remuneration expenses	<u><u>-</u></u>	<u><u>34,986</u></u>

Notes

¹ Note 13A is prepared from 1 July 2013 to 18 September 2013.

² Note 13A was prepared on an accrual basis. It excludes acting arrangements and part-year service where total remuneration expensed for a senior executive was less than \$195,000.

³ Other includes motor vehicle allowances, other allowances and reportable fringe benefits.

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

	2013-14					
	Substantive Senior Executives	Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total reportable remuneration
	No.	\$	\$	\$	\$	\$
Average annual reportable remuneration¹	133	48,691	8,516	10	-	57,217
Total reportable remuneration (including part-time arrangements)						
Less than \$195,000						
Total number of substantive senior executives	133					
	2012-13					
	Substantive Senior Executives	Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total reportable remuneration
	No.	\$	\$	\$	\$	\$
Average annual reportable remuneration¹						
Total reportable remuneration (including part-time arrangements)						
Less than \$195,000	30	91,699	14,815	-	-	106,514
\$195,000 to \$224,999	37	179,836	31,239	-	-	211,075
\$225,000 to \$254,999	41	201,107	35,799	-	-	236,906
\$255,000 to \$284,999	11	229,353	40,011	-	-	269,364
\$285,000 to \$314,999	13	255,928	41,466	-	-	297,394
\$315,000 to \$344,999	7	273,458	50,986	-	-	324,444
\$345,000 to \$374,999	3	305,840	52,861	-	-	358,701
\$375,000 to \$404,999	3	324,389	58,406	-	-	382,795
\$405,000 to \$434,999	1	378,324	32,955	-	-	411,279
\$645,000 to \$674,999	1	574,526	94,093	1,800	-	670,419
Total number of substantive senior executives	147					

Notes:

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

² 'Reportable salary' includes the following:

a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column)

Department of Education, Employment and Workplace Relations NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes)
- c) reportable employer superannuation contributions
- d) exempt foreign employment income.

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

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

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

**Department of Education, Employment and Workplace Relations
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Note 13C: Average annual reportable remuneration paid to other highly paid staff during the reporting period

	2013-14					2012-13						
	Other highly paid staff No.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total reportable remuneration	Other highly paid staff No.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total reportable remuneration
Average annual reportable remuneration¹												
Total reportable remuneration (including part time arrangements):												
\$195,000 to \$224,999	-	-	-	-	-	-	-	-	-	-	-	-
Total number of other highly paid staff	-						-					
Average annual reportable remuneration¹												
Total reportable remuneration (including part time arrangements):												
\$195,000 to \$224,999	1	183,834	25,443	-	-	209,277	1	183,834	25,443	-	-	209,277
Total number of other highly paid staff	1						1					

Notes:

- 1 This table reports staff:
 - a) who were employed by the department during the reporting period
 - b) whose reportable remuneration was \$195,000 or more for the reporting period
 - c) were not required to be disclosed in Tables A or B.

Each row is an averaged figure based on headcount for individuals in the band.

2 'Reportable salary' includes the following:

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

3 The 'contributed superannuation' amount is the average cost to the department for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band during the reporting period.

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

5 'Bonus paid' are existing remuneration arrangements for non senior executive staff that do not provide for the payment of bonuses.

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 14: Remuneration of Auditors

	2014	2013
	\$'000	\$'000
Financial statement audit services were provided free of charge to the department by the Australian National Audit Office.		

The fair value of the services provided for financial statement audit services was	<u>504</u>	<u>1,610</u>
Total fair value of services received	<u>504</u>	<u>1,610</u>

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

Note 15: Financial Instruments

Note 15A: Categories of financial instruments

Financial Assets

Loans and receivables

Cash and cash equivalents	4,613	21,569
Goods and services	14,818	6,211
Accrued revenue	6,343	14,326
Total financial assets	<u>25,774</u>	<u>42,106</u>

Financial Liabilities

At amortised cost

Trade creditors	3,467	28,140
Accrued expenses	4,132	9,738
Total financial liabilities	<u>7,599</u>	<u>37,878</u>

Note 15B: Net gains or losses on financial assets

Loans and receivables

Write off impairment - goods and services	-	(18)
Reversal of impairment - goods and services	-	5
Net gains (losses) on loans and receivables	<u>-</u>	<u>(13)</u>
Net gains (losses) on financial assets	<u>-</u>	<u>(13)</u>

The net income/expense from financial assets not at fair value through profit or loss is nil [2013: \$13,000].

Department of Education, Employment and Workplace Relations NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15C: Fair value of financial instruments

	Carrying amount 2014 \$'000	Fair value 2014 \$'000	Carrying amount 2013 \$'000	Fair value 2013 \$'000
Financial Assets				
Cash and cash equivalents	4,613	4,613	21,569	21,569
Goods and services receivable	14,818	14,818	6,211	6,211
Accrued revenue	6,343	6,343	14,326	14,326
Total financial assets	25,774	25,774	42,106	42,106
Financial Liabilities				
At amortised cost				
Trade creditors	3,467	3,467	28,140	28,140
Accrued expenses	4,132	4,132	9,738	9,738
Total financial liabilities	7,599	7,599	37,878	37,878

Note 15D: Credit risk

The department is exposed to minimal credit risk as loans and receivables are cash, cash on deposit and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables in 2014: \$14,818,000 (2013: \$6,211,000). The department has assessed the risk of the default on payment and has allocated nil in 2014 (2013: nil) to an impairment allowance for doubtful debts.

The department has no liabilities in 2014 (2013: Nil) carried at amounts not best representing maximum exposure to credit risk.

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

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

	2014 \$'000	2013 \$'000
Financial assets carried at amount not best representing maximum exposure to credit risk		
Cash and cash equivalents	4,613	21,569
Goods and services receivable	14,818	6,211
Accrued revenue	6,343	14,326
Total financial assets carried at amount not best representing maximum exposure to credit risk	25,774	42,106

In relation to the department's gross credit risk and the financial effect in respect of the amount that best represents the maximum exposure to credit risk, there is no collateral held. However in 2014: 51 (2013: 50) limited indemnities were given in respect of venue hire between the Commonwealth and third parties.

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

	Not past due nor impaired 2014 \$'000	Not past due nor impaired 2013 \$'000	Past due or impaired 2014 \$'000	Past due or impaired 2013 \$'000
Cash and cash equivalents	4,613	21,569	-	-
Goods and services receivable	8,088	5,357	6,730	854
Accrued revenue	6,343	14,326	-	-
Total	19,044	41,252	6,730	854

Department of Education, Employment and Workplace Relations
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Ageing of financial assets that were past due but not impaired for 2014

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Goods and services receivable	4,087	1,996	225	422	6,730
Total	4,087	1,996	225	422	6,730

Ageing of financial assets that were past due but not impaired for 2013

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Goods and services receivable	152	81	53	568	854
Total	152	81	53	568	854

The following asset has been individually assessed as impaired

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

Note 15E: Liquidity risk

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

Maturities for non-derivative financial liabilities 2014

	On demand \$'000	Within 1 year \$'000	Between 1 to 2 years \$'000	Between 2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Trade creditors	-	3,467	-	-	-	3,467
Accrued expenses	-	4,132	-	-	-	4,132
Total	-	7,599	-	-	-	7,599

Maturities for non-derivative financial liabilities 2013

	On demand \$'000	Within 1 year \$'000	Between 1 to 2 years \$'000	Between 2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
Trade creditors	-	28,140	-	-	-	28,140
Accrued expenses	-	9,738	-	-	-	9,738
Total	-	37,878	-	-	-	37,878

Note 15F: Market risk

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

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 16: Financial Assets Reconciliation

	2014 \$'000	2013 \$'000
Notes		
<i>Total financial assets as per statement of financial position</i>	363,560	130,241
Less: non-financial instrument components		
Appropriation receivable	337,416	84,337
GST receivable from the Australian Taxation Office	370	3,798
Total non-financial instrument components	337,786	88,135
<i>Total financial assets as per financial instruments note</i>	25,774	42,106
15A		

Department of Education, Employment and Workplace Relations
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Note 17: Administered Expenses

<u>Note 17A: Suppliers</u>	2014	2013
	\$'000	\$'000
Goods and services supplied or rendered		
Labour market assistance to job seekers and industry	276,668	1,299,526
Assistance to people with disabilities	157,668	777,765
School education - specific funding	32,728	190,560
Other	1,961	63,957
Total goods and services supplied or rendered	469,025	2,331,808
Goods and services are made up of		
Rendering of services – related parties	32,183	172,576
Rendering of services - external parties	436,842	2,159,232
Total goods and services	469,025	2,331,808
Total supplier expenses	469,025	2,331,808
 <u>Note 17B: Subsidies</u>		
Payable to related parties		
Industrial relations	21,040	172,567
Payable to external parties		
Labour market assistance to job seekers and industry	7,910	45,031
School education - specific funding	-	5,107
Assistance to people with disabilities	458	17,522
Total subsidies	29,408	240,227

Department of Education, Employment and Workplace Relations
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	2014	2013
	\$'000	\$'000
<u>Note 17C: Personal benefits</u>		
Direct		
Student assistance	65,098	263,405
Assistance to families with children	1,522,765	7,287,552
Assistance to the aged	103,261	514,722
Assistance to people with disabilities	34,460	144,695
Assistance to the unemployed	2,094,763	8,517,849
Labour market assistance to job seekers and industry	13,454	66,790
School education - specific funding	-	1,036
Indirect		
Assistance to families with children	910,016	3,200,527
Student assistance	-	24,903
Industrial relations	40,801	261,645
Total personal benefits	4,784,618	20,283,124
<u>Note 17D: Grants</u>		
Public sector		
Australian Government entities (related entities)	28,003	468,760
State and territory governments	1,951,577	8,149,954
Private sector		
Non-profit organisations	131,468	493,261
Other	161,920	93,478
Total grants	2,272,968	9,205,453
<u>Note 17E: Finance costs</u>		
Other interest payments	-	34
Unwinding of discount (concessional loans)	-	13
Total finance costs	-	47
<u>Note 17F: Write-down and impairment of assets</u>		
Impairment of personal benefits receivable	2,202	838
Write-down of other receivables	19,020	2,979
Total write-down and impairment of assets	21,222	3,817

Department of Education, Employment and Workplace Relations
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	2014	2013
	\$'000	\$'000
<u>Note 17G: Payments to CAC Act bodies</u>		
Comcare	<u>6,291</u>	<u>6,280</u>
<i>Total payments to CAC Act bodies</i>	<u>6,291</u>	<u>6,280</u>

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: Administered Income

	2014	2013
	\$'000	\$'000
Taxation revenue		
<u>Note 18A: Other taxes</u>		
Levies (other than agricultural)	21,039	172,567
<i>Total other taxes</i>	21,039	172,567
Non-taxation revenue		
<u>Note 18B: Interest</u>		
Other sources	3	14
Loans	692	1,513
<i>Total interest</i>	695	1,527
<u>Note 18C: Commonwealth asset recoveries</u>		
General Employee Entitlements and Redundancy Scheme (GEERS) and Fair Entitlement Guarantee (FEG) recoveries	2,309	37,230
<i>Total Commonwealth asset recoveries</i>	2,309	37,230
<u>Note 18D: Other revenue</u>		
Other	146,660	29,022
<i>Total other revenue</i>	146,660	29,022
Gains		
<u>Note 18E: Fair value gains from financial instruments</u>		
Actuarial gain on Student Financial Supplement Scheme (ABSTUDY)	-	29,134
<i>Total fair value gains from financial instruments</i>	-	29,134
<u>Note 18F: Reversals of previous asset write-downs and impairments</u>		
Reversals of impairment losses for goods and services receivables	-	1,941
Reversal of impairment losses for personal benefits receivables	-	17,264
<i>Total reversals of previous asset write-downs and impairments</i>	-	19,205

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Note 19: Administered Fair Value Measurement

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

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

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

Level 3: Unobservable inputs for the asset or liability.

Note 19A: Fair value measurements

Fair value measurements at 18 September 2013 by hierarchy for assets and liabilities

	Fair value measurements at the end of the reporting period using			
	Fair value \$'000	Level 1 inputs \$'000	Level 2 inputs \$'000	Level 3 inputs \$'000
Financial assets				
Concessional loans	62,738			62,738
Administered investments	123,712			123,712
Total financial assets	186,450	-	-	186,450
Total fair value measurements	186,450	-	-	186,450

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

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

	Category (Level 2 or Level 3)	Fair value \$'000	Valuation technique(s)	Inputs used
Financial assets				
Concessional loans	3	62,738	Loan conditions	Principal due Net
Administered investments	3	123,712	Depreciated replacement cost	assets of the entity

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

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

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

There have been no transfer between levels during the period

Recurring Level 3 fair value measurements - reconciliation for assets

	Financial assets		
	Administered	Concessional	Total
	investments	Loans	
	2014	2014	2014
	\$'000	\$'000	\$'000
Opening balance	6,987	68,139	75,126
Total gains/(losses) recognised in net cost of services	-	-	-
Total gains/(losses) recognised in Administered Equity	116,725	-	116,725
Settlements	-	(5,401)	(5,401)
Closing balance	123,712	62,738	186,450

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 20: Administered Financial Assets

	2014	2013
	\$'000	\$'000
<u>Note 20A: Cash and cash equivalents</u>		
Cash on hand or on deposit	558	58
Special accounts	138,937	2,060
Total cash and cash equivalents	139,495	2,118
<u>Note 20B: Receivables</u>		
Taxation receivables		
Levies receivable from related parties	7,250	28,427
Total taxation receivables	7,250	28,427
Good and services		
Goods and services - related parties	-	-
Goods and services - external parties	27,610	37,393
Total receivables for goods and services	27,610	37,393
Advances and loans		
Student Financial Supplement Scheme (ABSTUDY)	50,853	54,200
Personal Benefit advances	47,402	91,363
Other loans	11,885	13,939
Total advances and loans	110,140	159,502
Other receivables		
GST receivable from Australian Taxation Office	13,308	37,781
Personal benefits receivable	1,391,866	1,397,564
Total other receivables	1,405,174	1,435,345
Total trade and other receivables (gross)	1,550,174	1,660,667
Less impairment allowance		
Goods and services	(20,304)	(2,605)
Personal benefits	(314,490)	(312,289)
Total impairment allowance	(334,794)	(314,894)
Total trade and other receivables (net)	1,215,380	1,345,773
Receivables (net) expected to be recovered		
No more than 12 months	442,592	559,689
More than 12 months	772,788	786,084
Total trade and other receivables (net)	1,215,380	1,345,773

Department of Education, Employment and Workplace Relations
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	2014	2013
	\$'000	\$'000
Receivables (gross) aged as follows		
Not overdue	427,498	543,309
Overdue by		
0 to 30 days	1,634	2,660
31 to 60 days	13,405	2,065
61 to 90 days	338	2,123
More than 90 days	1,107,298	1,110,510
Total receivables (gross)	<u>1,550,173</u>	<u>1,660,667</u>
The impairment allowance aged as follows		
Not overdue	(173)	(544)
Overdue by		
0 to 30 days	(139)	(518)
31 to 60 days	(93)	(413)
61 to 90 days	(13,117)	(374)
More than 90 days	(321,272)	(313,045)
Total impairment allowance	<u>(334,794)</u>	<u>(314,894)</u>

Goods and services receivables are with entities external to the Australian Government. Credit terms are within 30 days (2013: 30 days).

Reconciliation of the Impairment Allowance Account:

Movements in relation to 2014

	Receivables	Total
	\$'000	\$'000
Opening balance	(314,894)	(314,894)
Amounts written off	(19,020)	(19,020)
Amounts recovered and reversed	19,020	19,020
Increase (decrease) recognised in net cost of services	(19,900)	(19,900)
Closing balance	<u>(334,794)</u>	<u>(334,794)</u>

Movements in relation to 2013

	Receivables	Total
	\$'000	\$'000
Opening balance	(333,261)	(333,261)
Amounts written off	(2,979)	(2,979)
Amounts recovered and reversed	2,979	2,979
Increase (decrease) recognised in net cost of services	18,367	18,367
Closing balance	<u>(314,894)</u>	<u>(314,894)</u>

Department of Education, Employment and Workplace Relations
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	2014	2013
	\$'000	\$'000
<u>Note 20C: Other investments</u>		
Other Investments:		
Comcare ¹	-	-
Australian Institute for Teaching and School Leadership ²	4,802	4,802
Australian Curriculum, Assessment and Reporting Authority ³	2,185	2,185
Coal Mining Industry Corporation ⁴	116,725	-
Total other investments	123,712	6,987
Other investments expected to be recovered		
No more than 12 months	-	-
More than 12 months	123,712	6,987
Total other investments	123,712	6,987

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 *Comcare* – the minimisation of human and financial costs in relation to workplace injury in Commonwealth employment.

² *Australian Institute for Teaching and School Leadership* – supports and enhances the teaching profession for the benefit of all Australians.

³ *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.

⁴ *Coal Mining Industry Corporation* – is responsible for the administration of the Coal Mining Industry Long Service Leave Fund. The Fund has operated since 1949 to provide reimbursement payments to employers paying long service leave to persons employed in the black coal industry in New South Wales, Queensland, Western Australia and Tasmania on the basis of industry employment service.

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 21: Administered Non-Financial Assets

	2014	2013
	\$'000	\$'000
<u>Note 21A: Other non-financial assets</u>		
Prepayments	68,173	3,493
Total other non-financial assets	68,173	3,493
Other non-financial assets expected to be recovered		
No more than 12 months	68,173	3,493
More than 12 months	-	-
Total other non-financial assets	68,173	3,493

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

Note 22: Administered Payables

Note 22A: Suppliers

Trade creditors and accruals	59,478	145,279
Total suppliers	59,478	145,279
Suppliers expected to be settled		
Related parties	2,337	1,083
External parties	57,141	144,196
Total suppliers	59,478	145,279

Settlement was usually made within 30 days.

Note 22B: Subsidies

Payable to related parties	8,024	28,427
Payable to external parties	-	3,922
Total subsidies	8,024	32,349
Subsidies expected to be settled		
No more than 12 months	8,024	32,349
More than 12 months	-	-
Total subsidies	8,024	32,349

Note 22C: Personal benefits

Direct	422,216	381,621
Indirect	104,830	96,735
Total personal benefits	527,046	478,356
Personal benefits expected to be settled		
No more than 12 months	527,046	478,356
More than 12 months	-	-
Total personal benefits	527,046	478,356

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2014	2013
	\$'000	\$'000
Note 22D: Grants		
Public sector		
Local Governments	16	-
Private sector		
Non-profit organisations	1,107	9,075
Other	12,676	34,009
Total grants	13,799	43,084
Grants expected to be settled		
No more than 12 months	13,799	43,084
More than 12 months	-	-
Total grants	13,799	43,084
Settlement is usually made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.		
Note 22E: Other payables		
Comcare payable ¹	2,788,163	2,788,163
GST payable	19,078	39,677
Total other payables	2,807,241	2,827,840
Other payables expected to be settled		
No more than 12 months	171,654	192,253
More than 12 months	2,635,587	2,635,587
Total other payables	2,807,241	2,827,840
¹ The amount payable to Comcare represents amounts payable by the Commonwealth for:		
- workers compensation claims resulting from injuries that occurred prior to 1 July 1989, referred to as 'pre-premium' claims		
- workers compensation claims resulting from injuries that have occurred since 1 July 1989, referred to as 'premium' claims		
- the management of asbestos related personal injury common law disease claims against the Commonwealth.		
Full details of the amounts payable may be found in the Comcare annual report.		
Note 23: Administered Provisions		
Note 23A: Other Provisions		
Provisions for personal benefits	624,484	742,404
Total other provisions	624,484	742,404
Other provisions expected to be settled		
No more than 12 months	624,484	742,404
More than 12 months	-	-
Total other provisions	624,484	742,404

Department of Education, Employment and Workplace Relations
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Reconciliation of movements in other provisions		
	Provisions for personal benefits \$'000	Total \$'000
As at 1 July 2013	742,404	742,404
Additional provisions made	624,484	624,484
Amounts used	(742,404)	(742,404)
Amounts reversed	-	-
Unwinding of discount or change in discount rate	-	-
Total as at 18 September 2013	624,484	624,484

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 24: Administered Cash Flow Reconciliation

	2014	2013
	\$'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	558	58
Schedule of administered assets and liabilities	558	58
Discepancy	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from (used by) operating activities		
Net (cost of) contribution by services	(7,412,829)	(31,782,071)
Adjustments for non-cash items		
Net write down of non-financial assets	21,222	3,817
Expenses not requiring cash - restructure		-
Other expenses not requiring cash		323,318
Other revenues not providing cash	(3)	(767)
Movements in assets and liabilities		
Assets		
(Increase) / decrease in net receivables	326,403	69,026
(Increase) / decrease in other non-financial assets	(64,680)	3,895
Liabilities		
Increase / (decrease) in supplier payables	(262,220)	(172,327)
Increase / (decrease) in subsidies payable	(24,325)	321
Increase / (decrease) in personal benefits payable	48,690	86,842
Increase / (decrease) in personal benefits provisions	(117,920)	145,835
Increase / (decrease) in grants payable	(29,285)	(46,504)
Increase / (decrease) in other payables	-	(4,400)
Net cash from (used by) operating activities	<u>(7,514,947)</u>	<u>(31,373,015)</u>

**Department of Education, Employment and Workplace Relations
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Note 25: Administered Contingent Assets and Liabilities

	Indemnities		Claims for damages or costs		Other		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Contingent assets								
Balance from previous period	-	-	19,928	15,302	-	-	19,928	15,302
New contingent assets recognised	-	-	-	-	-	-	-	-
Re-measurement	-	-	(72)	41,868	-	-	(72)	41,868
Assets realised	-	-	(2,295)	(37,242)	-	-	(2,295)	(37,242)
Rights expired	-	-	-	-	-	-	-	-
Total contingent assets	-	-	17,561	19,928	-	-	17,561	19,928
Contingent liabilities								
Balance from previous period	-	-	74,174	66,862	-	-	74,174	66,862
New contingent liabilities recognised	-	-	-	-	-	-	-	-
Re-measurement	-	-	15,953	7,312	-	-	15,953	7,312
Liabilities realised	-	-	-	-	-	-	-	-
Obligations expired	-	-	-	-	-	-	-	-
Total contingent liabilities	-	-	90,127	74,174	-	-	90,127	74,174
Net contingent assets (liabilities)								
							(72,566)	(54,246)

Department of Education, Employment and Workplace Relations NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Quantifiable Contingencies

The schedule of administered contingencies reports contingent assets and liabilities in respect of estimated payments and recoveries in relation to the Early Childhood Programmes, dividends for General Employee Entitlements and Redundancy Scheme and proceedings in the Dust Disease Tribunal as a result of the department's administration in prior years. The estimated contingent liability is \$77.395 million (2013: \$74.174 million). The estimated contingent asset is \$17.561 million (2013: \$19.928 million).

Unquantifiable Contingencies

At 18 September 2013, the department had a number of legal claims against it. The department has denied liability and is defending the claims. It is not possible to estimate the amounts of any eventual payment that may be required in relation to these claims.

In addition, there are currently a number of cases before both the Administrative Appeals Tribunal (AAT) and the Social Security Appeals Tribunal for which the outcomes are not yet known or able to be quantified.

Relating to the General Employee Entitlements and Redundancy Scheme and the Fair Entitlements Guarantee, it is known that there are employers with large outstanding employee entitlements that have been placed into liquidation. The amounts are unable to be quantified as no claim forms have been received.

Significant Remote Contingencies

The value of contingent assets where the likelihood of receipt is remote is nil (2013: nil). The value of contingent liabilities where the likelihood of payment is remote is \$460.315 million (2013: \$460.315 million). The majority of the contingent liability represents residual credits from the Job Services – Employment Pathway Fund. These are not included in the schedule of administered contingencies.

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 26: Administered Financial Instruments

	2014	2013
	\$'000	\$'000
<u>Note 26A: Categories of financial instruments</u>		
Financial Assets		
Available-for-sale financial assets		
Investments	<u>123,712</u>	6,987
Total available-for-sale financial assets	<u>123,712</u>	6,987
Loans and receivables		
Cash and cash equivalents	558	58
Taxation receivables	7,250	28,427
Goods and services receivable	<u>7,306</u>	34,788
Total loans and receivables	<u>15,114</u>	63,273
Financial assets at fair value through profit or loss (designated)		
Student Financial Supplement Scheme (ABSTUDY)	50,853	54,200
Other loans	<u>11,885</u>	13,939
Total financial assets at fair value through profit or loss (designated)	<u>62,738</u>	68,139
Total financial assets	<u>201,564</u>	138,399
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	59,478	145,279
Subsidies payable	8,024	32,349
Grants payable	<u>13,799</u>	43,084
Total financial liabilities measured at amortised cost	<u>81,301</u>	220,712
Total financial liabilities	<u>81,301</u>	220,712

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 26B: Net gains or losses on financial assets		
	2014	2013
	\$'000	\$'000
Available-for-sale financial assets		
Gain/loss recognised in equity	<u>116,725</u>	<u>(37,572)</u>
Net gains/(losses) from available-for-sale financial assets	<u>116,725</u>	<u>(37,572)</u>
Loans and receivables		
Interest revenue	3	14
Reversal of impairment - goods and services	-	1,941
Write-down and impairment	<u>(19,020)</u>	<u>(2,979)</u>
Net gains/(losses) from loans and receivables	<u>(19,017)</u>	<u>(1,024)</u>
Financial assets at fair value through profit or loss (designated)		
Interest revenue	692	1,513
Interest expense	-	-
Unwinding of discount	-	(13)
Fair value gains/(losses)	<u>-</u>	<u>29,134</u>
Net gains/(losses) on financial assets at fair value through profit or loss (designated)	<u>692</u>	<u>30,634</u>
Net gains/(losses) on financial assets	<u>98,400</u>	<u>(7,962)</u>

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 26C: Fair value of financial instruments

	Carrying amount 2014 \$'000	Fair value 2014 \$'000	Carrying amount 2013 \$'000	Fair value 2013 \$'000
Financial Assets				
Available-for-sale				
Investments	123,712	123,712	6,987	6,987
Loans and receivables				
Cash at bank and on hand	558	558	58	58
Taxation receivables	7,250	7,250	28,427	28,427
Receivables for goods and services	7,306	7,306	34,788	34,788
Fair value through profit or loss (designated)				
Student Financial Supplement Scheme (ABSTUDY)	50,853	50,853	54,200	54,200
Other loans	11,885	11,885	13,939	13,939
Total financial assets	201,564	201,564	138,399	138,399
Financial Liabilities				
Measured at amortised cost				
Trade creditors	59,478	59,478	145,279	145,279
Subsidies payable	8,024	8,024	32,349	32,349
Grants payable	13,799	13,799	43,084	43,084
Total financial liabilities	81,301	81,301	220,712	220,712

Department of Education, Employment and Workplace Relations
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Note 26D: Credit risk

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

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

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

	2014	2013
	\$'000	\$'000
Financial assets carried at amount not best representing maximum exposure to credit risk		
Available-for-sale		
Investments	123,712	6,987
Loan and receivables financial assets		
Cash at bank and on hand	558	58
Taxation receivables	7,250	28,427
Goods and services receivables	27,610	37,393
Fair value through profit or loss (designated)		
Student Financial Supplement Scheme (ABSTUDY)	50,853	54,200
Other loans	11,885	13,939
Total financial assets carried at amount not best representing maximum exposure to credit risk	221,868	141,004

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 \$20.304 million in 2014 (2013: \$2.605 million).

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

Department of Education, Employment and Workplace Relations
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Credit quality of financial assets not past due or individually determined as impaired					
	Not past due nor impaired 2014 \$'000	Not past due nor impaired 2013 \$'000	Past due or impaired 2014 \$'000	Past due or impaired 2013 \$'000	
Available-for-sale					
Investments	123,712	6,987	-	-	
Loans and receivables					
Cash at bank and on hand	558	58	-	-	
Taxation receivables	7,250	28,427	-	-	
Goods and services receivables	1,643	20,913	25,967	16,480	
Fair value through profit or loss (designated)					
Student Financial Supplement Scheme (ABSTUDY)	50,853	54,200	-	-	
Other loans	11,885	13,939	-	-	
Total	195,901	124,524	25,967	16,480	
Ageing of financial assets that were past due but not impaired for 2014					
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Goods and services and other receivables	3,643	234	-	1,786	5,663
Total	3,643	234	-	1,786	5,663
Ageing of financial assets that were past due but not impaired for 2013					
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Goods and services and other receivables	357	320	507	12,691	13,875
Total	357	320	507	12,691	13,875

Department of Education, Employment and Workplace Relations
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Note 26E: Liquidity risk

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

Maturities for non-derivative financial liabilities 2014

	On demand	Within 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities						
Measured at amortised cost						
Trade creditors	-	59,478	-	-	-	59,478
Subsidies	-	8,024	-	-	-	8,024
Grants payable	-	13,799	-	-	-	13,799
Total	-	81,301	-	-	-	81,301

Maturities for non-derivative financial liabilities 2013

	On demand	Within 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities						
Measured at amortised cost						
Trade creditors	-	145,279	-	-	-	145,279
Subsidies	-	32,349	-	-	-	32,349
Grants payable	-	43,084	-	-	-	43,084
Total	-	220,712	-	-	-	220,712

The department has no derivative financial liabilities in both current and prior year.

Note 26F: Market risk

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

Department of Education, Employment and Workplace Relations
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Note 26G: Concessional loans		
	2014	2013
	\$'000	\$'000
Student Financial Supplement Scheme (ABSTUDY)		
Nominal value	403,047	403,047
Less: Unexpired discount	(13,194)	(9,847)
Impairment	(339,000)	(339,000)
Carrying amount	<u>50,853</u>	<u>54,200</u>
Child Care loans		
Nominal value	11,885	13,939
Less: Unexpired discount	-	-
Impairment	-	-
Carrying amount	<u>11,885</u>	<u>13,939</u>
Total concessional loans	<u><u>62,738</u></u>	<u><u>68,139</u></u>
Note 27: Administered Financial Assets Reconciliation		
	2014	2013
	\$'000	\$'000
Notes		
Total financial assets as per administered schedule of assets and liabilities	1,478,587	1,354,878
Less: non-financial instrument components		
GST receivable from Australian Taxation Office	13,308	37,781
Personal benefits receivable (net)	1,077,376	1,085,275
Personal benefits advances	47,402	91,363
Special account appropriations	138,937	2,060
Total non-financial instrument components	<u>1,277,023</u>	<u>1,216,479</u>
Total financial assets as per administered financial instruments note	26A <u><u>201,564</u></u>	<u><u>138,399</u></u>

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 28: Appropriations

Note 28A: Annual Appropriations (Recoverable GST exclusive)

	2014 Appropriations							Appropriation applied in 2014 (current and prior years) \$'000	Variance \$'000
	Appropriation Act		FMA Act			Total appropriation \$'000			
	Annual Appropriation \$'000	Appropriations reduced ¹ \$'000	AFM ² \$'000	Section 30 \$'000	Section 31 \$'000		Section 32 \$'000		
DEPARTMENTAL									
Ordinary annual services	612,484	-	-	-	6,771	(220,000)	399,255	168,655	230,600
Other services	2,672	-	-	-	-	-	2,672	-	2,672
Equity									
Total departmental	615,156	-	-	-	6,771	(220,000)	401,927	168,655	233,272
ADMINISTERED									
Ordinary annual services									
Administered items	3,353,627	(869)	-	7,693	-	(649,000)	2,711,451	768,893	1,942,558
Payments to CAC ACT bodies	6,291	-	-	-	-	-	6,291	6,291	-
Other services									
States, ACT, NT and Local government	54,216	-	-	-	-	(11,000)	43,216	9,917	33,299
Total administered	3,414,134	(869)	-	7,693	-	(660,000)	2,760,958	785,101	1,975,857

Notes:

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

As with departmental appropriations, the responsible Minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of the Appropriations Acts (Nos 1, 3 & 5) 2013–14 and section 12 of Appropriation Acts (No. 2, 4 & 6) 2013–14, the appropriation is taken to be reduced to the required amount specified in Note 28F of this note once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's determination which is disallowable by Parliament.

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

3. In 2013–14, there was no adjustment that met the recognition criteria of a formal reduction in revenue (in accordance with FMO Div 101) but at law the appropriations had not been amended before the end of the reporting period.

4. Administered and departmental variances represent unspent appropriations that were transferred to those agencies receiving the functions from the department following the Administrative Arrangement Orders and the movement in creditor balances as the 2012–13 liabilities were paid.

**Department of Education, Employment and Workplace Relations
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	2013 Appropriations							Appropriation applied in 2013 (current and prior years) \$'000	Variance \$'000
	Appropriation Act		FMA Act			Total appropriation \$'000			
	Annual Appropriation \$'000	Appropriations reduced ¹ \$'000	AFM ² \$'000	Section 30 \$'000	Section 31 \$'000		Section 32 \$'000		
DEPARTMENTAL									
Ordinary annual services	616,120	(1,263)	-	-	33,827	(5,882)	642,802	647,629	(4,827)
Other services Equity	6,520	-	-	-	-	(913)	5,607	5,607	-
Total departmental	622,640	(1,263)	-	-	33,827	(6,795)	648,409	653,236	(4,827)
ADMINISTERED									
Ordinary annual services									
Administered items	3,862,226	(569,093)	24,117	22,805	-	1,440	3,341,495	3,356,372	(14,877)
Payments to CAC Act bodies	6,300	-	-	-	-	-	6,300	6,279	21
Other services									
States, ACT, NT and Local government	177,058	(31,061)	-	3,000	-	-	148,997	149,809	(812)
Total administered	4,045,584	(600,154)	24,117	25,805	-	1,440	3,496,792	3,512,460	(15,668)

Notes:

- Appropriations reduced under Appropriation Acts (Nos. 1,3,5) 2012-13: sections 10,11,12 and 15 and under Appropriation Acts (Nos. 2,4,6) 2012-13: sections 12,13,14 and 17. Departmental appropriations do not lapse at the financial year end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. On 5 August 2013, the Finance Minister issued a determination to reduce department appropriation following a request from the Minister for Education. The amount of the reduction under Appropriation Act (No. 1) 2012-13 was \$1,263,000. As with departmental appropriations, the responsible Minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of the Appropriations Acts (Nos 1,3, & 5) 2012-13 and section 12 of Appropriation Acts (No. 2,4 & 6) 2012-13, the appropriation is taken to be reduced to the required amount specified in Note 28F of this note once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's determination which is disallowable by Parliament.
- Advance to the Finance Minister (AFM) – Appropriation Acts (No. 1,3,5) 2012-13: section 13 and Appropriation Acts (No. 2,4,6) 2012-13: section 15. In 2012-13 the AFM Determination (No. 1 of 2012-13) reduced administered items by \$24,117,000.
- In 2012-13, there was an adjustment of \$1,263,000 that met the recognition criteria of a formal reduction in revenue (in accordance with FMO Div 101) but at law the appropriation had not been amended before the end of the reporting period. This adjustment has since been made under law by instrument to reduce appropriations (No. 1 of 2013-2014) on 5 August 2013.
- Administered and departmental variances are due to the movement in creditor balances between 2012-13 and 2013-14 less section 32 transfers relating to prior year creditors.

**Department of Education, Employment and Workplace Relations
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Note 288: Departmental and Administered Capital Budgets (Recoverable GST exclusive)

	2014 Capital Budget Appropriations			Capital Budget Appropriations applied in 2014 (current and prior years)			Variance \$'000		
	Appropriation Act		FMA Act	Total Capital Budget Appropriations \$'000	Payments for non-financial assets ³ \$'000	Payments for other purposes \$'000		Total payments \$'000	
	Annual Capital Budget \$'000	Appropriations reduced ² \$'000	Section 32 \$'000						
DEPARTMENTAL Ordinary annual services Departmental Capital Budget ¹	-	-	-	49,412	5,948	-	5,948	-	43,464

Notes:

1. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (Nos. 1, 3 & 5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Note 28A: Annual appropriations.
2. Appropriations reduced under Appropriation Acts (Nos. 1, 3 & 5) 2013–14: sections 10, 11, 12 and 15 or via a determination by the Finance Minister.
3. Payments made on non-financial assets include purchase of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

**Department of Education, Employment and Workplace Relations
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	2013 Capital Budget Appropriations			Capital Budget Appropriations applied in 2013 (current and prior years)		
	<i>Appropriation Act</i>	<i>FMA Act</i>	Total Capital Budget Appropriations \$'000	Payments for non-financial assets ³ \$'000	Payments for other purposes \$'000	Total payments \$'000
	Annual Capital Budget \$'000	Appropriations reduced ² \$'000				
DEPARTMENTAL Ordinary annual services Other services Departmental Capital Budget ¹	45,094	-	45,904	39,732	-	39,732
						Variance \$'000
						5,362

Notes:

¹ Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3 & 5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Note 28A: Annual appropriations.

² Appropriations reduced under Appropriation Acts (No. 1, 3 & 5) 2012–13: sections 10, 11, 12 and 15 or via a determination by the Finance Minister.

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

**Department of Education, Employment and Workplace Relations
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Note 28C: Unspent Annual Appropriations ('Recoverable GST exclusive')

	2014	2013
	\$'000	\$'000
Departmental		
Appropriation Act (No. 1) 2013-14	305,013	-
Appropriation Act (No. 2) 2013-14	2,672	-
Appropriation Act (No. 1) 2012-13	32,756	48,275
Appropriation Act (No. 1) 2011-12	-	58,894
Total departmental	340,441	107,169
Administered		
Appropriation Act (No. 1) 2013-14	2,123,342	-
Appropriation Act (No. 2) 2013-14	33,299	-
Appropriation Act (No. 1) 2012-13	2,084	688,671
Appropriation Act (No. 3) 2012-13	-	60,694
Appropriation Act (No. 2) 2012-13	-	31,061
Appropriation Act (No. 1) 2010-11	4,471	4,471
Appropriation Act (No. 1) 2009-10 ¹	-	3,508
Total administered	2,163,196	788,405

1. These amounts were formally lapsed in 2013–14 with the commencement of the *Statute Stocktake (Appropriations) Act 2013*.

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 28D: Special Appropriations (Recoverable GST exclusive)

Authority	Type	Purpose	Appropriation applied	
			2014 \$'000	2013 \$'000
A New Tax System (Family Assistance) (Administration) Act 1999 (Administered)	Unlimited Amount	An Act to enable the payment of family assistance to support families.	1,353,586	4,748,386
Early Years Quality Fund Special Account Act 2013	Limited Amount	An Act to establish the Early Years Quality Fund Special Account and for related purposes.	135,000	-
Schools Assistance Act 2008 - Section 167 (Administered)	Unlimited Amount	An Act to grant financial assistance to the states and territories for 2005 to 2008 for primary and secondary education, and for related purposes.	1,939,863	7,979,500
Student Assistance Act 1973 - Section 55A (Administered)	Unlimited Amount	An Act to provide certain benefits to certain students and for other purposes.	69,965	290,571
Fair Entitlements Guarantee Act 2012 - Section 50 (Administered)	Unlimited Amount	An Act to provide for financial assistance for workers who have not been fully paid for work done for insolvents or bankrupts, and for related purposes.	36,505	34,308
Indigenous Education (Targeted Assistance) Act 2000 - Section 14, Administration, limit for the reporting period and total limit for all reporting periods (Administered)	Limited Amount	An Act to provide targeted financial assistance to advance the education of Indigenous Australians and for other related purposes.	29,013	137,830
Social Security Administration Act 1999 - Section 242 (Administered)	Unlimited Amount	An Act to provide income support assistance for individuals.	3,439,771	14,940,551
Coal Mining Industry (Long Service Leave Funding) Act 1992 (Administered)	Unlimited Amount	An Act to manage the long service leave entitlement of the Coal Mining Industry.	42,216	170,454

**Department of Education, Employment and Workplace Relations
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Note 28D: Special Appropriations (Recoverable GST exclusive) continued

Authority	Type	Purpose	Appropriation applied	
			2014 \$'000	2013 \$'000
Safety, Rehabilitation and Compensation Act 1988 (SRC Act) (Administered)	Unlimited Amount	An Act to provide for the payment of workers compensation claims and associated expenses in accordance with the provisions of the SRC Act.	10,589	39,661
Asbestos-related Claims (Management of Commonwealth Liabilities) Act 2005 (Administered)	Unlimited Amount	An Act to assign responsibility for the management of certain liabilities relating to asbestos-related claims, and for related purposes.	5,989	27,890
Air Passenger Ticket Levy (Collection) Act 2001 [Administered] Appropriation limited to \$500,000,000.	Limited Amount	To provide a safety net arrangement for former employees of the Ansett Group of Companies.	-	-
Total special appropriations applied			7,062,497	28,369,151

**Department of Education, Employment and Workplace Relations
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Note 28E: Disclosure by Agent in Relation to Annual and Special Appropriations ('Recoverable GST exclusive')

	Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education	Department of Families, Housing, Community Services, and Indigenous Affairs
	\$'000	\$'000
2014		
Total receipts	-	57
Total payments	-	(300)

	Department of Industry, Innovation, Science, Research and Tertiary Education	Department of Families, Housing, Community Services, and Indigenous Affairs
	\$'000	\$'000
2013		
Total receipts	918	2,078
Total payments	(918)	(1,835)

**Department of Education, Employment and Workplace Relations
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Note 28F: Reduction in Administered Items (Recoverable GST exclusive)

2014	Amount required ³ - by Appropriation Act	Total amount required ³	Total amount appropriated ⁴	Total reduction ⁵
Ordinary Annual Services	Act (No.1)	Act (No.3)		
Outcome 1	352,572,822.53	-	352,572,822.53	177.47
Outcome 2	322,073,181.44	-	322,073,181.44	1,818.56
Outcome 3	2,006,614,030.84	-	2,006,614,030.84	969.16
Outcome 4	22,497,537.82	-	22,497,537.82	866,462.18
Other services	Act (No.2)	Act (No.4)		
Specific payments to States, ACT, NT and Local government				
Outcome 2	43,215,659.60	-	43,215,659.60	340.40

Notes:

¹ Numbers in this section are disclosed to the cent.

² Administered items for 2014 were reduced to these amounts when these financial statements were tabled in Parliament in the department's 2014 annual report. This reduction is effective in 2015, but the amounts are reflected in Note 28A in the 2014 financial statements in the column 'Appropriations reduced' as they are adjustments to 2014 appropriations.

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

⁴ Total amount appropriated in 2014.

⁵ Total reduction effective in 2015.

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2013	Amount required ³ - by Appropriation Act	Total amount required ³	Total amount appropriated ⁴	Total reduction ⁵
Ordinary Annual Services	Act (No.1)	Act (No.3)		
Outcome 1	430,119,617.03	61,233,488.22	514,913,000.00	23,559,894.75
Outcome 2	367,310,457.97	-	520,271,000.00	152,960,542.03
Outcome 3	2,224,574,643.45	-	2,590,817,000.00	366,242,356.55
Outcome 4	213,637,000.00	21,814,958.15	261,781,999.97	26,330,041.82
Other services	Act (No.2)	Act (No.4)		
Specific payments to States, ACT, NT and Local government				
Outcome 2	145,996,595.80	-	177,058,000.00	31,061,404.20

Notes:

¹ Numbers in this section are disclosed to the cent.

² Administered items for 2013 were reduced to these amounts when these financial statements were tabled in Parliament in the department's 2013 annual report. This reduction is effective in 2014, but the amounts are reflected in Table 28A in the 2012–13 financial statements in the column 'Appropriations reduced' as they are adjustments to 2013 appropriations.

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

⁴ Total amount appropriated in 2013.

⁵ Total reduction effective in 2014.

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 29: Special Accounts

Note 29A: Special Accounts (Recoverable GST exclusive)

	Aboriginal Tutorial Assistance Superannuation ¹		National Youth Affairs Research Scheme ²	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	960	926	251	310
Increases				
Appropriation credited to special account	-	-	-	-
Other receipts	-	34	-	-
Total increases	-	34	-	-
Available for payments	960	960	251	310
Decreases				
Departmental				
Transfer to the Official Public Account	-	-	-	-
Other Payments	-	-	-	-
Total departmental	-	-	-	-
Administered				
Payments made to suppliers	-	-	-	-
Other payments	-	-	-	(59)
Total administered	-	-	-	(59)
Total decreases	-	-	-	(59)
Total balance carried to the next period	960	960	251	251

	Early Years Quality Fund Special Account ³		Services for Other Entities and Trust Moneys ⁴	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	-	-	849	590
Increases				
Appropriation credited to special account	135,000	-	-	-
Other receipts	-	-	2,225	854
Total increases	135,000	-	2,225	854
Available for payments	135,000	-	3,074	1,444
Decreases				
Departmental				
Transfer to the Official Public Account	-	-	-	-
Other Payments	-	-	-	-
Total departmental	-	-	-	-
Administered				
Payments made to suppliers	-	-	(350)	(595)
Total administered	-	-	(350)	(595)
Total decreases	-	-	(350)	(595)
Total balance carried to the next period	135,000	-	2,724	849

Department of Education, Employment and Workplace Relations

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

¹ Aboriginal Tutorial Assistance Superannuation Special Account

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

Establishing Instrument: *Financial Management and Accountability Determination 2003/05* on 26 November 2003; later varied by the *Financial Management and Accountability Determination 2006/43* on 1 September 2006.

Purpose: to provide a source of finance for the liability for the Superannuation Productivity Benefit entitlements owing to tutors contracted under the Aboriginal Tutorial Assistance Scheme.

² National Youth Affairs Research Scheme Special Account

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

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

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

³ Early Years Quality Fund Special Account

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

Establishing Instrument: *Early Years Quality Fund Special Account Act 2013* on 1 July 2013

Purpose: To provide funding to the approved centre based long day care services, to be used exclusively for paying remuneration, and other employment-related costs and expenses, in relation to employees in the early childhood education and care sector.

⁴ Services for Other Entities and Trust Moneys Special Account

Appropriation: *Financial Management and Accountability Act 1997* on 3 June 2008; section 20

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

Purpose: To disburse amounts:

- held on trust or otherwise for the benefit of a person other than the Commonwealth
- in connection with services performed on behalf of other governments and bodies that are not FMA agencies
- to repay amounts where an Act or other law requires or permits the repayment of an amount received
- to reduce the balance of the Services for Other Entities and Trust Moneys Special Account.

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 30: Compensation and Debt Relief

	2014	2013
	\$	\$
Departmental		
No 'Act of Grace payments' were expensed during the reporting period (2013: nil)	<u>-</u>	<u>-</u>
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> . (2013: nil)	<u>-</u>	<u>-</u>
No ex-gratia payments were provided for during the reporting period (2013: nil)	<u>-</u>	<u>-</u>
No payment was provided under the Compensation for Detriment caused by Defective Administration Scheme during the reporting period (2013: one payment)	<u>-</u>	<u>20</u>
No payments were provided in special circumstances relating to Australian Public Sector employment pursuant to section 73 of the <i>Public Service Act 1999</i> during the reporting period (2013: nil)	<u>-</u>	<u>-</u>

Department of Education, Employment and Workplace Relations
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Administered	2014	2013
	\$'000	\$'000
7 'Act of Grace' payments were expensed during the reporting period (2013: 27 payments)	<u>2</u>	<u>13</u>
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> . (2013: 16)	<u>-</u>	<u>-</u>
42,548 waivers of amounts owing to the Australian Government were made pursuant to sections 1237, 1237A and 1237AAD of the <i>Social Security Act 1991</i> . (2013: 212,068 waivers)	<u>4,496</u>	<u>17,222</u>
652 waivers of amounts owing to the Australian Government were made pursuant to the <i>Student Assistance Act 1973</i> (2013: 3,299 waivers)	<u>222</u>	<u>584</u>
53,200 waivers of amounts owing to the Australian Government were made pursuant to the <i>A New Tax System (Family Assistance) (Administration) Act 1999</i> (2013: 102,520 waivers)	<u>1,070</u>	<u>2,121</u>
No ex-gratia payments were provided for during the reporting period. (2013: nil)	<u>-</u>	<u>-</u>
No payments were provided under the Compensation for Detriment caused by Defective Administration Scheme during the reporting period. (2013: nil)	<u>-</u>	<u>-</u>
No payments were provided in special circumstances relating to Australian Public Service employment pursuant to section 73 of the <i>Public Service Act 1999</i> during the reporting period. (2013: nil)	<u>-</u>	<u>-</u>

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 31: Reporting of Outcomes

The department has four outcomes. The department uses a cost allocation model to determine the attribution of its shared items.

Note 31A: Net cost of outcome delivery

	Outcome 1		Outcome 2		Outcome 3		Outcome 4	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Departmental								
Expenses	21,369	91,730	34,629	148,767	68,051	354,967	15,272	77,482
Own-source income	2,284	5,268	3,857	8,862	1,304	19,840	849	15,761
Administered								
Expenses	1,501,755	5,245,625	2,131,447	8,918,261	3,862,492	17,015,745	64,812	445,650
Income	135,081	10,151	10,023	47,165	1,319	18,571	24,182	212,000
Net cost/(contribution) of outcome delivery	1,385,759	5,321,936	2,152,196	9,011,001	3,927,920	17,332,301	55,053	295,371
			Payment to CAC Act Bodies¹		Not attributed²		Total	
			2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Departmental								
Expenses			-	-	-	-	139,321	672,946
Own-source income			-	-	-	-	8,294	49,731
Administered								
Expenses			22,928	445,475	98	-	7,583,532	32,070,756
Income			-	-	98	798	170,703	288,685
Net cost/(contribution) of outcome delivery			22,928	445,475	-	(798)	7,543,856	32,405,286

Outcomes 1 to 4 are described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome.

¹ Payments to CAC Act bodies are not related to outcomes. They are included here so the total agrees to the resourcing table.

² Some administered own-source income is not related to programmes and outcomes. They are included here so the total agrees to the schedule of comprehensive income.

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Note 31B: Major classes of departmental expense, income, assets and liabilities by outcome

	Outcome 1		Outcome 2		Outcome 3		Outcome 4	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Expenses								
Employee benefits	14,124	57,811	23,094	94,477	44,916	222,495	9,780	48,445
Suppliers	4,941	25,203	8,078	41,188	15,712	96,999	3,421	21,120
Depreciation	2,297	8,503	3,446	12,755	7,402	34,622	1,039	4,859
Grants	-	-	-	-	-	33	1,027	2,880
Other	7	213	11	347	21	818	5	178
Total expenses	21,369	91,730	34,629	148,767	68,051	354,967	15,272	77,482
Own-source income								
User charges	2,148	4,617	3,647	7,854	876	17,334	775	15,325
Income from government	54,372	80,541	84,444	125,088	175,853	302,558	32,371	55,694
Other	136	651	210	1,007	428	2,507	74	436
Total own-source income	56,656	85,809	88,301	133,949	177,157	322,399	33,220	71,455
Assets								
Cash and cash equivalents	999	-	1,619	-	1,638	-	357	-
Trade and other receivables	35,767	235	57,901	1,830	222,796	2,441	36,140	1,704
Accrued revenue	913	-	1,482	-	3,241	-	707	-
Land and buildings	22,426	12,216	34,803	18,959	21,351	45,837	3,932	8,441
Infrastructure, plant and equipment	2,740	2,417	8,570	7,565	16,375	19,101	1,892	2,207
Intangibles	10,596	7,550	32,752	23,336	61,545	74,459	5,800	7,017
Other financial assets	3,107	-	5,038	-	15,509	-	3,385	-
Total assets	76,548	22,418	142,165	51,690	342,455	141,838	52,213	19,369
Liabilities								
Suppliers	3,214	5,421	4,989	8,412	4,386	20,339	808	3,745
Other payables	10,779	7,677	16,805	10,551	14,429	28,764	2,640	5,304
Employee provisions	23,169	18,861	35,957	29,271	60,107	70,768	11,069	13,032
Other provisions	730	294	1,134	1,820	1,289	1,105	237	203
Total liabilities	37,892	32,253	58,885	50,054	80,211	120,976	14,754	22,284

**Department of Education, Employment and Workplace Relations
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	Not attributed ¹		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Expenses				
Employee benefits	-	-	91,914	423,228
Suppliers	-	-	32,152	184,510
Depreciation	-	-	14,184	60,739
Grants	-	-	1,027	2,913
Other	-	-	44	1,556
Total expenses	-	-	139,321	672,946
Own-Source Income				
User charges	-	-	7,446	45,130
Income from government	-	-	347,040	563,881
Other	-	-	848	4,601
Total own-source income	-	-	355,334	613,612
Assets				
Cash and cash equivalent	-	21,569	4,613	21,569
Trade and other receivables	-	88,136	352,604	94,346
Accrued revenue	-	14,326	6,343	14,326
Land and buildings	-	-	82,512	85,453
Infrastructure, plant and equipment	-	-	29,577	31,290
Intangibles	-	-	110,693	112,362
Other financial assets	-	23,716	27,039	23,716
Total assets	-	147,747	613,381	383,062
Liabilities				
Suppliers	-	-	13,397	37,917
Other payables	-	-	44,653	52,296
Employee provisions	-	-	130,302	131,932
Other provisions	-	-	3,390	3,422
Total liabilities	-	-	191,742	225,567

Outcomes 1 to 4 are described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome.

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

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Note 31C: Major classes of administered expenses, income, assets, and liabilities by outcomes

	Outcome 1			Outcome 2			Outcome 3			Outcome 4		
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Expenses												
Subsidies	-	-	-	5,107	8,368	62,552	21,040	172,568				
Personal benefits	1,261,749	4,875,490	61,987	289,344	3,420,082	14,856,645	40,800	261,645				
Grants	236,640	313,499	2,018,017	8,431,149	54	18,392	1,620	3,218				
Suppliers	284	54,104	32,957	192,211	434,336	2,077,290	1,350	8,203				
Other	3,082	2,532	18,486	450	(348)	866	2	16				
Total expenses	1,501,755	5,245,625	2,131,447	8,918,261	3,862,492	17,015,745	64,812	445,650				
Income												
Taxation	-	-	-	-	-	-	21,039	172,567				
Non taxation revenue	135,081	3,463	10,023	17,073	1,319	7,012	3,143	39,433				
Gains	-	6,688	-	30,092	-	11,559	-	-				
Total income	135,081	10,151	10,023	47,165	1,319	18,571	24,182	212,000				
Assets												
Cash and cash equivalents	135,387	-	3,466	-	-	-	84	-				
Receivables	312,952	328,594	77,164	86,606	817,241	910,817	7,512	19,656				
Investments	-	-	6,987	6,987	-	-	116,725	-				
Other non-financial assets	3,864	-	990	-	60,990	-	2,329	3,493				
Total assets	452,203	328,594	88,607	93,593	878,231	910,817	126,650	23,149				
Liabilities												
Suppliers	19,920	24,363	13,550	43,523	23,983	77,280	2,025	113				
Subsidies	-	-	-	-	774	3,922	7,250	28,427				
Personal benefits	118,561	103,014	1,160	7,514	405,048	364,226	2,277	3,602				
Grants	8,539	8,721	5,260	33,698	-	585	-	80				
Other payables	-	-	-	-	-	-	-	-				
Provision for personal benefits	624,484	742,404	-	-	-	-	-	-				
Total liabilities	771,504	878,502	19,970	84,735	429,805	446,013	11,552	32,222				

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	Payment to CAC Act bodies		Not attributed ¹		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Expenses						
Subsidies	-	-	-	-	29,408	240,227
Personal benefits	-	-	-	-	4,784,618	20,283,124
Grants	16,637	439,195	-	-	2,272,968	9,205,453
Suppliers	-	-	98	-	469,025	2,331,808
Other	6,291	6,280	-	-	27,513	10,144
Total expenses	22,928	445,475	98	-	7,583,532	32,070,756
Income						
Taxation	-	-	-	-	21,039	172,567
Non taxation revenue	-	-	98	798	149,664	67,779
Gains	-	-	-	-	-	48,339
Total income	-	-	98	798	170,703	288,685
Assets						
Cash and cash equivalents	-	-	558	2,118	139,495	2,118
Receivables	-	-	511	100	1,215,380	1,345,773
Investments	-	-	-	-	123,712	6,987
Other non-financial assets	-	-	-	-	68,173	3,493
Total assets	-	-	1,069	2,218	1,546,760	1,358,371
Liabilities						
Suppliers	-	-	-	-	59,478	145,279
Subsidies	-	-	-	-	8,024	32,349
Personal benefits	-	-	-	-	527,046	478,356
Grants	-	-	-	-	13,799	43,084
Other payables	2,788,163	2,788,163	19,078	39,677	2,807,241	2,827,840
Provision for personal benefits	-	-	-	-	624,484	742,404
Total liabilities	2,788,163	2,788,163	19,078	39,677	4,040,072	4,269,312

Outcomes 1 to 4 are described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome.

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

Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 32: Net Cash Appropriation Arrangements

	2014	2013
	\$'000	\$'000
<i>Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations</i> ¹	230,243	1,452
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<u>(14,184)</u>	<u>(60,739)</u>
<i>Total comprehensive income (loss) - as per the Statement of Comprehensive Income</i>	<u>216,059</u>	<u>(59,287)</u>

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

Department of Education, Employment and Workplace Relations NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 33: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The former Department of Finance and Deregulation (Finance) provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts. The possibility of this being an issue for the agency was reported in the department's 2011–12 and 2012–13 financial statements. The department completed risk assessments during 2011–12 and 2012–13, in line with the guidance provided by Finance.

The department has continued to monitor its level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible. The department used the assessment processes identified in Finance's guidance paper to determine the risk of potential section 83 breaches. The process was informed by the results and lessons learned during previous years. Gap analysis was employed to identify changes in the target legislation and associated controls, where these have section 83 implications.

The agency identified 14 appropriations involving statutory conditions for payment, comprising:

- ten special appropriations
- four special accounts.

The work conducted during the 2013–14 financial year has identified:

- Social Security Administration Act 1999 and Student Assistance Act 1973 have 89,375 potential breaches of section 83 based on debts raised for payments made in 2013–14. These total \$28.683 million with the majority relating to the Newstart Allowance. There are mitigating factors that explain the number and amount of potential section 83 breaches. Social Security and Student Assistance legislation requires customers to provide personal information to the Department of Human Services (DHS) from which DHS makes assessments and payments to the customer. If the customer fails to notify DHS or provides incorrect information, an overpayment could arise. Section 83 does not distinguish between errors made by the department or those initiated by customer notifications. Amounts recovered for debts raised in 2013–14 total \$1.100 million. Amounts subject to waiver or write-off for debts raised in 2013–14 are \$1.098 million.

Of the total amount paid in potential contravention of section 83 identified above, Table A provides a breakdown by appropriation of the amounts paid incorrectly, the amounts recovered or offset against later payment, amounts for which recovery action is in progress and/or amounts subject to waiver or write-off or other resolution.

During 2012–13 additional legal advice was received that indicated there could be breaches of section 83 under certain circumstances with payment for long service leave, goods and services tax and payments under determinations of the Remuneration Tribunal. The department has determined that there is a low risk of the certain circumstances mentioned in the legal advice applying to the department. The department is not aware of any specific breaches of section 83 in respect of these items.

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Table A - Summary

Appropriations identified as subject to conditions	Expenditure in 2013–14 \$000	Review complete? (Yes/No)	Breaches identified to date			Potential breaches to date yet to be resolved		Remedial action taken or proposed ^{1,2}	
			Number	Total \$000	Incorrect \$000	Recovered/offset as at date \$000	Yes/No		Indicative extent
Special Appropriations									
<i>A New Tax System (Family Assistance) Act 1999</i>	1,353,586	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A
<i>Early Years Quality Fund Special Account Act 2013</i>	135,000	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A
<i>Schools Assistance Act 2008</i>	1,939,863	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A
<i>Indigenous Education (Targeted Assistance) Act 2000</i>	29,013	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A
<i>Fair Entitlements Guarantee Act 2012</i>	36,505	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A
<i>Student Assistance Act 1973</i>	69,965	Yes	Nil	Nil	Nil	Nil	Yes	Refer Table B	N/A
<i>Social Security Administration Act 1999</i>	3,439,771	Yes	Nil	Nil	Nil	Nil	Yes	Refer Table B	N/A
<i>Safety, Rehabilitation & Compensation Act 1988</i>	10,589	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A
<i>Asbestos-related claims (Management of Commonwealth Liabilities) Act 2005</i>	5,989	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Appropriations identified as subject to conditions	Expenditure in 2013–14 \$'000	Review complete? (Yes/No)	Breaches identified to date				Potential breaches to date yet to be resolved		Remedial action taken or proposed ^{1,2}
			Number	Total \$'000	Incorrect \$'000	Recovered/offset as at date \$'000	Yes/No	Indicative extent	
<i>Coal Mining Industry (Long Service Leave) Administration Act 1992</i>	42,216	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A
Special Accounts									
Services for Other Entities and Trust Moneys	350	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A
National Youth Affairs Research Scheme	-	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A
Aboriginal Tutorial Assistance Superannuation	-	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A
Early Years Quality Fund Special Account	-	No	Nil	Nil	Nil	Nil	No	Nil	N/A

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Appropriations identified as subject to conditions	Expenditure in 2012–13 \$000	Review complete? (Yes/No)	Breaches identified to date				Potential breaches to date yet to be resolved		Remedial action taken or proposed ^{1,2}
			Number	Total \$000	Incorrect \$000	Recovered/offset as at date \$000	Yes/No	Indicative extent	
Special Appropriations									
<i>A New Tax System (Family Assistance) Act 1999</i>	4,748,386	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A
<i>Schools Assistance Act 2008</i>	7,979,500	Yes	Nil	Nil	Nil	Nil	Yes	Refer Table B	SP
<i>Indigenous Education (Targeted Assistance) Act 2000</i>	137,830	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A
<i>Fair Entitlements Guarantee Act 2012</i>	34,308	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A
<i>Student Assistance Act 1973</i>	290,571	Yes	Nil	Nil	Nil	Nil	Yes	Refer Table B	N/A
<i>Social Security Administration Act 1999</i>	14,940,551	Yes	Nil	Nil	Nil	Nil	Yes	Refer Table B	N/A
<i>Safety, Rehabilitation & Compensation Act 1988</i>	39,661	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A
<i>Asbestos-related claims (Management of Commonwealth Liabilities) Act 2005</i>	27,890	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A
<i>Coal Mining Industry (Long Service Leave) Administration Act 1992</i>	170,545	Yes	Nil	Nil	Nil	Nil	No	Nil	N/A

**Department of Education, Employment and Workplace Relations
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

Appropriations identified as subject to conditions	Expenditure in 2012–13 \$000	Review complete? (Yes/No)	Breaches identified to date			Potential breaches to date yet to be resolved		Remedial action taken or proposed ^{1,2}
			Number	Total \$000	Incorrect \$000	Recovered/offset as at date \$000	Yes/No	
Special Accounts								
Services for Other Entities and Trust Moneys	595	Yes	Nil	Nil	Nil	No	Nil	N/A
National Youth Affairs Research Scheme	59	Yes	Nil	Nil	Nil	No	Nil	N/A
Aboriginal Tutorial Assistance Superannuation	-	Yes	Nil	Nil	Nil	No	Nil	N/A

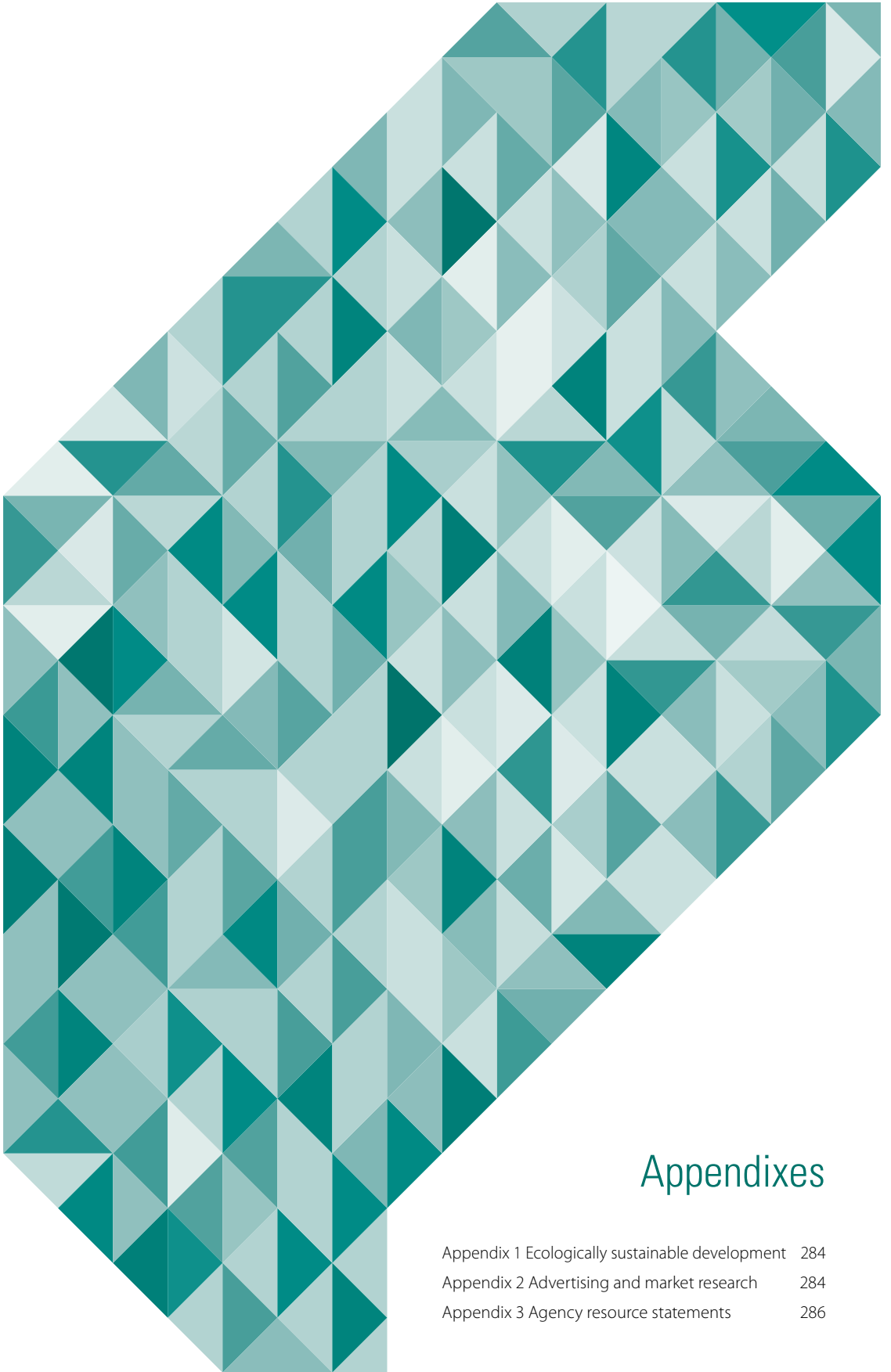
¹ L= legislative change; S= systems change; P=planned; M=made (e.g. SM, or LP).

² The department will continue to monitor its level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible. Where possible legislative amendments and system changes will continue to be progressed.

Department of Education, Employment and Workplace Relations
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Table B – Summary of potential breaches

2013–14					
Act	Value of potential breaches \$	Number of potential breaches	Recovery of 2012–13 potential breaches \$	Potential breaches waived or written off \$	
<i>Student Assistance Act 1973</i>	1,064,031	1,602	65,737	24,586	
<i>Social Security Administration Act 1999</i>	27,619,159	87,773	1,034,338	1,073,538	
Total	28,683,190	89,375	1,100,075	1,098,124	
2012–13					
Act	Value of potential breaches \$	Number of potential breaches	Recovery of 2012–13 potential breaches \$	Potential breaches waived or written off \$	
<i>Schools Assistance Act 2008</i>	452,873	80	-	-	
<i>Student Assistance Act 1973</i>	4,636,215	9,192	318,085	130,820	
<i>Social Security Administration Act 1999</i>	101,297,849	389,792	4,376,219	7,521,873	
Total	106,386,937	399,064	4,694,304	7,652,693	



Appendixes

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Appendix 1 Ecologically sustainable development

The department is committed to improving its environmental performance and reports on its activities under section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*.

Our environmental management activities are focused on reducing the effects on the environment of our energy, water and paper consumption, waste, travel, transport and procurement policies and practices. We continue to evaluate and improve our operational efficiency to ensure that our activities contribute to successful long-term outcomes and to increase our understanding of sustainability beyond the environmental sphere.

The department's activities are consistent with the ecologically sustainable development principles (section 3A of the Act), the first of which is that 'decision-making processes should effectively integrate both long-term and short-term economic, environmental, social and equitable considerations'. More information on the environmentally sustainable development principles can be found at www.environment.gov.au/esd.

Further information and data on the department's environmental performance can be found in Part 3 of this report.

The Department of Education, Employment and Workplace Relations participated in the Department of Finance and Deregulation's sustainability reporting pilot from 2011–12 until it ended in 2013–14.

ICT Sustainability Plan

The Australian Government's ICT Sustainability Plan 2010–2015 is a five-year plan that will assist Commonwealth agencies to better align their use of ICT with the government's overall sustainability agenda.

Under the plan, we have targets, actions and reporting obligations for our ICT operations. Information on our ICT sustainability performance is provided in Part 3 of this report and more information on the sustainability plan is available at www.environment.gov.au.

Appendix 2 Advertising and market research

Details of payments made to advertising, market research, polling, media advertising and direct mail organisations by the department in 2013–14 are provided in the Tables 32–35. Where the total paid is less than \$12,400 (inclusive of GST) details have not been included. This is consistent with section 311A of the *Commonwealth Electoral Act 1918*.

During 2013–14, the department conducted advertising campaigns for the mature-age employment programme and the Tasmanian Jobs Programme. Further information is available at www.employment.gov.au and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available at www.finance.gov.au/advertising/index.html.

Table 32 Advertising agencies

Organisation	Service provided	Total \$ paid 2013–14
Spinach Advertising Pty Ltd	Development of creative concepts for the mature-age employment programme's communication campaign	268,240.96

Table 33 Market research and polling organisations

Organisation	Service provided	Total \$ paid 2013–14
Hall & Partners Open Mind Pty Ltd	Services to deliver benchmarking, tracking and evaluation research for the mature-age employment programme's communication campaign	36,125.00
Wallis Consulting Group Pty Ltd	Concept testing research and refinement for the mature-age employment programme's communication campaign	148,986.20

Table 34 Media advertising organisations

Organisation	Service provided	Total \$ paid 2013–14
Sensis Pty Ltd	White Pages listings in telephone books throughout Australia 2013–14	23,752.30
Universal McCann	Media booking for the Australian Government's mature-age employment programme's communication campaign	108,980.99
Universal McCann	Media booking for the Australian Government's Tasmanian Jobs Programme communication campaign	84,465.60

Table 35 Direct mail organisations

Organisation	Service provided	Total \$ paid 2013–14
Fuji Xerox Business Force Pty Limited	Printing and mail services for the Post-Programme Monitoring Survey	218,049.31

Appendix 3 Agency resource statements

Table 36 Agency resource statement, 2013–14

		Actual available appropriation for 2013–14	Payments made 2013–14	Balance remaining 2013–14
		\$'000 (a)	\$'000 (b)	\$'000 (a)–(b)
Ordinary annual services¹				
Departmental appropriation ²		327,335	257,387	69,948
s31 relevant agency receipts		16,673	16,673	–
Total		344,008	274,060	69,948
Administered expenses				
Outcome 1		1,553,994	1,414,084	–
Outcome 2		38,555	24,993	–
Payments to CAC Act bodies		1,433	1,433	–
Total		1,593,982	1,440,511	–
Total ordinary annual services	A	1,937,990	1,714,571	–
Departmental non-operating				
Equity injections ³		2,127	–	2,127
Total		2,127	–	2,127
Administered other services				
Administered assets and liabilities ³		2,967	80	–
Total		2,967	80	–
Total other services	B	5,094	80	–
Total available annual appropriations and payments		1,943,084	1,714,651	–

		Actual available appropriation for 2013–14	Payments made 2013–14	Balance remaining 2013–14
		\$'000 (a)	\$'000 (b)	\$'000 (a)–(b)
Special appropriations				
Special appropriations limited by criteria/entitlement				
<i>Fair Work Entitlement Guarantee Act 2012</i>		–	144,647	–
<i>Coal Mining Industry (LSL) Funding Act 1992</i>		–	127,622	–
<i>Safety, Rehabilitation and Compensation Act 1988</i>		–	31,766	–
<i>Asbestos-related Claims (Management of Commonwealth Liabilities Act) 2005</i>		–	17,968	–
Total special appropriations	C	–	322,003	–
Special accounts				
Opening balance		–	–	–
Total special accounts	D	–	–	–
Total resourcing and payments (A+B+C+D)		1,943,084	2,036,654	
Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or CAC Act bodies through annual appropriations		1,433	1,433	–
Total net resourcing and payments for Employment		1,941,651	2,035,221	–

¹ Includes Section 32 transfers and Appropriation Bill (No 3) 2013–14, this also includes prior year departmental appropriation.

² Includes an amount of \$21.3m for the 2013–14 departmental capital budget. For accounting purposes this amount has been designated as 'contributions by owners'.

³ Appropriation Bill (No 4) 2013–14.

Table 37 Expenses for Outcome 1

Outcome 1: Foster productive and competitive labour markets through employment policies and programmes that assist job seekers into work, meet employer needs and increase Australia's workforce participation.	Budget* 2013–14	Actual expenses 2013–14	Variation 2013–14
	\$'000 (a)	\$'000 (b)	\$'000 (a)–(b)
Programme 1.1: Employment services			
Administered expenses			
Ordinary annual services (Appropriation Bill No 1)	1,027,922	989,111	38,811
Total for Programme 1.1	1,027,922	989,111	38,811
Programme 1.2: Indigenous Employment¹			
Administered expenses			
Ordinary annual services (Appropriation Bill No 1)	16,946	16,946	–
Total for Programme 1.2	16,946	16,946	–
Programme 1.3: Disability Employment Services²			
Administered expenses			
Ordinary annual services (Appropriation Bill No 1)	341,047	393,048	(52,001)
Total for Programme 1.3	341,047	393,048	(52,001)
Programme 1.4: Remote Jobs and Communities Programme³			
Administered expenses			
Ordinary annual services (Appropriation Bill No 1)	15,531	15,591	(60)
Total for Programme 1.4	15,531	15,591	(60)

Outcome 1: Foster productive and competitive labour markets through employment policies and programmes that assist job seekers into work, meet employer needs and increase Australia's workforce participation.	Budget* 2013–14	Actual expenses 2013–14	Variation 2013–14
	\$'000 (a)	\$'000 (b)	\$'000 (a)–(b)
Outcome 1 totals by appropriation type			
Administered expenses			
Ordinary annual services (Appropriation Bill No 1)	1,401,446	1,414,696	(13,250)
Departmental expenses			
Departmental appropriation ⁴	185,286	201,008	(15,722)
Expenses not requiring appropriation in the Budget year	21,094	30,007	(8,913)
Total for Outcome 1	1,607,826	1,645,711	(37,885)
Average staffing level (number)	1,169	1,186	(17)

* Full-year budget, including any subsequent adjustment made to the 2013–14 Budget.

¹ Programme 1.2 transferred to the Department of the Prime Minister and Cabinet on 5 December 2013.

² Programme 1.3 transferred to the Department of Social Services on 1 April 2014.

³ Programme 1.4 transferred to the Department of the Prime Minister and Cabinet on 5 December 2013.

⁴ Departmental appropriation combines ordinary annual services (Appropriation Bill No. 1) and revenue from independent sources (section 31).

Table 38 Expenses for Outcome 2

Outcome 2: Facilitate jobs growth through policies that promote fair, productive and safe workplaces.	Budget* 2013–14	Actual expenses 2013–14	Variation 2013–14
	\$'000 (a)	\$'000 (b)	\$'000 (a)–(b)
Programme 2.1: Employee assistance			
Administered expenses			
Ordinary annual services (Appropriation Bill No 1)	9,685	9,217	468
Special Appropriations	264,520	280,395	(15,875)
Total for Programme 2.1	274,205	289,612	(15,407)
Programme 2.2: Workplace assistance			
Administered expenses			
Ordinary annual services (Appropriation Bill No 1)	11,625	10,568	1,057
Total for Programme 2.2	11,625	10,568	1,057
Programme 2.3: Workers' compensation payments			
Administered expenses			
Ordinary annual services (Appropriation Bill No 1)	1,433	(17,489)	18,922
Special Appropriations	40,190	49,734	(9,544)
Total for Programme 2.3	41,623	32,245	9,378
Outcome 2 Totals by appropriation type			
Administered expenses			
Ordinary annual services (Appropriation Bill No 1)	22,743	2,296	20,447
Special Appropriations	304,710	330,129	(25,419)
Departmental expenses			
Departmental appropriation ¹	72,905	84,756	(11,851)
Expenses not requiring appropriation in the budget year	8,262	13,355	(5,093)
Total for Outcome 2	408,620	430,536	(21,916)
Average staffing level (number)	458	474	(16)

* Full-year budget, including any subsequent adjustment made to the 2013–14 Budget.

¹ Departmental appropriation combines ordinary annual services (Appropriation Bill No. 1) and revenue from independent sources (section 31).

Acronyms

ABS	Australian Bureau of Statistics
ANAO	Australian National Audit Office
APS	Australian Public Service
COAG	Council of Australian Governments
DHS	Department of Human Services
DEEWR	Department of Education, Employment and Workplace Relations
FEG	Fair Entitlements Guarantee
GEERS	General Employee Entitlements and Redundancy Scheme
ICT	information and communication technology
ILO	International Labour Organization
IT	information technology
NABERS	National Australian Built Environment Rating System
OECD	Organisation for Economic Co-operation and Development
SES	Senior Executive Service

Glossary

administered item	Revenues, expenses, assets and liabilities that the government controls, but which an agency or authority manages on the Commonwealth's behalf.
appropriation	An amount of public moneys parliament authorises for spending for a particular purpose.
AusTender	The Australian Government's web-based procurement system, which provides centralised access to all publicly available approaches to market, multi-use lists, annual procurement plans and reported contracts.
budget measure	A decision by Cabinet or ministers that has resulted in a cost or savings to outlays.
effectiveness indicators	Measures the joint or independent contribution of programmes and administered items to the achievement of their specified outcome.
performance indicators	Financial and non-financial measures used to help define and evaluate an organisation's success. An indicator is usually selected on the basis of relevance as a measure of some aspect of a specific project or operation.
outcomes	The government's objectives in each portfolio area. Outcomes are desired results, impacts or consequences for the Australian community as influenced by the actions of the government. Actual outcomes are assessments of the end results or impacts actually achieved.
Portfolio Budget Statements	Budget-related paper detailing budget initiatives and explanations of appropriations specified by outcome and programme by each agency within a portfolio.
programmes	Government programmes deliver benefits, services or transfer payments to individuals, industry/business or the community as a whole and are the primary vehicles for government agencies to achieve the intended results of their outcome statements.
sustainable development	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

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	Letter of transmittal	Mandatory	iii
	Table of contents	Mandatory	v
	Index	Mandatory	300
	Glossary	Mandatory	292
	Contact officer(s)	Mandatory	ii
	Internet home page address and internet address for report	Mandatory	ii
Review by Secretary			
	Review by departmental secretary	Mandatory	2
	Summary of significant issues and developments	Suggested	2–4
	Overview of department's performance and financial results	Suggested	4
	Outlook for following year	Suggested	4
	Significant issues and developments—portfolio	Portfolio departments—suggested	2
Departmental Overview			
	Role and functions	Mandatory	5
	Organisational structure	Mandatory	7
	Outcome and programme structure	Mandatory	8
	Where outcome and programme structures differ from Portfolio Budget Statements, Portfolio Additional Estimates Statements or other portfolio statements accompanying any other additional appropriation Bills (other portfolio statements), details of variation and reasons for change	Mandatory	8–9
	Portfolio structure	Portfolio departments—mandatory	12–13

Part of Report	Description	Requirement	Page
Report on Performance			
	Review of performance during the year in relation to programmes and contribution to outcomes	Mandatory	16–53
	Actual performance in relation to deliverables and Key Performance Indicators set out in Portfolio Budget Statements, Portfolio Additional Estimates Statements or other portfolio statements	Mandatory	16–53
	Where performance targets differ from the in Portfolio Budget Statements, Portfolio Additional Estimates Statements, details of both former and new targets, and reasons for the change	Mandatory	16–53
	Narrative discussion and analysis of performance	Mandatory	16–53
	Trend information	Mandatory	16–53
	Significant changes in nature of principal functions–services	Suggested	9
	Performance of purchaser–provider arrangements	If applicable, suggested	79–81
	Factors, events or trends influencing departmental performance	Suggested	16–53
	Contribution of risk management in achieving objectives	Suggested	76–77
	Performance against service charter customer service standards, complaints data, and the department’s response to complaints	If applicable, mandatory	78
	Discussion and analysis of the department’s financial performance	Mandatory	79
	Discussion of any significant changes in financial results from the prior year, from budget or anticipated to have a significant impact on future operations	Mandatory	79, 92–282
	Agency resource statement and summary resource tables by outcomes	Mandatory	286–290
Management and Accountability			
Corporate Governance			
	Agency heads are required to certify that their agency complies with the Commonwealth Fraud Control Guidelines	Mandatory	iii
	Statement of the main corporate governance practices in place	Mandatory	72–75

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	Names of the senior executive and their responsibilities	Suggested	5–6
	Senior management committees and their roles	Suggested	72–75
	Corporate and operational plans and associated performance reporting and review	Suggested	75–76
	Internal audit arrangements including approach adopted to identifying areas of significant financial or operational risk and arrangements to manage those risks	Suggested	78–79
	Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	78
	How nature and amount of remuneration for SES officers is determined	Suggested	60
External Scrutiny			
	Significant developments in external scrutiny	Mandatory	81–85
	Judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner	Mandatory	82–84
	Reports by the Auditor-General, a parliamentary committee, the Commonwealth Ombudsman or an agency capability review	Mandatory	39, 81
Management of Human Resources			
	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	56
	Workforce planning, staff retention and turnover	Suggested	59
	Impact and features of enterprise or collective agreements, individual flexibility arrangements, determinations, common law contracts and Australian workplace agreements	Suggested	60–61
	Training and development undertaken and its impact	Suggested	56
	Work health and safety performance	Suggested	61–62
	Productivity gains	Suggested	56
	Statistics on staffing	Mandatory	57–61
	Enterprise or collective agreements, individual flexibility arrangements, determinations, common law contracts and Australian Workplace agreements	Mandatory	60
	Performance pay	Mandatory	61

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Assets management			
	Assessment of effectiveness of assets management	If applicable, mandatory	81
Purchasing			
	Assessment of purchasing against core policies and principles	Mandatory	79–81
Consultants			
	The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory	79
Australian National Audit Office Access Clauses			
	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	Nil to report
Exempt contracts			
	Contracts exempted from publication in AusTender	Mandatory	80
Financial Statements			
	Financial statements	Mandatory	92–282
Other Mandatory Information			
	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i>)	Mandatory	61–62
	Advertising and market research (section 311A of the <i>Commonwealth Electoral Act 1918</i>) and statement on advertising campaigns	Mandatory	284–285
	Ecologically sustainable development and environmental performance (section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Mandatory	284
	Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>	If applicable, mandatory	Not applicable
	Grant programmes	Mandatory	79

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	Disability reporting—explicit and transparent reference to agency-level information available through other reporting mechanisms	Mandatory	74
	Information Publication Scheme statement	Mandatory	87
	Correction of material errors in previous annual report	If applicable, mandatory	Not applicable
	Agency resource statements and resources for outcomes	Mandatory	286–290
	List of requirements	Mandatory	296

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